

## Report on Corporate Governance

### 1. Company's Philosophy

Infotech Enterprises Limited (the "Company") is committed to optimizing long term value for its stakeholders. The Company believes that good corporate governance is an intrinsic part of its fiduciary responsibility as a responsible citizen and has thereby laid strong emphasis on the transparency of its operations. In this respect, The Company has created an accountability matrix that not only follows statutory disclosures and reporting norms but also voluntarily adheres to best international practices. The Company is confident that these practices will enable it to establish enduring relationship with all its stakeholders and optimize its growth paradigm.

### 2. Board of Directors

The Company has an Executive Chairman. The Chairman and Managing Director manages the day-to-day affairs of the Company. The Board of Directors of the Company has a combination of Executive and Non-Executive directors.

- a) Composition and category of directors as on March 31, 2006

Category	No. of Directors
<b>Executive</b>	
Promoter	2
Non-Promoter	1
<b>Non-Executive</b>	
Independent	4
Non-Independent	1
<b>Total</b>	<b>8</b>

- b) Attendance of each director at the Board meetings held during the year 2005-06 and at the last Annual General Meeting

Name of the Director	Meetings held during the year	Meetings attended	Last AGM
Mr. BVR Mohan Reddy	4	4	Yes
Mrs. B. Sucharitha	4	3	Yes
Mr. Sudhir Kumar Sethi	4	4	Yes
Mr. M.M. Murugappan	4	3	Yes
Prof. P.N. Thirunarayana	4	4	Yes
Mr. Ranjan Chak	4	4	Yes
Mr. George Fink	4	1	No
Mr. Paul Adams*	4	1	No
Mr. K. Rajan Babu**	4	2	Yes
Mr. Charles W Ayer***	4	1	No

\* Appointed w.e.f. October 19, 2005

\*\* Resigned w.e.f. December 27, 2005

\*\*\* Resigned w.e.f. July 21, 2005

- c) No. of other Boards/Board Committees in which the Directors are either Member or Chairman as on March 31, 2006

Name of the Director	Board		Committee	
	Chairman	Member	Chairman	Member
Mr. BVR Mohan Reddy	Nil	04	Nil	01
Mrs. B. Sucharitha	Nil	Nil	Nil	Nil
Mr. Sudhir Kumar Sethi	Nil	Nil	Nil	Nil
Mr. M.M. Murugappan	06	03	02	03
Prof. P.N. Thirunarayana	Nil	01	Nil	02
Mr. Ranjan Chak	Nil	02	Nil	Nil
Mr. George Fink	Nil	Nil	Nil	Nil
Mr. Paul Adams	Nil	Nil	Nil	Nil
Mr. K. Rajan Babu	Nil	Nil	Nil	Nil
Mr. Charles W Ayer	Nil	Nil	Nil	Nil

- d) No. of Board Meetings held and dates on which they were held during the year 2005-06

Quarter	No. of Meetings	Dates on which held
April to June 2005	1	April 20, 2005
July to September 2005	1	July 21, 2005
October to December 2005	1	October 19, 2005
January to March 2006	1	January 19, 2006
<b>Total</b>	<b>4</b>	

### 3. Audit Committee

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement. The Company Secretary acts as Secretary of the Committee.

- i) Brief description of terms of reference

The terms of reference of the Audit Committee is in conformity with the provisions of Sub-clause II of Clause 49 of the Listing Agreements entered with The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited, which *inter alia*, includes the following:

- Oversight of Company's financial reporting process
- Recommending appointment and removal of external auditors and fixing of their fees.
- Reviewing with management the quarterly, half-yearly and annual financial results / statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.

- Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements.
- Reviewing the adequacy of internal control systems and significant audit findings.
- Discussion with external auditors regarding nature and scope of audit

ii) Composition, name of members and Chairperson

The Audit Committee comprises of the following directors

1. Mr. MM Murugappan Chairman
2. Mr. BVR Mohan Reddy Member  
(Resigned w.e.f. October 19, 2005)
3. Prof PN Thirunarayana Member
4. Mr. Paul Roger Adams Member  
(Inducted w.e.f. October 19, 2005)
5. Mr. Charles W Ayer Member  
(Resigned w.e.f. July 21, 2005)

iii) Meetings and attendance during the year 2005-06

Name of the Member	Meetings held during the year	Meetings attended
Mr. MM Murugappan	4	4
Prof. P N Thirunarayana	4	4
Mr. Paul Roger Adams	4	Nil
Mr. BVR Mohan Reddy	4	3
Mr. Charles W Ayer	4	1

iii) The Chairman of Audit Committee attended the last AGM and answered queries raised by the shareholders.

#### 4. Remuneration Committee / Compensation Committee

a) Brief description of terms of reference

This Committee was constituted primarily to evaluate compensation and benefits for Executive Directors and to frame policies and procedures for Associate Stock Option Plans as approved by the shareholders. This Committee also acts as Nominations and Remuneration Committee of the Company.

b) Composition, name of members and Chairperson

The Remuneration Committee comprises of the following directors

1. Mr. MM Murugappan Chairman
2. Mr. BVR Mohan Reddy Member

3. Mr. Ranjan Chak Member  
(Inducted on October 19, 2005)
4. Mr. Charles W Ayer Member  
(Resigned on July 21, 2005)

c) Meetings and Attendance during the year 2005-06

Name of the Member	Meetings held during the year	Meetings attended
Mr. MM Murugappan	4	3
Mr. BVR Mohan Reddy	4	4
Mr. Charles W Ayer	4	1
Mr. Ranjan Chak	4	1

d) Remuneration Policy

The remuneration policy of the company is 'rewards for results and recognition for efforts'.

e) Details of remuneration to all the directors

(In Rs.)

Particulars	B.V.R. Mohan Reddy	B.Sucharitha	Sudhir Kumar Sethi
	Chairman and Managing Director	Whole Time Director	President and Executive Director
Salary	2,963,333	1,782,269	4,132,246
Commission	3,662,763	–	1,200,000
PF Contribution	499,600	287,086	154,800
Super-annuation	624,500	357,250	193,500
Gratuity	257,575	308,274	123,333
<b>Total</b>	<b>8,007,771</b>	<b>2,734,879</b>	<b>5,803,879</b>

Mr. B.V.R. Mohan Reddy, Chairman and Managing Director, and Mrs. B.Sucharitha, Whole Time Director of the company were re-appointed on January 21, 2004 for a period of five years and it was approved by the shareholders in the AGM held on July 27, 2004. Mr. Sudhir Kumar Sethi was appointed as President and Executive Director with effect from April 24, 2002 for a period of five years. The notice period for the above appointments is 6 months from either side.

The Non Executive Directors are eligible for commission not exceeding an aggregate of 1% of the net profits of the Company for all such Directors and not exceeding Rs. 200,000 per Director per annum. No sitting fee is paid to

Non Executive Directors. During the year under report the Company had paid Rs. 860,274 to non-executive directors and stock options in aggregate 15,000 were granted to the following Non-Executive Directors as per the provisions of Associate Stock Option Plans of the Company framed in accordance with SEBI (ESOS & ESPS) Guidelines, 1999:-

1.	Mr. M.M. Murugappan	-	5,000
2.	Mr. Ranjan Chak	-	5,000
3.	Prof. P.N. Thirunarayana	-	5,000

## 5. Shareholders/Investors Grievance Committee

### a) Terms of reference

The Committee was constituted to specifically look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance-sheet, non-receipt of declared dividend etc.

During the year 2005-06, in total 95 Nos. of complaints / letters were received from the investors and all were disposed of during the year.

### Details of Shareholders complaints during the year 2005-06

Sl.No.	Nature of Complaint/Request	Received	Disposed	Pending
1	Change / Correction of address	22	22	-
2	Non Receipt of Dividend Warrants	15	15	-
3	Request for ECS facility	6	6	-
4	Change/correction of Bank mandate	17	17	-
5	Correspondence / query relating to NSDL	1	1	-
6	Non receipt of Annual Report	1	1	-
7	Non receipt of securities	4	4	-
8	Others	29	29	-
Total		95	95	-

### e) No. of complaints not solved to the satisfaction of shareholders

There was no complaint that was not solved to the satisfaction of shareholders.

### f) No. of pending share transfers

All shares which were received for transfer during the year were transferred and no transfer was pending.

## 6. General Body Meetings

### a) Details of last three AGMs

The information about the last three general body meetings is given below:

Annual General Meeting	Venue	Time & Date	Number of Special Resolutions passed
14th AGM	Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad - 500 463	15:30 hrs on July 21, 2005	1
13th AGM	-do-	15:30 hrs on July 27, 2004	8
12th AGM	-do-	15:30 hrs on July 23, 2003	3

- b) Special Resolutions passed through postal ballot system during the last year and person who conducted the postal ballot exercise.

No special resolution was required to be put through postal ballot system last year.

- c) Whether any special resolution proposed to be conducted through postal ballot.

No special resolution is proposed to be conducted through postal ballot system.

## 7. Disclosures

There are no materially significant related party transactions i.e. transactions material in nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.

No penalties have been imposed on the company by the stock exchanges where the company's shares are listed or SEBI or any other statutory authority on any matter.

## 8. Means of Communication

- Financial Results of the company (Quarterly, Half-yearly and Annual) results will normally be published in Economic Times, Business Standard, Times of India, DNA dailies in English and Andhra Bhoomi and Vaartha regional language dailies (Telugu).
- Apart from the financial results, all official press releases of the Company and presentations made to the institutional investors and analysts if any, are being placed on the Company's website [www.infotechsw.com](http://www.infotechsw.com). and also on the SEBI's web site through Electronic Data Information Filing and Retrieval System (EDIFAR).
- The company also releases all price sensitive information simultaneously to NSE/BSE and Press.

9. The Management Discussion and Analysis Report Forms Part of the Annual Report

## 10. Compliance of Insider Trading Norms:

The Company has adopted the code of internal procedures and conduct for listed companies notified by the Securities Exchange Board of India (SEBI) prohibiting Insider Trading.

## 11. General Shareholder Information

- AGM - Date, Time and Venue : July 19, 2006, 15:30 hrs at Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad - 500 463
- Financial Year : April 1 to March 31
- Date of Book Closure : June 23, 2006 to June 30, 2006 (both days inclusive)
- Dividend Payment Date : Within 30 days from the date of AGM
- Listing on Stock Exchanges :
  1. The Bombay Stock Exchange Ltd  
P J Towers, Dalal Street, Fort  
Mumbai - 400 001.
  2. The National Stock Exchange of India Ltd.,  
Exchange Plaza, Bandra Kurla Complex, Bandra (E),  
Mumbai- 400 051.
- Listing Fee : Paid for the above stock exchanges for the Financial Year 2006-07
- Stock Code : 
 

The Bombay Stock Exchange Ltd.	:	532175 / INFOTECENT
The National Stock Exchange of India Ltd.	:	INFOTECENT /EQ

- Market Price data: High / Low during each month in the Financial Year 2005-06 and Performance in comparison to broad-based indices such as BSE Sensex, Crisil Index etc.

The information on market price of the Company's stock and its comparison with BSE Sensex and NSE Nifty is given below:

### Infotech Share price on NSE and BSE and in comparison with NSE Nifty & BSE Sensex

Month & Year	NSE (in Rs.)		NIFTY		BSE (in Rs.)		SENSEX	
	High	Low	High	Low	High	Low	High	Low
April 2005	317.70	250.25	2,084.90	1,896.30	318.40	248.05	6,649.42	6,118.42
May 2005	306.85	260.10	2,099.35	1,898.15	305.80	261.00	6,772.74	6,140.97
June 2005	308.80	262.00	2,226.15	2,061.35	308.50	262.60	7,228.21	6,647.36
July 2005	308.45	268.00	2,332.55	2,171.25	306.00	261.00	7,708.59	7,123.11
August 2005	297.50	262.55	2,426.65	2,294.25	299.00	264.00	7,921.39	7,537.50
September 2005	393.00	282.00	2,633.90	2,382.90	398.00	283.00	8,722.17	7,818.90
October 2005	456.90	366.15	2,669.20	2,307.45	455.90	367.00	8,821.84	7,656.15
November 2005	454.90	398.30	2,727.05	2,366.80	456.00	381.00	9,033.99	7,891.23
December 2005	549.80	360.00	2,857.00	2,641.95	549.00	407.30	9,442.98	8,769.56
January 2006	594.00	448.00	3,005.10	2,783.85	600.00	501.00	9,945.19	9,158.44
February 2006	572.65	508.00	3,090.30	2,928.10	600.00	511.00	10,422.65	9,713.51
March 2006	626.60	490.00	3,433.85	3,064.00	629.00	496.00	11,356.95	10,344.26

- Registrar and Transfer Agents : Karvy Computershare Private Limited  
Unit: Infotech Enterprises Limited  
Karvy House, 46, Avenue 4, Street No.1,  
Banjara Hills, Hyderabad - 500 034  
Tel : +91-40-2342-0818 / 2342-0828  
Fax: +91-40-2342-0814  
Email: madhusudhan@karvy.com / mohsin@karvy.com  
Web: www.karvy.com

- Share Transfer System

Shares lodged for physical transfer would be registered within a period of 8 days as against service standard of 15 days, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee. For this purpose, the Share Transfer Committee meets as often as required. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. As the Company's shares are currently traded in dematerialized form the transfers are processed and approved in the electronic form by NSDL / CDSL through their depository participants.

Karvy Computershare Private Limited is the Common Share Transfer Agent for both Physical and dematerialized mode.

➤ Distribution of Shareholding

The Distribution of shareholding of the Company as on March 31, 2006 is given below:

Sl. No.	Category		Number of Shareholders	Percentage of Shareholders	Number of Equity Shares	Percentage of Shareholding
	From	To				
1	1	5,000	7,198	89.64	835,522	5.49
2	5,001	10,000	417	5.19	315,373	2.07
3	10,001	20,000	194	2.42	290,554	1.91
4	20,001	30,000	54	0.67	134,448	0.88
5	30,001	40,000	25	0.31	87,501	0.58
6	40,001	50,000	27	0.34	124,642	0.82
7	50,001	100,000	36	0.45	261,570	1.72
8	100,001	Above	79	0.98	13,169,592	86.53
	Total		8,030	100.00	15,219,202	100.00

➤ Dematerialization of shares and liquidity

As per SEBI guidelines on investors' protection, the Company's shares are to be traded only in dematerialized mode. Accordingly, the Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity for scrip-less trading. As at the end of March 31, 2006, 82.92% of the outstanding equity shares of the company are in electronic form.

The Company's shares are being traded in the National Stock Exchange of India Limited (NSE) and The Bombay Stock Exchange Limited (BSE) under **ISIN-INE136B01012**

➤ Outstanding GDRs/ADRs/Warrants or any other convertible instruments conversion date and likely impact on equity

The Company has not issued any GDRs / ADRs / Warrants / convertible debentures during the year 2005-06.

➤ Plant locations

The Company doesn't have manufacturing facilities. However, the Company has the Software Development facilities, the particulars of which are given below:

Development facilities	Location
Hyderabad	i. Plot No. 8, 9, 10 & 11, Software Units Layout, Infocity, Madhapur, Hyderabad - 500 081 Tel:+91-40-23110358. ii. 42, Nagarjuna Hills, Panjagutta, Hyderabad - 500 082 Tel:+91-40-25551567
Bangalore	6/1 B,49/1, 14 Main, Hosur Main Road, Bommanahalli, Bangalore - 560 068 Tel:+91-80-25723221.
Noida	B-37, Sector-1, NOIDA - 201 301 (UP) Tel:+91-120-2519025/28

➤ Address for Correspondence and contact persons for investors queries

Investors' correspondence may be addressed to Mr. Trivikram Dasu, DGM-Legal & Company Secretary and Compliance Officer and any queries relating to the financial statements of the Company may be addressed to Mr. S. Nataraja, Vice-President (Finance & Accounts) at the Registered Office of the Company at 4th Floor, A-Wing, Plot No.11, Software Units Layout, Infocity, Madhapur, Hyderabad - 500 081 Tel:+91-40-2312-4004/2312-4006 Fax: +91-40-6662-4368, Email : trivikramd@infotechsw.com / natarajas@infotechsw.com

Besides, investors may also make correspondence with the Share Transfer Agents, whose particulars are furnished as under:

**Karvy Computershare Private Limited**

Unit: Infotech Enterprises Limited  
 Karvy House, 46, Avenue 4, Street No.1, Banjara Hills,  
 Hyderabad - 500 034

**Contact Person: Mr. M.S.Madhusudhan**

Tel: +91-40-2342-0818 / 2342-0828  
 Fax: +91-40-2331-1968,  
 Email: madhusudhan@karvy.com / mohsin@karvy.com  
 Web: www.karvy.com

**12. Non-Mandatory requirements:**

Pursuant to the provisions of Notes 2 under Clause 49 of Listing Agreement it is informed that the Company has complied with all mandatory provision of the Clause and had adopted the following non-mandatory requirement during the year under report.

- Compliance with the provision of Clause 49 pertinent to Remuneration Committee.

**13. Due dates for Transfer of Unclaimed Dividends to Investor Education and Protection Fund (IEPF)**

Financial Year	Date of Declaration of Dividend (Date of Annual General Meeting)	Due date to Transfer to IEPF
1998-1999	July 12, 1999	August 24, 2006
1999-2000	August 30, 2000	October 11, 2007
2000-2001	July 25, 2001	September 1, 2008
2001-2002	July 22, 2002	August 29, 2009
2002-2003	July 23, 2003	August 30, 2010
2003-2004	July 27, 2004	September 3, 2011
2004-2005	July 21, 2005	August 27, 2012