

## REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

### I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about maximizing shareholder value legally, ethically and on a sustainable basis, while ensuring fairness to every shareholder- the Company's customer, employees, investors, vendor partners, the government of the land and the community. Hence it is a reflection of a company's culture, policies, its relationship with the stakeholders and its commitment to values. Thus timely flow of information regarding the financial status, performance, ownership and governance is an important aspect of corporate governance. We believe that sound Corporate Governance is vital to enhance and retain investor trust.

At the core of its corporate governance practice is the Board, which oversees management policies towards protection of long-term interests of all the stakeholders of the company. The company has adopted a Code of Ethics for its Senior Management and the Board of Directors. The Board of Directors fully support and endorse Corporate Governance practices and attempt to go beyond the statutory requirements.

### II. BOARD OF DIRECTORS

The Board is primarily responsible for the overall management of the Company's business. As on the date of this report, the Board comprises of 5 Directors, consisting of 4 independent, Non-executive Directors and one Executive Director who is the Managing / Whole - time director. This includes the appointment of Mr. Shekar Viswanathan as Additional Director on the Board w.e.f. 28.5.2011.

The Managing Director is responsible for Corporate strategy, planning and other management matters. The Managing Director and the senior management personnel are responsible for achieving annual business targets, acquisitions, new initiatives and investments. They make periodic presentations to the Board on their responsibilities and performance.

Board meetings are held at our Registered Office Bangalore, India. The agenda for each Board meeting along with explanatory notes are distributed in advance to the directors. The Board meets at least once a quarter to review the quarterly results and other items of agenda and also on the occasion of the Annual General meeting of the shareholders.

During the financial year 2010-2011 6 meetings of the Board were held, on 29.05.2010, 10.07.2010, 30.10.2010, 06.12.2010, 24.01.2011 & 11.03.2011.

The Composition of the Directors and their attendance at the Board meetings during the year 2010-2011 and at the last AGM is as follows.

Name & Designation	Category	No. of Board Meetings held	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships in other public Companies	No. of Committee Positions held in Other Companies	
						Member	Chairman
Mr. M.R. Vikram Chairman	Independent - Non Executive Director	6	3	Yes	4	5	NIL
Mr. Rabindra Srikantan Managing Director	Executive Director	6	6	Yes	NIL	NIL	NIL
Dr. R.P. Shenoy Director	Independent - Non Executive Director	6	6	Yes	NIL	NIL	NIL
Prof. B.S. Sonde Director	Independent - Non Executive Director	6	6	Yes	NIL	NIL	NIL

The Board has complete access to any information within the company .Updates provided to the Board include the following:

- Annual operating plans, budgets, capital budgets and updates,
- Quarterly results of business operations.
- General notices of interest.
- Materially important litigations, show cause notice, prosecution and penalty notices.
- Information on recruitment and remuneration of senior officers immediately below the Board level.
- Any major development in the Human resources front.
- Any issue involving public or product liability claims of a sizeable nature.
- Sale of assets, investments, subsidiaries of material nature , not in the regular course of business.
- Minutes of Committee meetings.
- Non-compliance of any regulatory , statutory or listing requirements including shareholder services such as non-payment of dividend and delays in share transfer.
- Details of joint ventures, acquisitions of companies or collaboration agreements.

### III. BOARD COMMITTEES

The Board has three committees namely, Audit committee, Share transfer and Investor grievance committee and Remuneration committee. The quorum for meetings is either two members or one-third of the members whichever is higher. Usually the committees meet four times a year and the recommendations of the committees are submitted to the Board for approval.

#### 1. Audit Committee

Each member of the committee is an independent director, according to the definition laid down in Clause 49 of the Listing Agreement with the Stock exchanges.

**Terms of Reference :**

The Board has constituted the Audit Committee with the following mandate :

- Oversee the Company's financial reporting process and the disclosure of its financial information.
- Recommend appointment and removal of statutory auditors, fixation of audit fee and also approve payment for other services.
- Review the adequacy of internal audit functions and adequacy of internal control systems with the Management, Statutory and Internal Auditors.
- Review the Company's financial and risk management policies.
- Review statement of significant related party transactions, and ensure compliance with accounting standards.
- Review with the Management, internal and the statutory auditor the Quarterly/Annual financial results before submission to the Board for approval.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Mr. M.R. Vikram *	Chairman	Independent Director
2.	Dr. R.P. Shenoy	Member	Independent Director
3.	Prof. B.S. Sonde	Member	Independent Director
4.	Mr. Rabindra Srikantan (Special Invitee)		Executive Director

\* Member having financial and accounting knowledge

**Secretary :**

Ms. P.N. Lakshmi - Company Secretary

Meeting and attendance during the year

Members	No. of Meetings held	No. of Meetings attended
Mr. M.R. Vikram	4	3
Dr. R.P. Shenoy	4	4
Prof. B.S. Sonde	4	4

#### 2. Share Transfer & Investor Grievance Committee

**Role of the Committee :**

The Committee reviews and administers transfer of shares, transmission of shares, rematerialisation, transposition, issuance of duplicate share certificates as and when required, redressal of investor complaints pertaining to transfer of shares, non-receipt of annual reports, non-receipt of dividend, etc. & reports the same to the Board periodically.

**Share Transfers in Physical Mode :**

In order to expedite the process of share transfers, the Board of Directors of the Company have delegated the power to the Registrar & Share Transfer Agents, Karvy Computershare Pvt Ltd, (The R&STA). The R&STA transfer the shares received in physical mode on a fortnightly basis. Summary of the shares transferred are sent to the company to be approved by the share transfer committee and noted by the Board.

In compliance with the listing agreement and SEBI , every quarter, the system is audited by a Practicing Company Secretary and Compliance Certificate to that effect is issued and filed with the Stock Exchanges where the Company's shares are listed.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Prof. B.S. Sonde	Chairman	Independent Director
2.	Mr. Rabindra Srikantan	Member	Executive Director

**Name and designation of Compliance Officer :**

Ms. P.N. Lakshmi - Company Secretary

Share Transfer & Investor Grievance Committee Meeting and attendance during the year

Members	No. of Meetings held	Attendance
Prof. B.S. Sonde	4	4
Mr. Rabindra Srikantan	4	4

During the year 2010-2011 50 complaints were received all of which were resolved with nothing pending as on 31st March 2011. The shareholding in dematerialized mode as on March 31st , 2011 was 88.15 % .

BSE & BgSE have confirmed that as on 31.03.2011 there is no investor Complaints/queries pending to be solved by the Company / Registrars & Share Transfer Agents.

### 3. Remuneration Committee

The Managing Director, being the only Executive Director is paid remuneration within the limits envisaged under Schedule XIII of the Companies Act 1956. The remuneration is approved by the Board, Remuneration Committee as well as the Shareholders of the Company. The Non-Executive Directors are paid remuneration only by way of sitting Fees. The fees paid to the Non-executive Directors are fixed by the Board of Directors. The shareholders of the company at their eighteenth Annual General Meeting had approved the payment of commission to the Non-Executive Director's upto 1% of the profits of the company. However, no such commission has been paid to the Non-Executive Directors for the year under consideration.

**Terms of reference :**

Brief Terms of Reference is as follows -

- to determine salaries and benefits to Senior management Employees and Directors of the Company.
- develop and recommend to the Board Corporate Governance Guidelines applicable to the Company.
- lay down policies and procedures to assess the requirements for induction of new members on the Board

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Prof. B.S. Sonde	Chairman	Independent Director
2.	Dr. R.P. Shenoy	Member	Independent Director
3.	Mr. M.R. Vikram	Member	Independent Director

The Remuneration Committee held 1 committee meeting during the year 2010- 2011

Details of Remuneration payable to Directors for the year FY2010-11

Name of Director	Salary & perquisites	Sitting Fees
Mr. M.R. Vikram	—	Rs. 7,500
Mr. Rabindra Srikantan	Rs. 31,44,000	—
Dr. R.P. Shenoy	—	Rs.15,000
Prof. B.S. Sonde	—	Rs.15,000

Shareholding in the Company of Non-Executive Directors as on 31.03.2011

Name	No. of Equity shares held
Mr. M.R.Vikram	NIL
Dr. R.P.Shenoy	1000
Prof. B.S.Sonde	NIL

#### IV. SHAREHOLDERS MEETINGS

Date, time and venue of the last three AGM's

Year	Date & Time	Venue	Special resolution passed
2007-2008	4th June 2008, 10.00 am	Pai Vijay Hall, 33rd Cross, 11th Main 4th Block Jayanagar, Bangalore- 560 011	NIL
2008-2009	20th June, 2009, 10.30am	Pai Vijay Hall, 33rd Cross, 11th Main 4th Block Jayanagar, Bangalore- 560 011	-Re-appointment of the Managing Director
2009-2010	10th July, 2010 11.30am	Pai Vijay Hall, 33rd Cross, 11th Main 4th Block Jayanagar, Bangalore- 560 011	-Payment of commission to the non-executive Directors. -Acquisition of Abacus Business Solutions Inc, a US based firm.

Whether special resolutions were put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedures for postal ballot. -

None.

#### V. DISCLOSURES

- Disclosures on materially significant related party transactions of the Company of material nature with its founders, the Directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large. Details are provided in Note 8 under Schedule 14 to the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18
- Details of Non-compliance by the Company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

None

#### VI. MEANS OF COMMUNICATION

Quarterly Audited/Unaudited financial results and Annual results are published in a widely circulated newspaper, Business Standard and also in Sanjayvani, a regional daily published from Bangalore. The results are also posted on the official website of the Company, [www.asmltd.com](http://www.asmltd.com). Quarterly reports are also sent to each shareholder via email.

## VII. MANDATORY / NON-MANDATORY REQUIREMENTS

During the financial year 2010-11, the Company

- (a) Duly complied with all the mandatory requirements of the revised Clause 49 of the Listing Agreement.
- (b) has not adopted any of the non- mandatory requirements of Clause 49 of the Listing Agreement.

## VIII. CODE OF ETHICS

Annual declaration pertaining to compliance of Code of Ethics of the Company vide Clause 49(1)(d)(ii) of the Stock Exchange Listing Agreement

This is to confirm that all the Board members and Senior Management personnel of the company have affirmed compliance of the Code of Ethics of the Company for the Financial Year 2010-11

Sd/-

Bangalore  
May 28, 2011

**Rabindra Srikantan**  
Managing Director

## IX. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

The financial statements have been prepared in line with the requirements as specified under the Companies Act 1956, Securities Exchange Board of India (SEBI) and Generally Accepted Accounting Principles in India (GAPP). The estimates and judgments relating to the financial statements have been made on a reasonable basis so that the financial statements reveal a true and fair picture of the essence of the transactions and reasonably present the state of affairs, profits and cash flow of the company for the year. Our Management accepts responsibility for the objectivity of these financial statements as well as for the estimates and judgments used therein.

#### 1. Industry Structure and Development

The world is emerging out of the worst financial crisis it has seen in decades. While the global situation is improving, the recovery is slow and hampered by a sluggish growth outlook in the key economies of the United States and Western Europe. Also there are growing concerns about the ability of key emerging economies to sustain relatively high growth rates. As for the Indian technology environment, the second decade of the second millennium ended on several positive notes. Global recession seems to be subsiding and while many of the critical technology trends that dominated the business world in 2010 will continue to accelerate in 2011 several new ones, namely the growth of cloud computing and continued consolidation will gain enough momentum to become significant.

As per Gartner global spending on technology is likely to rise by 5.1% in 2011, higher than its previous estimate, as the dollar's recent weakness helped spending in 2010 top its forecast. Total IT spending to touch USD 3.6 trillion this year, up from its earlier forecast of a 3.5% rise. For 2010, IT spending rose to 5.4% to USD 3.4 trillion, up from Gartner's estimate by 3.2%. According to NASSCOM outsourcing of Engineering services is expected to cross USD 60 billion by 2020. It further states that the local India services market is estimated at USD 50 billion while the off-shoring market is estimated at USD 175 billion by 2020.

#### 2. Opportunities

After battling tough economic environment in the first half of the year when the enterprises globally slashed their IT budgets, the Indian IT sector is turning buoyant again. With a healthy surge in outsourcing demand and strong deal pipeline, IT revenues are expected to get the biggest boost in coming quarters. With enterprises globally thawing IT budgets to prepare for the future, indication is clear-strong volume momentum will be the flavor of the season and double digit volume growth won't be a surprise to the Indian IT companies, but maintaining the right pace will be a challenge. With IT sector back on track companies are aggressively hiring to ready its growth engine. Consumers of products and services are increasingly demanding accelerated delivery times and lower prices. Companies are focusing on their core competencies and using outsourcerd technology service providers to adequately address these needs. As per Gartner Worldwide enterprise IT spending will continue to grow albeit modestly from \$2.38 trillion in 2010 to \$2.46 trillion in 2011, 3.1% increase and reaching \$2.8 trillion in 2014.

Cloud computing is another area which may drive the IT need of the services industry during the year mainly due to its manageable IT infrastructure and cost effectiveness. The mid market segment remains a major growth avenue for enterprise applications. Globalisation continues to drive global servicing models which ensures India to remain competitive and leverage on its talent pool. Customers are opening up to offerings around cloud computing solutions, SaaS., on demand solutions, etc which enable service providers to address new customer segments.

We believe in our competitive strengths and with our Global Delivery Model and core competencies consider to address the changing economic scenarios as an opportunity to provide greater value to existing clients and add new clients.

#### 3. Outlook

This has been provided elsewhere in the Annual Report.

#### 4. Risks and Concerns

##### a. Employee Risk

In the current highly competitive environment Human Resource function has emerged as a critical function in every company. People are considered to be the vital resource for the growth of a company. Developing and retaining quality talent is another challenge faced by the Industry today. Rising attrition is a major risk in the industry in the background of increasing opportunities in the software outsourcing boom. Though the number of engineering colleges across the country has increased in the last decade the industry faces a war for talent, which, it is trying to address through industry and academia partnerships and investing heavily in continuous learning programs for their employees.

The company believes that it is necessary to recruit and retain staff possessing advanced technical skills by upgrading their skills and thereby enhance their ability to formulate key strategies. ASM provides a distinctive working atmosphere to its employees and ample opportunities for career growth. The company's remuneration structure is at par with the IT industry norms.

##### b. Competition Risk

The company's capability to offer innovative and value added solutions and services by integrating its diverse domain knowledge enables it to move ahead in an environment of increasing competition. Absence of vigilance against competition could result in contraction of revenues from business. The best practices and methodologies built up by the company for development and

customization of solutions ensure that projects are completed with speed, optimal resources and meet customer needs. The unrivaled blend of engineering culture and technology skills adopted by the company and its strategic acquisitions and management resources adds to its capability to proffer innovative and value added solutions and services by integrating its diverse domain knowledge experience. The company has derisked its business from competition by virtue of its domain expertise in providing end to end total IT solutions.

**c. New Technologies and Business Models**

The IT services market is characterised by rapid technological changes, evolving industry standards, changing client preferences and new products and service introductions. The company keeps itself up graded with the latest technologies solutions and assimilates changes to be successful in anticipating or responding to technological advances on timely basis. ASM has constantly expanded its infrastructure, technology and people skills to address the specialized markets in which is present. The acquisitions made by the company has enhanced the company's capabilities to provide innovative and state-of-the-art services in its business segments. The company adopts various standards to ensure that information is secure and is not susceptible to disasters. The company also regularly audits and verifies its compliance with security and disaster recovery measures. ASM has centralized back up and data recovery systems and planned procedures for regular back up of all critical servers.

**d. Geography Risk**

Overdependence on any one geography market entails risk of volatility and downturn in that economy. The company's firm roots and prominent presence in the home market provides it an opportunity to refine its international offerings with the derived benefits of synergy across operations and optimizations of resources. The company's well grinded skills tested in Indian markets enable it to spread efficiently its business across various geographies.

ASM continues to be an attractive and cost effective off-shoring alternate despite oscillations in the global economy. The company has insulated its overall performance from the impact of downturns in specific markets with a domestic international spread of business and combinations of its various solutions and services. The company moreover derives most of the revenues from off shoring business resulting in a healthier bottom line and protection from risks from any downward spiral in any economy. The company's growth is not dependent on any specific geographic area or specified industry segment.

**5. Internal Control System and their adequacy**

The internal control systems adopted by the company are adequate and appropriate to its operations. The system has been designed to ensure that assets and interest of the company are protected and dependability of accounting data and its accuracy are ensured with proper checks and balances

The Company has internal audit to examine and evaluate the adequacy and effectiveness of Internal Control system. The internal audit ensures that the system designed and implemented to provide adequate internal control commensurate with the size and operations of the company. The Audit Committee of the company chaired by the independent director and consisting of other non-executive independent directors, periodically review and commend the quarterly, half yearly and annual financial statement of the company. A detailed note on the functioning of the audit committee forms part of the chapter on Corporate Governance in this Report.

The management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and independent Audit Committee of the Board of Directors.

**6. Financial Condition and Operational performance**

**a. Share Capital**

The Company has at present only one class of shares. The authorized share capital is 70,00,000 Equity shares of Rs. 10/- each, constituting to Rs.700.00 lakhs There was no increase in the issued, subscribed and paid up capital of Rs. 500.00 lakhs during the year under review.

**b. Reserves and Surplus**

The company has voluntarily transferred Rs. 100.00 lakhs representing 15.34% of the profits for the year ended 31st March 2011, (previous year Rs. 50.00 lakhs) to the general reserves account from the Profit and Loss account.

**c. Shareholder Funds**

The total shareholder funds increased to Rs.2018.54 lakhs as at 31st March, 2011 from Rs. 1483.21 lakhs as that of the previous year.

**d. Profit & Loss account**

The balance retained in the Profit & Loss Account as at 31st March 2011 is Rs. 985.23 lakhs after providing dividend for the year of Rs. 100.00 lakhs and dividend tax of Rs. 16.61 lakhs thereon. The total amount of profits appropriated to dividend including dividend tax was Rs. 116.61 lakhs, as compared to Rs. 70.19 lakhs in the previous year.

**e. Fixed Assets**

During the year 2010-2011 the Company has added Rs. 48.12 lakhs to the gross block of assets while in respect of Capital work-in-progress there was an increase of Rs.136.96 lakhs over that of the previous year due to investment in infrastructure.

**f. Investments**

The increase in investments made by the company of Rs. 346.57 lakhs, during the year 2010-2011, represents increase in equity by the company in its wholly owned subsidiary, Advanced Synergic Pte Ltd, Singapore.

**g. Income**

Of the total revenues for the year ended 31st March 2011, Rs. 3450.81 lakhs was derived from export operations and Rs. 2781.93 lakhs from domestic operations.

Sales include sale of software and Software services. Revenue from sale of software is recognized wherever the sale has been completed with the passing of the title and billed to the clients as per the specific contracts. Revenue from sale of software services is recognized on the basis of percentage of completion method. Miscellaneous income mainly consists of reimbursement of expenses. .

**h. Operating Profit( EBIDTA)**

We earned an operating profit Rs. 1016.30 lakhs representing 16.31% of total revenues as compared to Rs. 532.14 lakhs representing 12.44 % of total revenues of the previous year. 31st March 2010.

**i. Net Profit after Tax**

The Net Profit after Tax increased by 90.16% to Rs. 651.94 lakhs for the year ended 31st March 2011, from Rs. 342.82 lakhs in the previous year. This represents 10.46% and 8.01 % of the total Revenue for the year ended 31st March 2011 and 31st March 2010 respectively.

**j. Earnings per share**

Our earnings per share increased by 90.08% during the year to Rs. 13.04 from Rs. 6.86 per share the previous year.

**k. Developments in Human Resources/ Industrial Relations**

The employee strength of the company as on 31st March, 2011 was 654 while in respect of the ASM group, the total strength including contractual employees was 839. The growth in manpower strength can be attributed to growth in new business.

It is a well recognized fact that Human Resources are the most valuable assets, deployed and valued by an organization. Your company believes that people are the primary drivers in the success of an organization and hence people and HRD remain at the forefront of its mission. In this pursuit, the Company is providing timely and cost effective recruitment system for attracting the cream of talented professionals, ensuring a clear compensation and benefit policy in tune with the latest IT market trends.

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## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

(under Clause 49 of the listing agreement)

To The Members of  
**M/s. ASM Technologies Limited**  
Bangalore 560 025.

We have examined the compliance of conditions of Corporate Governance by **M/s. ASM Technologies Limited** (the Company) for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreements of the Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above referred Listing Agreement.

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

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.

Place : Bangalore.  
Date : May 28, 2011

for **Sudhakar Pai Associates**,  
Chartered Accountants,  
**B. SUDHAKAR PAI**  
(Proprietor)  
Membership No. 018187