

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. BAKKANAWAR	DIRECTOR
8.	Dr. T. HANUMAN CHOUDARY	DIRECTOR
9.	Smt. T. V. LAKSHMI	DIRECTOR

REGISTERED OFFICE :

8-3-1113/2B, Kesava Nagar,
Srinagar Colony,
Hyderabad.-500 073.
Tel.Nos.91-40-23736833/23730553.
Fax:91-40-23743526.
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.

SYNDICATE BANK
N.S. Road,
Hyderabad

TERA SOFTWARE LIMITED

NOTICE

Notice is hereby given that the Ninth 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 27th day of September, 2003 at 11.00 a.m to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003, Profit & Loss Account for the year ended on that date together with the Reports of the Directors' & Auditors' thereon.
2. To declare dividend on Equity shares.
3. To reappoint Shri. T.Gopichand, who retires by rotation and eligible for re- appointment.
4. To reappoint Shri. N.V.V.Prasad, who retires by rotation and eligible for re-appointment.
5. To reappoint M/s. NARVEN ASSOCIATES, Chartered Accountants, the retiring auditors as Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS:

1. To consider and if thought fit, to pass with or without modification, the following resolution as ordinary resolution:
"Resolved that Shri R.S.Bakkannavar be and is hereby appointed as a director of the Company liable to retire by rotation."
2. To consider and if thought fit, to pass with or without modification, the following resolution as ordinary resolution:
"Resolved that Dr. Shri T.Hanuman Chowdury be and is hereby appointed as a director of the Company liable to retire by rotation."
3. To consider and if thought fit, to pass with or without modification, the following resolution as ordinary resolution:
"Resolved that Dr. Smt. T.V.Lakshmi be and is hereby appointed as a director of the Company liable to retire by rotation."
4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary 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 Managing Director Shri T.Gopichand be and is hereby revised as detailed below:
 - i) Salary: Rs. 35,000/- Per month in the pay scale of 30,000 - 5,000 - 55,000.
 - ii) Perquisites and Allowances:
 - I. Housing:
 - a) The expenditure incurred by the Company on hiring accommodation for the Managing Director shall be subject to a ceiling of 15,000/-.
 - b) Where the Company does not provide accommodation to the Managing Director, House Rent Allowance may be paid by the Company in accordance with (a) above.
 - II. Other Perquisites:
 - a) Company's contribution towards Provident Fund subject to a ceiling of 12% of salary, as per rules of the Company.
 - b) Gratuity payable in accordance with an approved scheme and shall not exceed one and half month's salary for each completed year of service.
5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary 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 Executive Director Shri N.V.V.Prasad be and is hereby revised as detailed below:

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- i) Salary: Rs.30,000/- Per month in the pay scale of 20,000 - 5,000 - 45,000.
- ii) Perquisites and Allowances:
- I. Housing:
- i. The expenditure incurred by the Company on hiring accommodation for the Executive Director shall be subject to a ceiling of 10,000/-.
- ii. Where the Company does not provide accommodation to the Managing Director, House Rent Allowance may be paid by the Company in accordance with (a) above.
- II. Other Perquisites:
- i. Company's contribution towards Provident Fund subject to a ceiling of 12% of salary, as per rules of the Company.
- ii. Gratuity payable in accordance with an approved scheme and shall not exceed one and half month's salary for each completed year of service.
6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary 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 Whole Time Director Smt. T.Pavana Devi be and is hereby revised as detailed below:
- i) Salary: Rs.15,000/- Per month in the pay scale of 10,000 - 2,500 - 22,500.
- ii) Perquisites and Allowances:
- I. Housing:
- i. The expenditure incurred by the Company on hiring accommodation for the Managing Director shall be subject to a ceiling of 7,500/-.
- ii. Where the Company does not provide accommodation to the Managing Director, House Rent Allowance may be paid by the Company in accordance with (a) above.
- II. Other Perquisites:
- i. Company's contribution towards Provident Fund subject to a ceiling of 12% of salary, as per rules of the Company.
- ii. Gratuity payable in accordance with an approved scheme and shall not exceed one and half month's salary for each completed year of service.

By Order of the Board of Directors

Date : 29.08.2003
Place : Hyderabad.

Sd/-
(T. GOPI CHAND)
Managing Director

Notes :

- 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. 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.**
- Members/Proxies should fill the attendance slip for attending the meeting.
- 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.
- The Company has already notified closure of Register of Members and the Share Transfer Books from Tuesday, 23rd September 2003 to Friday, 26th September 2003 (both the days inclusive).
- Shareholders are requested to bring their copy of Annual Report to the meeting.

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Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

1. Items 1,2&3 of the Special Business:

Shri R.S.Bakkannavar, Dr. Shri T.Hanuman Chowdury, and Dr. Smt. T.V.Lakshmi were co-opted as additional directors at the Meeting of the Board of Directors held on 30.9.2003 and as such will be holding office only up to the date of this annual general meeting. The Company has received notice under section 257 of the Companies Act, 1956 from the shareholders of the Company for appointing Shri R.S.Bakkannavar, Dr. Shri T.Hanuman Chowdury, and Dr. Smt. T.V.Lakshmi as directors of the Company along with the necessary fees as prescribed under the provisions of the Companies Act, 1956.

Shri R.S.Bakkannavar is an Ex Regional Director of Reserve Bank of India and having four decades of experience in Banking and Finance.

Dr. Shri T.Hanuman Chowdury is a well-known personality in Information Technology field and presently is the Adviser to the Government of Andhra Pradesh in the field of information technology. He is also director on the Board of several companies and having rich and varied experience of five decades.

Dr. Smt. T.V.Lakshmi, a Doctorate in Physics and had been associated with the Information Technology. At present she is running a company. She had a rich experience of content development and Administration.

The directors commend the resolutions keeping in view the vast experience the individuals have in their respective fields.

None of the directors are interested in the above resolutions.

2. Items 4,5&6 of the Special Business:

The members at their meeting held on 28.1.2000 fixed the Working directors' remuneration and the Remuneration Committee on 26.8.2003 revised the same. In the light of the increased volume of operations and enhanced profitability, your directors commend the resolution.

None of the directors are interested/deemed to be interested in the resolution except Shri T.Gopichand, the Managing Director, Shri N.V.V.Prasad, the Executive Director and Smt. T. Pavana Devi, the Whole Time Director.

Shri T.Gopichand and Smt. T.Pavana Devi are interested individually and mutually in the resolutions concerning them being relatives as per Section 6 of the Companies Act, 1956.

By Order of the Board of Directors

Sd/-

(T. GOPI CHAND)

Managing Director

Date : 29.08.2003

Place : Hyderabad.

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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:

Serial Number	1	2	
Name of the Director	Shri.T.Gopichand	Shri.N.V.V.Prasad	
Age	44Years	43Years	
Date of Appointment	01.09.2000	01.12.1999	
No of List of outside Directorships held	Nil	Nil	
Chairman of the Committee of the Board of Directors of the Company	Nil	Nil	
Member of the Board of Directors of the Company	Investment Committee Share Transfer Committee	Investment Committee Share Transfer Committee	Committee of Share Transfer Committee
Chairman/member of the Committee of Directors of other Companies	Nil	Nil	
Serial Number	3	4	5
Name of the Director	Shri.R.S.Bakkannavar	Dr. Shri.T.H.Choudary	Dr. Smt T.V.Lakshmi
Age	62Years	71Years	44Years
Date of Appointment	30.09.2002	30.09.2002	30.09.2002
No of List of outside Directorships held	3	3	Nil
Chairman of the Committee of the Board of Directors of the Company	Audit Committee	Nil	Nil
Member of the Committee of the Board of Directors of the Company	Nil	Nil	Shareholders Grievance Committee
Chairman/member of the Committee of Directors of other Companies	Nil	Nil	Nil

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DIRECTORS' REPORT

Your Directors have the pleasure in presenting to you the Ninth Annual Report on the working of the company and Audited Statements of Accounts for the year ended 31st March 2003.

a) Financial Results:

PARTICULARS	(Rs. In Lakhs)	
	Year Ended 31.03.2003	Year Ended 31.03.2002
Gross Income	1319.20	1015.1
Expenditure	1144.68	958.85
Profit before interest, deprecation & tax	174.52	56.25
Less: Interest (Financial Cost)	2.29	15.22
Profit before deprecation & tax	172.23	41.03
Less: Depreciation	76.19	12.57
Profit before tax	96.04	28.46
Less: Provision for taxation:		
:Current Year	7.77	1.99
:Earlier Years	0.34	3.02
:Deferred tax	28.79	36.90
	36.90	11.75
		16.76
Profit after tax	59.14	11.7
Surplus brought forward from the previous year	111.55	99.85
Profit available for distribution	170.69	111.55
Less:		
Proposed dividend	38.47	Nil
Tax on distributed profits	4.93	43.40
		Nil
		Nil
Balance Carried to Balance Sheet	127.29	111.55

b) Results of operations for the financial year 2002-2003:

The company achieved a turnover of Rs.1319.20Lakhs during the year and earned a net profit of Rs.Lakhs. During the year, the Company was successful in getting the BOOT order of State Government of Andhra Pradesh to impart computer education through Consortium. The revenues from the AP Schools project were included in the turnover to an extent of Rs.178lakhs.

c) Dividend:

Considering the current year's profitability and the on hand order position, your directors are pleased to recommend for your consideration a dividend of 5% for the year ended 31st March 2003.

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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. And we are process of delisting from Bangalore Stock Exchange and applied for trading permission at Mumbai Stock Exchange.

e) E-Governance Projects:

Your Company during the year under review has focused on to e-Governance Projects. With the acquired skill set by implementing the BOOT Project (Computerization of Schools) for Andhra Pradesh Schools in the current year has participated in the E-Governance Project Tender in Karnataka State Government.

f) Future Focus of the Company:

Your Company with Business association of ECIL Bagged the E-Governance Order from Inspector General of Registration and Controller of Stamps of Karnataka Government. The project period is 5 years with an investment of Rs.9crores. Your company will generate revenue of about Rs.40crores on this project during the period of next 5 years. With this order the total on hand Order Values are shooted up to Rs.60crores for the next 5 years.

E-Governance projects are becoming essential in all the State & Central Government. These projects require high capital investments and the project implementation experience. Hence there will be less competence, results in better margins with this advantage your company is focusing more on to E-Governance Projects and also into Service Sector. In the service sector we had a footstep at Bangalore Electricity supply company for maintaining their database.

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:

Shri R.S.Bakkannavar, Dr. Shri T.H.Chowdhury and Dr. Smt. T.V.Lakshmi joined the Board as additional directors during the year. At the ensuing annual general meeting Shri T.Gopichand and Shri N.V.V.Prasad retire by rotation and are eligible for reappointment.

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 effected, would be in accordance with section 224(1B) of the Companies Act 1956.

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 the Board of Directors Rule 1988 are:

1. Conservation of energy

The Company is not an energy intensive unit.

2. Technology absorption, adaptation and innovation:

The Company has not imported any technology.

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3. Foreign Exchange Earnings and outgo:

1. Earnings in Foreign Currency (FOB):

Particulars	Current Year (Rs)	Previous Year (Rs)
Software Development / Sevices	559149	2693004

2. Expenditure in Foreign Currency (CIF):

Particulars	Current Year (Rs)	Previous Year (Rs)
Import of Raw		
Material (CIF)	1175268	4073618
Traveling	356106	155109
Expenditures incurred		
at Overseas branches	1272304	395176
Total	2803678	4623903

l) 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, 2003 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, 2003 on a going concern basis.

m) Acknowledgment

Your directors thank the clients, vendors, investors and bankers for their continued support of your company's growth. Your directors place on record their appreciation of the contribution made by the employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve rapid growth.

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: 29 -08-2003
Place : Hyderabad.

Sd/-
(T. GOPI CHAND)
Managing Director

TERA SOFTWARE LIMITED

REPORT ON THE CORPORATE GOVERNANCE

1. Company's philosophy on Code of Governance

The Company follows the best code of Governance to attain highest levels of transparency, accountability and equity in serving its stakeholders,

2. Board of Directors

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Executive Directors	T. Gopi Chand N.V.V. Prasad. T. Pavana Devi
Promoter Non-Executive Director	T.B.Choudhary,
Non-Promoter Executive Director	Nil
Non-Executive and Independent Directors	D.Seetharamiah, R.S.Bakkannavar, T.H.Chowdery, T.V.Lakshmi, & 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			Number of other directorships & Committee memberships	
	Board Meetings		Last AGM	Member-ships	Chairman-ships	Director ships	Member ships
	Held	Present					
T. Gopi Chand	7	7	Yes	2	Nil	Nil	Nil
N.V.V.Prasad	7	7	Yes	2	Nil	Nil	Nil
T. Pavana Devi	7	4	Yes	Nil	Nil	Nil	Nil
T.B.Choudhary	7	4	No	2	1	Nil	Nil
K. Rama Rao	7	3	Yes	2	Nil	Nil	Nil
D.Seetharamiah	7	6	Yes	2	1	10	4
R.S.Bakkannavar	7	6	Yes	Nil	1	3	Nil
T.H.Chowdery	7	5	No	Nil	Nil	3	Nil
T.V.Lakshmi	7	4	Yes	1	Nil	Nil	Nil

Number of Board Meetings held and the dates on which held

During the year seven Board meetings were held on 30.04.2002, 31.07.2002, 21.8.2002, 30.9.2002, 18.10.2002, 29.10.2002 & 30.01.2003.

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.

3. Audit Committee

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

- a. Shri R.S.BAKKANAVAR Chairman
- b. Shri T.B.CHODHARY Member
- c. Shri D. SEETHARAMAIH Member

Role of the Audit Committee is as follows.

1. Oversight of 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.

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3. Reviewing with management 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 adjustments arising out of audit,
 - * the going concern assumption,
 - * compliance with accounting standard,
 - * any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
4. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit functions.
6. Discussion with internal auditors 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 has 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.

During the year, the Committee has met 4 times on 24.7.2002,21.08.2002,29.10.2002 & 28.01.2003. All the members were present at all the meetings except Shri T.B.CHOUDHARY who had not attended one meeting.

4. Shareholders' Grievance Committee:

The constitution of the shareholder' grievance committee of the Board of directors of the company is as indicated below:

- a. Shri T.B.CHOUDHARY Chairman
- b. Dr. Smt. T.V.LAKSHMI Member
- c. Shri K.RAMA RAO Member

The Committee, inter alia, approves issue of duplicate certificates and overseas and reviews all matters connected with the securities transfers. 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. The Board of Director has delegated the power of approving transfer of securities to the Managing Director.

During the year, the Committee has met 4 times on 29.06.2002, 28.09.2002, 31.12.2002 & 31.03.2003. All the members were present at all the meetings except Shri K. Rama Rao who had not attended one meeting.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 74 out of this from physical to demat share transfers is 38, from demat to physical (Remat) share transfers is 4, Physical Share transfers is 18 and General complaints (like non receipt of annual reports, request for change of address and conversion from partly paid to fully paid etc.) is 14. Outstanding complaints as on 31st March 2003 were nil.

5. Remuneration Committee:

The Remuneration Committee was constituted comprising of the following Non-Executive and Independent Directors of the Board:

- a. Shri D.Seetharamaiah -Chairman
- b. Shri K. RAMA RAO -Member
- c. Shri T.B.Chowdury -Member

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 Industry Practice.

During the year there was no meeting of the Committee.

6. Investment Committee:

The Investment Committee was constituted comprising of 3 directors of the company as stated below:

- a. Shri T.Gopichand -Member
- b. Shri N.V.V.Prasad -Member
- c. Shri D.Seetharamaiah -Member

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During the year, the Committee met once on 18.10.2002. All the members were present at the meeting.

7. Share Transfer Committee:

The Share Transfer Committee was constituted comprising of 2 directors and the Compliance Officer of the Company as indicated below:

- a. Shri T.Gopichand -Member
- b. Shri N.V.V.Prasad -Member
- c. Mr. O.Babu Reddy -Member

During the year, the Committee met 12 times on 02.08.2002, 16.08.2002, 06.09.2002, 20.09.2002, 07.10.2002, 01.11.2002, 09.01.2003, 30.01.2003, 12.02.2003, 26.02.2003, 12.03.2003 and 31.03.2003. All the members were present at all the meetings.

Details of remuneration paid to all the Directors for the year:

The aggregate value of Salary, Perquisites and Other Allowances paid to Managing Director, Whole time Director and Executive Directors is as detailed below:

Particulars	Current Year (Rs)	Previous Year (Rs)
Managing Director (Mr.T.Gopi Chand)	3,60,000	3,60,000
Executive Director (Mr.N.V.V.Prasad)	3,00,000	3,00,000
Whole Time Director (Smt. T.Pavana Devi)	2,40,000	2,40,000
Total	9,00,000	9,00,000

The Company has paid the following sitting fee to the Directors of the Company during the year ended with 31st March 2003.

Particulars	Current Year (Rs)	Previous Year (Rs)
Shri D.Seetharamaiah	11000	6500
Shri R.S.Bakkannavar	11000	6500
Shri T.Bapaiah Chowdury	7500	3000
Dr.Shri T. Hanuman Choudury	7500	1500
Dr. Smt. T.V.Lakshmi	6000	3000
Shri K.Rama Rao	4500	1500
Total	47500	22000

6. General Body Meetings

Location and time for last 3 Annual General Meetings were.

YEAR	AGM	LOCATION	DATE	TIME
1999-00	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	30thSeptember, 2000	11.30 a.m
2000-01	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	29thSeptember, 2001 p.m	3.30
2001-2002	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	30th September, 2002	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.
- b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.
None.

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8. Means of Communication

The quarterly financial results were published in two widely circulated newspapers (Business Standard and Andhra Bhoomi) 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.

9. Management Discussion and Analysis

Forward-Looking Statements:

These statements are based on certain assumptions and expectations of future events. There is possibility of the company's actual results, performance or achievements, differing from those projected in any; such forward-looking statements on the basis of subsequent unforeseen developments. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

Future Out look:

As most of the State Governments are implementing the e-governance projects, the future for the Company looks optimistic. The Company already bagged two e-governance projects of State Government of Andhra Pradesh and Karnataka. The Company is hopeful of getting such orders against stiff competition based on the real experience it had.

Opportunities:

The Growing e-governance projects in turn increases the digital data/information due to conversion of conventional data into electronic format. This demand is new/modification of software applications, look out for new storage and retrieval technology and increased through put in processing of information. This scenario puts the IT Industry in line light in India and globally

Challenges:

Due to the slow down of economy, new investments in IT solutions have been gone down in the Private Sector, however the opportunities are increasing in government and Public Institutions. We are taking this situation in to account and concentrating to implement e-governance projects. To achieve this we are forced to operate on low profit/margin to over come the competition and to capture the market. To gain further on low margins, your company is revising the expenditure.

Risks and concerns:

Risk is an inherent part of the IT Industry. Its impact needs to be managed through effective mitigation. This is particularly relevant to the current scenario where the business environment is passing through turbulence. Revenue shortfall and profit warnings are the order of the day in IT Companies.

A detailed risk management framework forms the basis of all the de-risking efforts of the Company. Formal reporting and controlled mechanisms ensure timely dissemination of information and facilitate active risk management. These mechanisms are devised to reduce the risks associated with various levels of management.

The Board of Directors is responsible for monitoring risk levels on various parameters and ensures implementations of mitigations measures, if requires. The audit committee provides the overall direction on the risk management policies.

Internal control systems and their adequacy:

The well-defined internal control measures ensure appropriate information flow to facilitate effective monitoring: The Company has a proper and adequate internal control system commensurate with the size of its business. The Audit Committee independently reviews all financial data, before placement at the Board, and their views and recommendations are considered for adoption by the full Board, This process ensures recognition of full accountability by the Board, and forms the core of our corporate governance practices. The Company has an internal audit system. An independent Chartered Accountant is conducting the internal audit.

Financial Performance with respect to Operational performance

The gross turnover of the Company during the year is Rs. 1319.20 lakhs representing an increase of 30% compared to the previous year. The profit before tax for the year is Rs. 96 lakhs compared to Rs. 28 lakhs for the previous year representing an increase of 242%.

Material developments in Human Resources / Industrial Relations front, including number of people employed.

Tera Software Limited considers its employees/consultants as an invaluable asset in its tryst with bringing creativity to technology. The relationship with the employees/consultants is cordial.

10. General Information for Shareholders:

- a. As indicated in the Notice to our shareholders, the Annual General Meetings of the Company will be held on 27th September, 2003 at 11.00 a.m at Jubilee Hills International Center, Road No. 14, Jubilee Hills, Hyderabad-500 033.
- b. The Financial Year of the Company is April to March 31.
- c. Date of book closure:
From 23rd September 2003 to 26th September 2003 (both days inclusive) for the purpose of the Annual General Meeting.
- d. The Shares of the Company are listed on
 - i. Hyderabad Stock Exchange Limited (Regional Stock Exchange)
 - ii. Bangalore Stock Exchange Limited.

The listing fee for the year 2003-04 has been paid to all the stock exchanges where the Company's shares are listed.

TERA SOFTWARE LIMITED

e. Stock Code:

Hyderabad Stock Exchange Limited	TERA# (fully paid up)
	TERAPP#(partly paid up)
Bangalore Stock Exchange Limited	TASL

f. Stock Market Data

Month	Hyderabad Stock Exchange	
	Month's High Price	Month's Low Price
April 2002	3.00	2.50
May 2002	3.60	3.60
June 2002	5.00	3.50
July 2002	6.00	4.00
August 2002	7.20	4.65
September 2002	-	-
October 2002	5.00	5.00
November 2002	4.00	4.00
December 2002	5.75	4.80
January 2003	-	-
February 2003	-	-
March 2003	-	-

g. Shares received for physical transfer are generally registered within a period of 15days from the date of receipt, if the documents are clear in all respects.

h. As of June30, 2003 the distribution of our shareholding was as follows

S.No	Category	No.Of.Shareholders	Total Shares	% to Total
1	Promoters	23	28,34,767	36.77
2	Bodies Corporate	28	1,24,701	01.62
3	NRIs/OCBs	4	70,100	00.91
4	Public	3,788	46,79,932	60.70
	TOTAL	3,843	77,09,500	100.00

i. Dematerialization of Shares:

As on 31st March, 2003 37,85,928 shares with National Securities Depository Limited (NSDL) and 1,79,062 shares with Central Depository Services (India) Limited (CDSL) of the company have been dematerialized. The facility for dematerialization of company's shares has been made available to all the shareholders. 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.

j. Locations of our software development centers and international offices.

i. Software development centers:
1st Floor, #8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad.-500 073.

ii. Overseas Office:
2015 , S Arlington HTS RD,
Suit # 114 Arlingtons , IL 60005,
United States Of America.

k. Address for Correspondence:
#8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad.-500 073.
Phone : +91-04-3736833.

For and on behalf of the Board of Directors
Sd/-

Date: 29 -08-2003
Place : Hyderabad.

(T. GOPI CHAND)
Managing Director

TERA SOFTWARE LIMITED

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Tera Software Limited,
Hyderabad.

We have examined the compliance of conditions of corporate governance by Tera Software Limited, for the year ended March 31, 2003, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For NARVEN ASSOCIATES
Chartered Accountants

Place: Hyderabad.
Date : 29th August,2003.

Sd/-
(D.C.Naidu)
Partner

TERA SOFTWARE LIMITED

NARVEN ASSOCIATES
Chartered Accountants
313, Lingapur House,
Himayat Nagar,
Hyderabad.

AUDITORS' REPORT

To
The Members of
TERA SOFTWARE LIMITED,
Hyderabad.

1. We have audited the attached Balance Sheet of TERA SOFTWARE LIMITED as at 31st March, 2003 and the Profit & Loss Account and the Cash Flow Statement of the Company 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 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 Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d. in our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) Section 211 of the Companies Act, 1956.
 - e. on the basis of written representations received from the directors, as on 31st March 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
 - ii) in the case of the Profit and Loss Account of the Profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For NARVEN ASSOCIATES
Chartered Accountants

Place: Hyderabad
Date: 29th August 2003.

(D.C. Naidu)
Partner

TERA SOFTWARE LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE:

- 1) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available. According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable, having regard to the size of the Company and nature of the assets. No material discrepancies were noticed on such verification.
- 2) None of the fixed assets have been revalued during the year.
- 3) As explained to us, the stock of stores, spare parts, raw materials and finished goods have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
- 4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
- 5) As explained to us, there were no material discrepancies noticed on physical verification of the stocks of raw materials, stores and spares and finished goods, having regard to the size of the operations of the Company.
- 6) The valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- 7) The company has not taken any loans, from Companies, firms and other parties listed in the register maintained under Section 301 of the Company Act, 1956, or from the Companies under same management as defined U/s. 370(1-B) of the Companies Act, 1956.
- 8) The Company has not granted any loans secured or unsecured to the Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to the Companies under same management as defined U/s. 370(1-B) of the Companies Act, 1956.
- 9) In respect of outstanding loans and advances in the nature of loans given by the Company to parties (including employees), where stipulated, they are generally repaying the principal amounts as stipulated and are also generally regular in the payment of interest, where applicable.
- 10) In our opinion and according to the information and explanations given to us, the company has an adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, fixed Assets and other similar assets and for the sale of goods.
- 11) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services are made in pursuant of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 50,000/- or more in respect of any party.
- 12) According to the information and explanations given to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. However, as informed to us, no such stores, raw materials or, finished goods were determined during the year.
- 13) The Company has not accepted any deposits from the Public with in the meaning of Section 58A of the Companies Act 1956 and the Companies (Acceptance of deposits) Rules, 1975.
- 14) In our opinion, the company has not maintained any records for the sale and disposal of realizable scrap. We are informed that the company does not have any disposable by-products.
- 15) In our opinion, the company has an internal audit system, commensurate with the size of the company and the nature of its business.
- 16) As per 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.
- 17) The Company is regular in depositing Provident fund and Employee State Insurance dues with the appropriate authorities.
- 18) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March 2003 for a period of more than six months from the date they became payable.
- 19) According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of Employees or Directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practice.

TERA SOFTWARE LIMITED

20) The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick industrial Companies (Special Provisions) Act, 1985.

In respect of service activities:

21) In our opinion and according to the information and explanation given to us, in respect of the service activities, the company commensurate with the size and the nature of its business, has a reasonable system of:

- * Recording receipts, issues and consumption of materials and allocating materials consumed to each project,
- * Allocating man-hours utilized to each project, and
- * Authorization and control over the allocation of labour costs to each project.

In respect of trading activities:

22) In relation to trading activities of the company, damaged goods have been determined and adequate provision for the loss, if any, has been made in the accounts.

FOR NARVEN ASSOCIATES
Chartered Accountants

Place : Hyderabad.

Date : 29th August, 2003.

(D.C. Naidu)
Partner

TERA SOFTWARE LIMITED

BALANCE SHEET AS AT 31.03.2003

	Sch.	As At 31st March 2003	As At 31st March 2002
		Rs.	Rs.
I. SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
i) Share Capital	1	76,935,500	76,935,500
ii) Reserves & Surplus	2	12,729,058	11,155,166
B. LOAN FUNDS			
i) Secured Loans	3	2,240,107	3,890,528
C. Deferred Tax Liability		4,163,579	1,284,975
TOTAL		96,068,244	93,266,169
II. APPLICATION OF FUNDS			
A. FIXED ASSETS	4		
Gross Block		74,606,195	12,026,467
Less : Depreciation		10,387,749	2,769,128
Net Block		64,218,446	9,257,339
Add : Capital work in progress		2,710,856	2,658,000
		66,929,302	11,915,339
B. INVESTMENTS	5	2,100,000	19,249,735
C. CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	844,754	1,326,023
Sundry Debtors	7	27,367,540	28,801,118
Cash & Bank Balances	8	27,975,633	32,831,577
Loans & Advances	9	12,037,412	8,492,769
		71,451,487	74,944,821
Less : Current Liabilities & Provisions			
Current Liabilities	10	38,636,497	12,142,063
Provisions	11	4,575,643	145,000
		43,212,140	12,375,585
NET CURRENT ASSETS		25,013,140	59,075,902
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	12	2,025,743	3,025,193
TOTAL		96,068,244	93,266,169
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	18		

As per our report of even date attached
For **NARVEN ASSOCIATES**
Chartered Accountants

For and on behalf of the board of directors

Sd/-
(D.C.NAIDU)
Partner

Sd/-
(T.GOPI CHAND)
Managing Director

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

Place: Hyderabad.
Date : 29th August 2003.

(B. Dattathreyulu)
General Manager (Finance)

TERA SOFTWARE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2003

	Sch	For the year ended 31st March 2003	For the year ended 31st March 2002
		Rs.	Rs.
I. INCOME:			
Sales		91,253,166	55,905,369
Technical Services		23,217,111	34,408,960
Sales of Software		12,232,615	5,702,105
Other Income	13	5,217,572	5,493,974
Total		131,920,464	101,510,408
II. EXPENDITURE:			
Cost of Goods Sold	14	76,207,927	56,463,294
Personnel Cost	15	4,520,276	4,077,811
Operating and other expenses	16	32,720,767	34,267,183
Financial Cost	17	229,162	1,522,572
Depreciation	4	7,618,621	1,257,436
Preliminary Expenses written off		113,350	113,350
Capital Issue Expenditure written off		886,100	886,100
Prior Period (Income)/ Expenses		20,644	76,393
Total		122,316,847	98,664,139
Profit before Tax		9,603,617	2,846,269
Less : Current Year			
- Provision for tax (including provision for wealth tax Rs. 27,000, Previous Year Nil)		(777,313)	(88,522)
Deferred tax		(2,878,603)	(3,655,916)
			(110,636)
			(199,158)
Profit after Tax		5,947,701	2,647,111
Add :Balance brought forward from previous year	11,155,166		9,984,620
(Less): Taxation for earlier year	(34,166)		(302,226)
(Less): Cumulative effect on recognition of Deferred tax	0	11,121,000	(1,174,339)
			8,508,055
Profit available for distribution		17,068,701	11,155,166
Less : Appropriations			
Proposed Final Dividend on Equity Shares		3,846,775	0
Tax on distributed profit		492,868	4,339,643
			0
			0
Balance carried to Balance Sheet		12,729,058	11,155,166
Basic and diluted Earnings per share Rs.10 each (Rs)		0.77	0.34
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	18		

As per our report of even date attached
For NARVEN ASSOCIATES
Chartered Accountants

For and on behalf of the board of directors

Sd/-
(D.C.NAIDU)
Partner

Sd/-
(T.GOPI CHAND)
Managing Director

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

Place: Hyderabad.
Date : 29th August'2003.

(B. Dattathreyulu)
General Manager (Finance)

TERA SOFTWARE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31.03.2003 Rs.	As At 31.03.2002 Rs.
1. Share Capital		
Authorised		
15,000,000 equity shares of Rs. 10/- each	150,000,000	80,000,000
Issued,Subscribed and paid up		
7,709,500 equity shares of Rs. 10/- each (of the above, 168,090 equity shares have been allotted other wise than by cash)	77,095,000	77,095,000
Less: Calls in arrears - by others	159,500	230,805
Total	76,935,500	76,935,500
2. Reserves & Surplus		
Profit & Loss Account	12,729,058	11,155,166
Total	12,729,058	11,155,166
3. Secured Loans		
Term Loans :		
- from Banks	—	390,528
- from Financial Institutions and Others	5,889	—
Short Term Loans :		
- from Banks	—	3,500,000
Working Capital Loans from banks	2,234,218	—
Total	2,240,107	3,890,528
6. Inventories		
(As taken, valued and certified by management)		
Raw material	441,954	239,023
Finished Goods	402,800	1,087,000
Total	844,754	1,326,023
7. Sundry Debtors		
(Unsecured)		
Over six months		
Considered good	4,132,205	959,929
Considered doubtful	528,710	477,782
	4,660,915	1,437,711
Less : Provision for doubtful debts	528,710	477,782
	4,132,205	859,929
Others, Considered good (includes unbilled work of Rs.8,21,359 Previous year Rs. 4,56,425)	23,235,335	27,841,189
8. Cash & Bank Balances		
Cash	29,850	33,111
Cheques on hand	884,867	117,097
Balances with Scheduled Banks		
in Current Accounts*	19,772	1,424,927
in Current Accounts in Foreign Currency	370,945	2,909,525
in Deposit Accounts	26,355,803	27,866,961
Balances with Non-Scheduled Banks		
Citibank N.A.	50,149	479,956
Harris Trust Bank (in foreign currency)	264,247	-
Total	27,975,633	32,831,577
* Includes Rs.2436 (Previous Year Rs.2436) being balance in Public Issue Allotment Account with Bank Of Maharashtra. Maximum Balance during the year in non-scheduled bank.		
Citibank N.A.	997,764	3,887,516
Harris Trust Bank	1,412,784	—

TERA SOFTWARE LIMITED

SCHEDULE 4 : FIXED ASSETS

AS AT 31.03.2003

Particulars	GROSS BLOCK		DEPRECIATION		NETBLOCK	
	as at 31.03.2002	additions 31.03.2003	as at 31.03.2002	during the year	as at 31.03.2003	as at 31.03.2002
Land	2,254,640	-	-	-	-	2,254,640
Office Equipment	584,061	17,000	89,785	27,869	117,654	483,407
Computers & Servers	6,896,103	1,341,462	2,222,546	1,281,649	3,504,195	4,673,370
Furniture & Fixtures	1,029,712	-	128,096	65,181	193,277	836,435
Capital Expenditure on Projects Division*	-	61,140,832	-	6,114,084	6,114,084	55,026,748
Vehicles	1,321,951	80,434	328,701	129,838	458,539	943,846
Total	12,026,467	62,579,728	2,769,128	7,618,621	10,387,749	64,218,446
Previous Year	10,929,777	1,107,690	1,512,153	1,257,436	2,769,128	9,257,339
Capital work in progress	2,658,000	52,856	0	0	0	2,710,856
						2,658,000

Note : * Total Assets acquired under Projects Division are transferrable to the respective customer at the end of the tenure of the project

TERA SOFTWARE LIMITED

5. Investments																												
A. Long Term Investments - Non trade and unquoted																												
Sl. no.	Particulars	Opening as on 31st March 2002			Purchases			Sales			Adjustments			Balance as on 31.03.2003														
		No. of Shares as on 31.03.2001	Face Value per Share Rs.	Aggregate Value Rs.	No. of Shares	Face Value per Share Rs.	Aggregate Value Rs.	No. of Shares	Face Value per share Rs.	Aggregate Value Rs.	Decline in Value Investment Rs.	No. of Shares	Face Value per share Rs.	Aggregate Value Rs.														
Investments made in fully paid equity shares in																												
1.	Poweronicks Limited	100,000	10	1,000,000	0	0	0	0	0	0	0	0	0	0	100,000	10	1,000,000	0	0	0	0	0	1,000,000					
2.	Koppal Green Power Limited	100,000	10	1,000,000	0	0	0	100,000	10	100,000	100,000	0	0	0	0	0	1,000,000	0	0	0	0	0	1,000,000					
3.	Koganti Power Limited	100,000	10	1,000,000	0	0	0	0	0	0	0	0	0	0	100,000	10	1,000,000	0	0	0	0	0	1,000,000					
4.	XL Softech Systems Limited	10,000	10	100,000	0	0	0	0	0	0	0	0	0	0	10,000	10	100,000	0	0	0	0	0	100,000					
Total(A)		310,000		3,100,000	0	0	0	100,000		100,000		0	210,000		0	2,100,000												
B. Current Investments - Investments in Mutual Funds - Non trade and unquoted																												
Sl. no.	Particulars	Opening as on 31st March 2002			Purchases			Sales			Adjustments			Balance as on 31.03.2003														
		No. of Units as on	Face Value per unit Rs.	Aggregate Value Rs.	No. of Units	Face Value per unit Rs.	Aggregate Value Rs.	No. of Units	Face Value per unit Rs.	Aggregate Value Rs.	Decline in Value Investment Rs.	No. of Units	Face Value per unit Rs.	Aggregate Value Rs.														
1.	Alliance Liquid Income Fund - Dividend	118,424	10	1,191,875	5,184	10	123,608	123,608	10	1,283,035	0	0	0	0	0	0	0	0	0	0	0	0	0					
2.	Prudential (ICI) Income Plan-Dividend	233,974	10	2,386,131	0	10	233,974	233,974	10	2,423,974	0	0	0	0	0	0	0	0	0	0	0	0	0					
3.	LIC Mutual Fund Bonds	233,746	10	2,516,000	0	0	233,746	233,746	10	2,542,007	0	0	0	0	0	0	0	0	0	0	0	0	0					
4.	Templeton Mutual Fund-Dividend	95,694	10	1,000,000	0	0	95,694	95,694	10	1,064,373	0	0	0	0	0	0	0	0	0	0	0	0	0					
5.	Templeton Mutual Fund- Reinvest	111,721	10	1,185,003	4,185	10	45,418	115,906	10	1,288,958	0	0	0	0	0	0	0	0	0	0	0	0	0					
6.	Alliance Liquid Income - Regular	177,154	10	1,799,885	0	0	177,154	177,154	10	1,850,303	0	0	0	0	0	0	0	0	0	0	0	0	0					
7.	JM Mutual Fund - Dividend	406,125	10	4,122,179	0	10	0	406,125	10	4,205,760	0	0	0	0	0	0	0	0	0	0	0	0	0					
8.	Zurich India Mutual Fund	182,255	10	1,944,662	0	10	0	182,255	10	2,024,216	0	0	0	0	0	0	0	0	0	0	0	0	0					
Total (B)		1,559,093		16,149,735	0	98413	1,568,462	16,682,626		16,682,626	0	0	0	0	0	0	0											
Total (A+B)		1,869,093		19,249,735	0	98,413	1,668,462	17,682,626		17,682,626	0	0	210,000		2,100,000													
Previous Year		2,466,890		25,094,191	0	9,179,770	1,469,686	15,655,571		15,655,571	191,562	1,869,103		19,245,735														

TERA SOFTWARE LIMITED

9. Loans & Advances

(Unsecured, Considered good)

Accrued Interest	1,948,675	681,285
Advance Tax & Tax deducted at source	173,272	523,328
Deposits	994,202	1,484,614
Advances recoverable in cash or in kind or for value to be received	8,921,263	5,715,020
Total	12,037,412	8,492,769

10. Current Liabilities

Interest accrued but not due on loans	-	42,542
Sundry Creditors for goods	3,846,775	10,726,649
for other liabilities and expenses	2,856,354	1,372,872
Advances from customers	500,000	-
Total	4,575,643	12,142,063

11. Provisions

Proposed Dividend	3,846,775	-
Tax on Distributed Profit	492,868	-
Provision for Gratuity	236,000	145,000
Total	4,575,643	145,000

12. Miscellaneous Expenditure :

(to the extent not written off or adjusted)

a) Preliminary Expenditure		
Opening Balance	366,900	129,750
Add : Addition during the year	0	350,500
Less : Written off during the year	366,900	480,250
Total (a)	253,550	366,900
b) Capital Issue Expenditure		
Opening Balance	2,658,293	3,544,393
Add : Addition During the year	-	-
Less : Written off during the year	2,658,293	3,544,393
Total (b)	1,772,193	2,658,293
Total (a)+(b)	2,025,743	3,025,193

13. Other Income

Insurance Claim Recovered	Rs. 1504	Rs. 86,492
Interest Income	3,459,465	1,821,076
(TDS Rs. 4,40,059/- Previous Year Rs. 1,91,515)		
Discount and Other Incentives Received	679,917	257,414
Dividends from mutual fund units	619,090	2,120,200
(TDS Rs. 56,682/- Previous Year - Nil)		
Profit on Sale of Mutual Funds	434,477	827,664
Sundry Balances written off	14,750	-
Profit on foreign exchange variation	8,369	381,128
Total	5,217,572	5,493,974

TERA SOFTWARE LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	31st March 2003	31st March 2002
14. Cost of Goods Sold		
a) Raw material, Components consumed and Purchase of Trading Goods		
Opening stock	239,023	8,550
Add: Purchases(net of returns)	76,626,658	57,282,067
	76,865,681	57,290,617
Less: Closing stock	(441,954)	(239,023)
Total (A)	76,423,727	57,051,594
b) Increase /(Decrease) in finished goods		
Opening stock	1,087,000	498,700
Less : Closing Stock	(402,800)	(1,087,000)
Total (B)	684,200	(588,300)
Total (A+B)	77,107,927	56,463,294
Less : Captive Consumption	(900,000)	-
Total	76,207,927	56,463,294
15. Personnel Cost		
Salaries, wages and other benefits	4,391,015	3,997,744
Staff Welfare	129,261	80,067
Total	4,520,276	4,077,811
16. Operating and other Expenses		
Advertisement & Sales Promotion	456,372	329,863
Bank Charges & Commission	284,792	448,151
Books & periodicals	3,471	7,082
Business Promotion Expenses	77,122	125,555
Consultancy & Professional Charges	25,172,328	28,179,181
Discount allowed	-	32,193
Donation to Andhra Mahila Trust	5,000	-
Electricity charges	224,490	150,712
Foreign Travel Expenses	475,623	473,002
Insurance	91,383	235,626
Internal Audit	20,000	20,000
Internet Charges	12,892	37,031
Jobwork Charges Paid	-	127,500
Listing Fee	36,750	36,750
Loss on Sale of Mutual Funds	-	4,758
Loss on Sale of Fixed Assets	-	539
Misc. Expenses	105,400	4,804
Office Maintenance	24,037	23,437
Postage and Telephone	957,240	933,848
Printing & Stationery	1,395,283	94,064
Rates & Taxes	172,954	181,424
Remuneration to Auditors	120,000	95,000
Rent	1,211,708	1,160,186
Repairs & Maintenance others	50,928	204,673
Provision for Doubtful Debts	50,928	204,673
Provision for diminution in value of Mutual fund Investments	-	191,563
Sales Tax	9,153	123,287
Service Charges paid	-	2,800
Sitting fees	47,500	22,000
Sundry Purchases	5,830	6,473
Training Charges Paid	67,400	14,000
Traveling & Conveyance	1,574,355	813,705
Total	32,720,767	34,267,183
17. Financial Cost		
Interest on Fixed Loans	90,186	1,274,882
Others	138,976	247,690
Total	229,162	1,522,572

TERA SOFTWARE LIMITED

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:

Following are the significant accounting policies adopted by the Company.

Preparation and presentation of financial statements.

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.

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.

Fixed Assets:

- a) Fixed assets are stated at the cost of acquisition including incidental cost related to acquisition and installation.
- b) 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.
- c) 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.
- d) Capital Expenditure incurred on Projects Division is written-off over the tenure of the project period.

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 Annual Technical Services ("ATS") is recognized on a pro-rata basis over the period in which such services are rendered.
- d. Revenue from Annual Maintenance Contracts ("AMC") 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. Income on investments and dividends on units is recognized for 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.

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:

Long-Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.

Current Investments is carried at the lower of cost or fair value, computed category wise.

7. Miscellaneous Expenditure:

- a) Preliminary Expenses:

Preliminary expenses incurred upto 31st March 1998, has been written off has over a period of 10 years and those incurred after 31st March 1998, been written off over a period of 5 years.

TERA SOFTWARE LIMITED

b) **Capital Issue Expenditure:**

The company has adopted the procedure for writing-off the Capital Issue Expenses over a period of 5 years.

8. Retirement Benefits to employees:

i. **Gratuity:**

Provision for gratuity has been made for the employees who have completed 5 years of service.

ii. **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.

iii. **Foreign Branches:**

All revenue and expenses transactions during the year are reported at the average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transactions. Net gain/loss on foreign currency translation is recognized in the Profit and Loss account.

Fixed assets purchased at overseas offices are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

10. 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 upto the end of one month from the close of the year.

11. Claims Receivable:

Claims receivable are accounted for depending on the certainty of receipt and claims payable are accounted at the time of acceptance.

12. 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.

13. 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 period.

14. Sales:

Sales are stated at net of returns and inclusive of sales tax.

15. Research & Development Expenditure:

Salaries, wages and other related cost of personnel engaged in R&D activities and other material expenditure attributable to the R&D activities of the company is grouped under R&D expenditure and all the revenue expenses are charged to profit and loss account. Capital expenditure incurred on R&D activities is depreciated as per the depreciation policies of the company.

II Notes on accounts:

1. Secured Loans:

- a. Term Loan, Short Term Loan, Working Capital Loan taken from and bank guarantees given by Bank of Maharashtra, was secured by hypothecation of Land, Computers and peripherals, stock in trade, receivables and the bank has also taken lien on all company's term deposits worth Rs.193.20 Lakh (previous year Rs.134.03 Lakh) with the above bank.

TERA SOFTWARE LIMITED

- b. Vehicle Loan taken from Financial Institutions is secured against hypothecation of respective vehicles taken.
- c. Bank guarantees given by the A.P. Mahesh Co-Operative Urban Bank Limited was secured by lien on fixed deposit worth Rs.0.35 Lakh (Previous year Rs.1.84 Lakh) with the above bank.

2. Commitments and Contingencies:

- a. The estimated amount of contracts remaining to be executed on capital accounts, and not provided for (net of advances) is Rs.3.75 Lakh as at March 31st, 2003 (Previous year Rs.2.50 Lakh).
- b. The company has outstanding guarantees of Rs.267.22 Lakh as at 31st March 2003 (previous year Rs.158.26 Lakh).

3. Quantitative details:

The company does trading of various kinds of computer items. It is not practicable to give quantitative details of sales and purchases for trading business. And also the company is engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not practicable to give the quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

4. Directors' Remunerations:

Managerial Remuneration paid to Managing Director, Whole Time Director and Executive Directors.

Particulars	Current Year (Rs)	Previous Year (Rs.)
Managing Director	3,60,000	3,60,000
Whole Time Director	2,40,000	2,40,000
Executive Director	3,00,000	3,00,000
Total	9,00,000	9,00,000

5. Earnings in Foreign Currency (FOB):

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development /Services	5,59,149	26,93,004
Total	5,59,149	26,93,004

6. Expenditure in Foreign Currency (CIF):

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Import of Raw Material	11,75,268	40,73,618
Travelling	3,56,106	1,55,109
Expenditure incurred at Overseas branches	12,72,304	3,95,176
Total	28,03,678	46,23,903

7. Remuneration to Statutory Auditors:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Statutory Audit fee	60,000	35,000
Tax Audit fee	20,000	15,000
Limited Review Fee	15,000	15,000
Sales Tax Audit	10,000	10,000
Taxation Matters	10,000	15,000
Certification Fee	5,000	5,000
Total	1,20,000	95,000

8. 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 setout in these financial statements, and secondary segmental reporting is performed on the basis of the geographical location.

Income & Direct expenses in relation to segments is 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.

TERA SOFTWARE LIMITED

Business Segments :

Year ended March 31, 2003 and 2002

(all figures in Rs.)

	Integrated Solutions	Technical Division	Projects Division	Software Division	Total
Revenues	75,706,525	22,364,247	17,878,166	12,333,871	128,282,809
	56,162,783	34,408,960	-	5,702,105	96,273,848
Identified operating expenses	66,273,447	20,707,551	3,755,342	11,357,213	102,093,553
	53,681,015	30,090,137	-	5,576,966	89,348,118
Allocated Expenses	3,018,032	3,983,794	8,445,275	597,020	16,044,121
	204,345	247,426	-	-	451,771
Segmental operating income	6,415,046	(2,327,098)	5,677,549	379,638	10,145,135
	2,277,423	4,071,397	-	125,139	6,473,959
Unallocable expenses					5,077,669
					8,864,250
Operating income					5,067,466
					(2,390,292)
Other income/(expenses), net					4,536,151
					5,236,560
Net profit before taxes					9,603,617
					2,846,269
Income Taxes					(3,655,916)
					(199,158)
Net Profit after taxes					5,947,701
					2,647,111

Geographical Segments :

Year ended March 31, 2003 and 2002

(all figures in Rs.)

SEGMENT	United States of America	India	Rest of the World	Total
Revenues	15,039,533	113,243,276	-	128,282,809
	28,689,835	64,891,008	2,693,005	96,273,848
Identified operating expenses	14,419,111	87,674,442	-	102,093,553
	29,715,527	57,241,516	2,391,075	89,348,118
Allocated Expenses	3,818,826	12,225,295	-	16,044,121
	-	451,771	-	451,771
Segmental operating income	(3,198,404)	13,343,539	-	10,145,135
	(1,025,692)	7,197,721	301,930	6,473,959
Unallocable expenses				5,077,669
				8,864,250
Operating income				5,067,466
				(2,390,291)
Other income/(expenses), net				4,536,151
				5,236,560
Net profit before taxes				9,603,617
				2,846,269
Income Taxes				(3,655,916)
				(199,158)
Net Profit after taxes				5,947,701
				2,647,111

TERA SOFTWARE LIMITED

9. Related Party Transactions:

a) Name of Related Parties & relationship:

Party Name	Relation
Mr. T. Gopi Chand	Key Management Personnel (Managing Director) & Spouse of Mrs. T. Pavana Devi.
Mrs. T. Pavana Devi	Key Management Personnel (Whole Time Director) & Spouse of Mr. T. Gopi Chand.
Mr. N.V.V.Prasad	Key Management Personnel (Executive Director)

b) Transactions with related parties:

Name of the related party	Shri T. Gopi Chand	Smt. T. Pavana Devi	Shri N.V.V.Prasad
Description of the Relationship between the parties	Key Management Personnel (Managing Director) & Spouse of Smt. T. Pavana Devi.	Key Management Personnel (Whole Time Director) & Spouse of Shri T. Gopi Chand.	Key Management Personnel (Executive Director)
Description of the nature of transactions	Receiving of Services	a) Receiving of Services. b) Acquisition of existing office premises pending registration (Awaiting for concession in registration Charges from the Govt. of Andhra Pradesh)	Receiving of Services
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs.3,60,000	a) Managerial Remuneration of Rs.2,40,000. b) Advance given for Purchase of the Property Rs.24,76,000	a) Managerial Remuneration of Rs.3,00,000
Any other elements of the related party transactions	Managerial Remuneration was approved by Share Holders	Managerial Remuneration was approved by Share Holders	Managerial Remuneration was approved by Share Holders
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	Managerial Remuneration Payable Nil	Managerial Remuneration payable Rs. Nil Advance outstanding against acquisition of office premises Rs. 24,76,000	Managerial Remuneration Payable Rs.21,429
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

10. Sundry debtors, sundry creditors, other liabilities, loans and advances, advances from customers etc. are subject to confirmation and reconciliation. Original Fixed Deposit Receipt with Union Bank of India is not available with the company. However, the company had obtained the confirmation of the above fixed deposit from the bank. 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.

11. Amount capitalized comprises Raw materials, finished goods (including Trading goods) incurred during the construction period Rs.9,00,000 (Previous Year Nil).

12. Deferred Tax

Tax charged to Profit and Loss account is after considering deferred tax impact for the timing difference between accounting income and tax income. (Previous Year, consequent to the standard on accounting for taxes on income becoming mandatory effective April 1, 2001, the company recorded the cumulative net deferred tax until April 1,2001 as an reduction from the opening balance of Profit & Loss Account.

The deferred tax liability as at 31st March'2003 comprise of the following:

TERA SOFTWARE LIMITED

	As At		(Rs in Lakh)	
	31st March'2003		As At 31st March'2002	
A Deferred Tax Liability				
1 Related to fixed assets		44.44		15.90
B Deferred Tax Assets				
1 Disallowance under the Income Tax Act'1961	(0.86)		(1.37)	
2 Provision for doubtful debts	(1.94)	(2.80)	(1.67)	(3.05)
C Provision for deferred tax (net)		41.64		12.85

13. Prior period items, material items, non-recurring and extraordinary items are disclosed separately.
14. There were no overdue amounts exceeding Rs.1,00,000/- each, which are outstanding for more than 30 days payable to Small Scale Industrial Undertaking as at March 31, 2003.
15. Paise have been rounded off to the nearest rupees.
16. Figures for the corresponding year ended March 31, 2002, wherever necessary, have been regrouped, recast, rearranged to conform to those of the current year.
17. There is no other additional information pursuant to the provisions of Part II Schedule VI of the Companies Act, 1956.

As per our report of even date attached.

for **NARVEN ASSOCIATES**
Chartered Accountants

for and on behalf of the Board of Directors

(D.C. NAIDU)
Partner

T. GOPICHAND
Managing Director

N.V.V. PRASAD
Executive Director

Place: Hyderabad.
Date : 29th August 2003.

(B. Dattathreyulu Naidu)
General Manager (Finance)

TERA SOFTWARE LIMITED

Cash Flow Statement for the year ended 31st March, 2003

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
A. Cash flow from Operating Activities:				
Net Profit Before Tax as per Profit & Loss A/c.		9,603,617		2,846,269
Adjustments:				
Depreciation	7,618,621		1,257,436	
Provision for doubtful debts	50,928		204,673	
Profit on sale of Mutual Fund Units	(434,477)		(827,664)	
Loss on sale of Mutual Fund Units	-		4,758	
Loss on sale of Fixed Assets	-		539	
Provision for diminution in value of Mutual fund Investments	-		191,563	
Dividend received from Mutual Fund Investments	(619,090)		(2,120,200)	
Prior Period Expenses/(Income)	-		(9,375)	
Interest Income	(3,459,465)		(1,821,076)	
Preliminary Expenses Written Off	113,350		113,350	
Capital Issue Expenses Written Off	886,100		886,100	
Interest Expenses	90,186		1,274,882	
		(4,246,153)		(845,014)
Operating Profit before working capital changes		13,849,770		2,001,255
Adjustments for:				
Inventories	(481,269)		(818,773)	
Sundry debtors	1,382,650		5,340,897	
Loans and advances	(2,226,669)		(519,209)	
Current Liabilities	26,627,976		(979,574)	
		26,265,226		3,023,341
Cash Generated from Operations		40,114,996		5,024,596
Taxes Paid		(950,585)		(611,850)
Net Cash from Operating Activities		39,164,411		4,412,746
B. Cash flow from Investing Activities:				
Purchase of Fixed Assets		(62,579,728)		(58,981)
Sale of Fixed Assets		-		10,000
Refund Received/(Advances paid) for purchase of Fixed Assets		(52,856)		(36,000)
Purchase of Investments		(98,413)		(9,079,770)
Sale of Investments		17,682,626		15,655,571
Interest Income		2,192,075		1,463,271
Dividend Income from mutual funds		619,090		2,120,200
Net Cash Generated from Investing Activities		(42,237,206)		10,074,291
C. Cash flow from Financing Activities:				
Proceeds from Issue of share capital		-		71,305
Proceeds from Long term funds		15,704		-
Repayment of Long term loans		(400,343)		(8,257,224)
Short term loans		(1,265,782)		(2,999,000)
Interest Paid		(132,728)		(1,299,343)
Expenses relating to Public issue		-		-
Net Cash Generated from Financing Activities		(1,783,149)		(12,484,262)
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,855,944)		2,002,775
Opening Balance of Cash and Cash Equivalents		32,831,577		30,828,802
Closing Balance of Cash and Cash Equivalents		27,975,633		32,831,577

For and on behalf of the board of directors

Sd/-
(T.GOPI CHAND)
Managing Director

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

Place: Hyderabad.

Date : 21st August 2003.

(B. Dattathreyulu Naidu)
General Manager (Finance)

TERA SOFTWARE LIMITED

AUDITORS CERTIFICATE

We have examined the above cash flow statement of TERA SOFTWARE LIMITED for the year ended 31st March 2003. The statement has been prepared by the company in accordance with the listing agreement required by the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and the Balance Sheet of the Company covered by our report of August 29th, 2003 to the members of the company.

As per our report of even date attached.
for **NARVEN ASSOCIATES**
Chartered Accountants

Sd/-
(D.C. NAIDU)
Partner

Place: Hyderabad.
Date : 29th August 2003

TERA SOFTWARE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Inserted by Notification No.GSR 388 (E), dt.15-5-1995)

I Registration Details

Registraion No. State Code
 Balance Sheet Date
 Date Month Year

II Capital Raised during the Year (Amount in Rs.Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets

Sources of Funds:

Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans

Application of Funds:

Net Fixed Assets Investments
 Net Current Assets Misc.Expenditure
 Accumulated Losses

IV Performance of Company (Amount in Rs.Thousands)

Pofit Before Tax Profit After Tax
 Earning Per Share (Rs.) Dividend Rate on CRPS
 Dividend on Equity Shares

V Generic Names of Principal Products of the Company

Item Code No. (ITC Code)
 Product Description
 Item Code No. (ITC Code)
 Product Description

ATTENDANCE SLIP

TERA SOFTWARE LIMITED

Registered Office: #8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad - 500 073.

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 Nineth Annual General Meeting of the Company held on Saturday, the 29th September,2003 at 11.00 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



TERA SOFTWARE LIMITED

Registered Office: #8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad-500 073.

PROXY FORM

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.....ofas my/our proxy to vote for me/us and on my/our behalf at the Nineth Annual General Meeting to be held on Saturday, the 29th September,2003 at 11.00 A.M. or at any adjournment thereof.

Signed this.....day of.....2002.

*Applicable for investors holding shares in electronic form.

**Pl. affix
30 paise
Revenue
Stamp**

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.

BOOK - POST
Printed Matter

If undelivered, please return to :

TERA SOFTWARE LIMITED
8-3-1113/2B, Kesava Nagar,
Srinagar Colony,
Hyderabad- 500 073 (A.P)
INDIA

**9th
Annual Report
2002-2003**



TERA SOFTWARE LIMITED