

## Quarterly Compliance Report on Corporate Governance

**Name of the Company: LEE & NEE SOFTWARES (EXPORTS) LTD.**  
**Quarter ending on: 31.12.2012**

Particulars	Clause of Listing Agreement	Compliance Status Yes/No	Remarks
<b>I Board of Directors</b>	49 I	Yes	
(A) Composition of Board	49(IA)	Yes	
(B) Non-executive Directors' Compensation & Disclosures	49 (IB)	Yes	
(C) Other Provisions as to Board and Committees	49 (IC)	Yes	
D) Code of Conduct	(49 (ID)	Yes	
<b>II. Audit Committee</b>	49 (II)	Yes	
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	
(B) Meeting of Audit Committee	49 (IIB)	Yes	
(C) Powers of Audit Committee	49 (IIC)	Yes	
(D) Role of Audit Committee	49 II(D)	Yes	
(E) Review of Information by Audit Committee	49 (IIE)	Yes	
<b>III. Subsidiary Companies</b>	49 (III)	N.A	No Subsidiary Company
<b>IV. Disclosures</b>	49 (IV)	Yes	
(A) Basis of Related Party Transactions	49 (IV A)	Yes	
(B) Disclosure of Accounting Treatment	49 (IV B)	Yes	
(C) Board Disclosures	49 (IV C)	Yes	
(D) Proceeds from Public Issues, Rights Issues, Preferential Issues etc.	49 (IV D)	N.A	No Public Issue
(E) Remuneration of Directors	49 (IV E)	Yes	
(F) Management	49 (IV F)	Yes	
(G) Shareholders	49 (IV G)	Yes	
<b>V.CEO/CFO Certification</b>	49 (V)	Yes	
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes	
<b>VII. Compliance</b>	49 (VII)	Yes	

**Note:**

- 1) The details under each head shall be provided to incorporate all the information required as per the provisions of the Clause 49 of the Listing Agreement.
- 2) In the column No.3, compliance or non-compliance may be indicated by Yes/No/N.A. For example, if the Board has been composed in accordance with the Clause 49 I of the Listing Agreement, "Yes" may be indicated. Similarly, in case the company has no related party transactions, the words "N.A." may be indicated against 49 (IV A).

3) In the remarks column, reasons for non-compliance may be indicated. For example, in case of requirement related to circulation of information to the shareholders, which would be done only in the AGM/EGM, it might be indicated in the "Remarks" column as – "will be complied with at the AGM". Similarly, in respect of matters which can be complied with only where the situation arises, for example, "Report on Corporate Governance" is to be a part of Annual Report only, the words "will be complied in the next Annual Report" may be indicated.

**LEE & NEE SOFTWARES (EXPORTS) LIMITED**  
**CORPORATE GOVERNANCE**

**FOR THE QUARTER ENDED 31<sup>st</sup> December, 2012**

**1. BOARD OF DIRECTORS:**

**(A) Composition of Board as on 31.12.2012**

The Board of Directors comprises of three Directors, The Composition is as under:

Name of the Director	Position	No. of Meeting held	No. of Meeting attended	Whether attended last AGM	No of other directorship
Mr. Ajay Agarwal	Executive Director	1	1	Yes	NIL
Mr. Sagar Mal Gupta	Promoter Director	1	1	Yes	1
Mrs. Arpita Gupta	Independent Director	1	1	Yes	1

**(B) Non executive Directors compensation & disclosures**

Name of Directors	Sitting fees	Consultancy fees	Total
1. Mr. S.M.Gupta	NIL	-	NIL
2. Mrs. Arpita Gupta	NIL	-	NIL

1. Sitting Fees constitute fees paid to Non-executive directors for attending Board and Committee Meetings.
2. The Company did not have any pecuniary relationship or transaction with the Non-Executive Directors during this quarter 31<sup>st</sup> December, 2012.

**(c) Other provisions as to Board and Committees**

The Board held 1 meeting in this quarter as on 27<sup>th</sup> October, 2012. The agenda paper was circulated well in advance of this meeting and all the relevant information as required by clause 49 of the Listing Agreement was made available to the Board of Directors.

No Director hold membership of more than 10 Committees of Boards nor is any Director, Chairman of more than 5 Committees of Boards.

**(D) Code of Conduct**

The Board has formulated a code of Conduct for the Board members and senior management of the Company. The same has also been posted on the website of the Company [www.Insel.com](http://www.Insel.com).

All Board members and senior management personal have affirmed their compliance with the Code.

## AUDIT COMMITTEE

### (A) Qualified & Independent Audit Committee

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with Clause 49 II (C) and (D) of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. The Audit Committee comprises of two Directors as under:

1. Mr. S.M. Gupta - F.C.A Independent, Non-Executive – Member
2. Mrs. Arpita Gupta - F.C.A Independent, Non-Executive – Member

### (B) Meeting of Audit Committee

The Committee has met 1 quarterly meetings as on 27.10.2012, the minute of the meeting of the Audit Committee is reviewed and noted by the Board. The minutes of the meeting of the Audit Committee is reviewed and noted by the Board. The Composition of the Committee and the attendance at the meeting of the committee is given below.

Name of Member	Category	Position	No of Meeting held	No of Meeting attended
1.Mrs. Arpita Gupta	Independent	Chairman	1	1
2. Mr. S.M Gupta	Independent	Member	1	1

### (C) Powers of Audit Committee 49 (II C)

#### The Power of the Audit Committee of the Company include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### (D) Role of Audit Committee

The functions of the Audit Committee of the Company include the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management, the quarter financial statement before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies act, 1956
  - Changes, if any, in accounting policies and practices and reasons of the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management

- Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosures of any related party transactions
  - Qualifications in the draft audit report.
- Reviewing with the management, the quarterly, half yearly and yearly financial statement before submission to the Board for approval.
  - Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems.
  - Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussion with the internal auditors any significant findings and follow-up thereon.
  - 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.
  - Discussion with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any areas of concern.

**(E) REVIEW OF INFORMATION BY AUDIT COMMITTEE.**

The Company has system and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management
- Management letters/letters of internal control weakness issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses
- The appointment, removal and terms of remuneration of the Chief internal auditor.

**III SUBSIDIARY COMPANIES**

The Company did not have any subsidiary company.

**IV. DISCLOSURES**

There are no materially significant related party transactions i.e. transactions material in nature, with its promoters, the Directors or the Management or their relatives etc. having potential conflict with the interests of the Company.

**(A) Basis of related party transactions:-**

The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.

**(B) Disclosure of Accounting Treatment**

The accounting treatment is made and followed as per the norms prescribed in Accounting Standards in the preparation of financial statements wherever applicable.

**(C) Board Disclosures:-**

Disclosure of Accounting Treatment – In the preparation of financial statement, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

Disclosures on Risk Management – The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. A Risk management Committee consisting of Director and senior executives of the Company has been formed to periodically reviews these procedures to ensure that executive management controls risk through means of a properly defined framework .The Company has framed the risk assessment and minimization procedures which will be periodically reviewed by the Board.

**(D) Proceeds from public issues, rights issues, preferential issues etc:**

The Company did not raise any money through any issue during this quarter.

The Company has complied with all rules and regulations prescribed by the Stock Exchange , SEBI or any Statutory Authority relating to the Capital Markets during the last quarters. No penalties structures have been imposed by them on the Company.

**(E) Remuneration of Directors:**

The Company has Remuneration Committee comprising of two Directors. The composition of the Committee is as follows:

Name of the members	Position	No. of Meeting Held	No. of Meeting Attended
1. Mr. Ajay Kr. Agarwal	Executive Director	1	1
2. Me. S. M. Gupta	Promoter Director	1	1

**(F) Management**

**Management Discussion and Analysis Report:**

***ERP:***

ERP software once considered a necessary commodity in the IT infrastructure—is now viewed as a strategic asset for organizations that want to remain competitive by quickly adapting to change and accelerating business performance. ERP helps to control data and facilitates the necessary contacts to acquire the same.

## **Solaris and Linux Development**

Company plan is to use the expertise of Oracle Solaris and Linux Development track which is designed for application developers who are porting or creating applications for Oracle Solaris and Oracle Linux. The Company will train the developers as to how to develop, multithread, compile, and tune the native C/C++ and FORTRAN applications. Use the Oracle Solaris Studio tool chain—parallelizing compilers, code-level and will use memory debuggers, performance and thread analysis tools, optimized math libraries, and support for the latest parallelizing industry standards—to master multicore SPARC and x86 systems from Oracle.

## **Service-Oriented Architecture (SOA)**

The Company plan is to serve the Oracle by using the service-oriented architecture (SOA), from basics to a deep dive into best practices for developers and architects. The global companies have implemented SOA in the real world and have used SOA to create a truly flexible, adaptable IT infrastructure.

## **SAP**

SAP is a major enterprise software company with a long history of different software solutions. SAP R3 is an enterprise resource planning (ERP) solution introduced by SAP in the early 1990s targeting large organizations R3 was a breakthrough solution for SAP at the time because it ran on many platforms and operating systems.

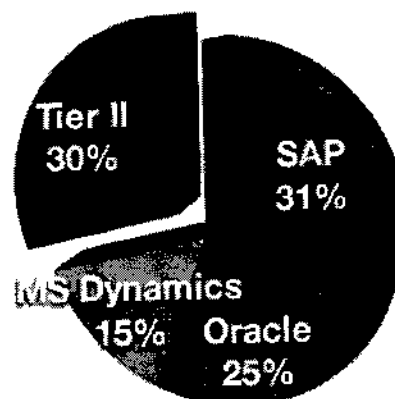
## **Coverage**

R3 covered typical ERP functions. Financials, operations, human resources, sales and distribution functionality enabled R3 to cover a broader solution set than most of its competitors. This combination of breadth and depth soon gave R3 the status of one of the top 2-3 solutions in the ERP software market.

## **Future of SAP**

There is a strong demand for SAP software that translates into a robust environment for SAP consultants to design, configure, build and support SAP applications.

## **ORACLE - ERP**



According to the chart above, SAP is still top leader with 31% market share. However, based on AMR Research, SAP market share was 47%, Oracle 25% and Microsoft was only 3%.

**Comparison : ERP Solution Satisfaction:-**

	SAP	Oracle	Microsoft	Tier II
Benefits Factor	72.2%	58.0%	68.0%	68.6%
Executive Satisfaction	76.4%	75.9%	65.4%	67.7%
Employee Satisfaction	73.6%	60.3%	76.9%	76.5%

***BPO Business:***

The Indian domestic market has undergone a transformation over the past decade- rising from the periphery to emerge as a reliable, high potential support unity for the country's IT-BPO sector.

***BPO destinations:***

India, Malaysia, Vietnam, Singapore, Philippines, Latin America, Eastern Europe, South Africa and recently Egypt are considered as significant BPO destinations.

***Future of Indian BPO:***

Domestic IT-BPO revenue (excluding hardware) is expected to grow at almost 17 per cent to reach Rs 918 billion in FY2012. Global GDP, after growing by 2.7 per cent in 2011, is expected to grow 2.5 per cent in 2012. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organizations, enhanced focus by the government and emergence of business models that help provide IT to new customer segments are key drivers for increased technology adoption in India

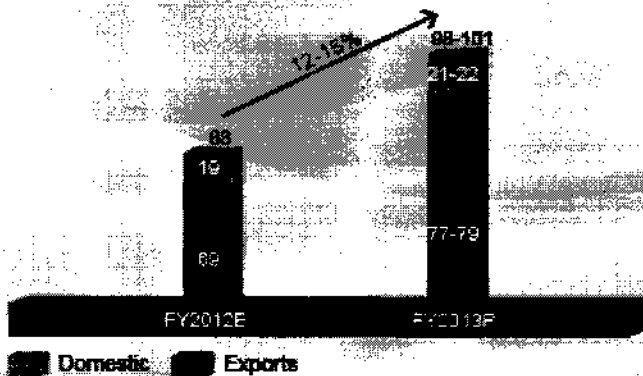
IT services is the fastest growing segment in the Indian domestic market, growing by 18 per cent to reach Rs 589 billion, driven by increasing adoption from all customer segments – government, enterprise, consumers and SMBs

The domestic software products segment is set to grow to Rs 180 billion in FY2012, a growth of ~13 per cent over FY2011. This segment is being driven by the need to replace legacy systems and technology advancements around cloud, mobility, etc.

Direct employment within the domestic IT-BPO sector is expected to grow by 7 per cent over FY2011 to cross 600,000 employees with the industry creating immense job opportunities in Tier II and Tier III cities.



Indian IT-BPO Revenues\*  
USD billion



Notes: E: Estimate; P: Projection \* Excludes Hardware  
Source: NASSCOM

### Risks & Concerns for Indian IT Industry:

Though demand conditions have been optimistic, the Indian IT sector is exposed to certain risks which may hinder growth rate. An appreciating Rupee, slowdown in US economy, shortage of skilled manpower, limitations in domestic infrastructure and competition from other global players. Services provided at a low cost by China, Philippines and Vietnam are threat to Indian companies. The employment and growth has reduced to 16%. Apart from these increasing activities of global MNC's is making difficult for employee retention for Indian Companies.

On the financial front considerable wage increase can reduce the top line as well as the bottom line of the companies. Shortage of experienced and skilled call center professionals is another concern for the industry. In voice based operations infrastructural support as to Zero break down is another continguous factor which affects revenue.

At present there are a number of challenges that are facing the information technology industry of India. One of the major challenges for the Indian information technology industry was to keep maintaining its excellent performance standards.

The experts are however of the opinion that there are certain things that need to be done in order to make sure that India can maintain its status as one of the leading information technology destinations of the world. The first step that needs to be taken is to create an environment for innovation that could be carried for a long time. The improvement however, also needs to be qualitative rather than just being quantitative. The skill level of the information technology professionals is one area that needs improvement and presents a considerable amount of challenge before the Indian information technology industry.

The Indian information technology industry also needs to co-ordinate with the academic circles as well as other industries in India for better performance and improved productivity. The experts are of the opinion that the business process outsourcing service providers in India need to change their operations to a way that is more oriented to the knowledge process outsourcing. One of the most important crises facing the Indian information technology industry concerns the human resources aspect. The problems with outsourcing in countries like the United States of America are posing problems for the Indian information technology industry as well.

### ***Opportunities and Threats:***

NASSCOM & Mc Kinsey & Company conducted a comprehensive study to develop a perspective on the potential of the RIM industry. This report, the rising remote Infrastructure management opportunity: Establishing India's Leadership details the potential of the remote infrastructure in management.

Services providers are expected to enhance focus to domestic market to de-risk business & tap into the local growth opportunities.

Lock & Working age population in the developed economies & a significant long term cost, arbitrage indicates India's sustained cost competitiveness.

There are a large number of multinational IT enterprises operating in India in sectors such as:- Integrated chip design, system software, communication software, R & D centres, Technology support sector, captive support sector, BPO sector etc reaping the cost and quality advantages.

India has already established its brand equity in the global IT market. Indian IT software & services firms offer software product/packages, a wide spectrum of IT service, including system management & maintenance, consultancy services, system integration, chip design, E-Governance, E-Commerce, It enabled services covering banking/financial/insurance sector & off shore development on various platform Oracle, SAP, sage & also ERP implementation and having sold their licenses of the software they are looking for implementation partners to serve the client.

For many years now, engineering services have been a strong focus area for both Indian players and captives. But, as recession-struck companies feel the pressures on budgets and innovation capabilities, engineering research and development, has come to bear a more strategic role for long-term development and growth.

The recessionary pressures have also aligned the innovation supply base more towards the emerging nations like India and China. There are questions around the size of the opportunity, newer verticals, and opening up the domestic window. Managing innovation costs are relevant, but more importantly, India has to take a leadership role in driving innovation as clients are scouting for partners for the entire product development cycle. Also, with China's manufacturing prowess, Indian players need an in-depth insight of opportunities and threats to cover ground.

To outline a long-term growth perspective on the sector and pave the way forward for the Stakeholders, NASSCOM have undertaken a comprehensive study. The findings of the report address critical questions related to the sector including:

- Opportunities in the engineering services space
- Role of emerging markets
- Strengths of India beyond costs to become a preferred destination
- Identifying the newer verticals in the offing Understanding competition
- Imperatives and actions required to corner a larger global pie

### ***Growth:***

IT-BPO sector has become one of the most significant growth catalysts for the Indian economy. In addition to fuelling India's economy, this industry is also positively influencing the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living and diversity among others. The industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing

...ss technology solutions and business services. The industry has helped India transform from a rural agriculture-based economy to a knowledge based economy.

Software body Nasscom remains confident about its projection for 16-18 per cent growth of the Indian IT industry in FY'12 despite the economic uncertainty in the US and European markets.

**Segment-wise or Product-wise performance:**

In view of the identical geographical location and the same product, i.e. ITES, there is hardly any need for separate segmental reporting.

**Outlook:**

Despite the unprecedented economic downturn the industry will witness sustainable growth. The global technology related spending is expected to grow from 2010 onwards led by growth in the outsourcing adaption.

**Internal Control System and their adequacy:**

The Company has an Internal Control and Audit System Commensurate with its size and nature of its business.

**Discussion on financial performance with respect to operational performance:**

The company has made profit during the year but the profit is not enough due to lack of working in optimum capacity due to heavy manpower attrition and no availability of appropriate manpower who can maintain the standards and quality of delivery. The Company also tried for new manpower development but it is taking time. Certain laws introduced by the Federal Govt. in USA against outsourcing of Govt. jobs to India and after the vanishing of the charm of e-commerce in world economy, the Company's performance has been severely affected and the Company has no option but to identify new avenues of software services. The Company has commenced HR services additionally apart from last year's activities of Medical transcription, Animation, Call Center and other non-voice based KPO services and ERP implementation services but the results have not been derived to the extent desired. The Company is hopeful for better results.

**Material Development in Human Resources/Industrial Relation Front, including No. of people employed:**

Number of old employees was reduced in view of the low production and of course new skilled manpower was introduced for Medical Transcription and ERP implementation and their is a smooth operational relations with the employees of the Company. The company has outsourced the work to the professional consultants. The Company has attempted lately to develop the required skilled human resource for the future prospective projects in KPO in good hope. The company has taken up International Staffing as a business activity and new avenue for revenue which has strengthen its manpower in domestic and international market. West Bengal has come up strongly as IT HUB and many BPO and other industry players have started to likely to start their operations. Manpower of professionals in IT/ITES has crossed 50,000 in Kolkata and is expected to cross 2, 00,000 in next three years. Staffing has become a part of this industry in domestic and international market. To bridge the gap, the company has targeted to explore market of manpower development, manpower resourcing, developing and delivering under the new name of LENSEL JOBSONLINE and hopeful of success.

The Indian BPO industry is at an interesting juncture of its history. After recording mind boggling growth of nearly 37% you for the Last six years, the sector is faced with a dynamic and volatile global scenario which is throwing up significant challenges. The manpower situation is undergoing a major change in IT BPO, company deals with the slowing global economy. The dynamic market place is also pushing HR within companies to evolve a new and more important role for itself.

is an equal opportunity; employer has always believed in and supported equal opportunity for all the professionals at the work place. We believe that monitoring is the best way to motivate and encourage women reach their full potential and help them through the challenges of balancing a demanding career and a family.

## **MEANS OF COMMUNICATION**

(A). The quarterly Results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors and communicated to the investors through publication in news papers in English and vernacular languages.

The Financial results are generally published in "The Financial Express".

The results are also placed at website of the Company; [www.lnsel.com](http://www.lnsel.com) soft copies of the financial results are also mailed to [corp.relations@bseindia.com](mailto:corp.relations@bseindia.com)

Presentations are made to Institutional Investors or Analysts on specific request.

## **(G) SHAREHOLDERS : GRIEVANCE COMMITTEE:**

All the information's regarding the Company and its working are regularly uploaded in the Companies Website viz. [www.lnsel.com](http://www.lnsel.com)

For the quick redressal of the shareholders and the investors grievances, investors grievance committee has been formed. The members of the Investors Grievance Committee are –

Mr. Ajay Kr. Agarwal – Executive Director  
Mr. S.M. Gupta -- Member

The total number of complaints received and replied to the satisfaction of shareholders. There were no complaints pending as on 31<sup>st</sup> December' 2012.

Mrs. Arpita Gupta has been designated as the Compliance Officer to overseas the investor's grievances and the matters relating to share transfer.

M/s. Maheshwari Datamatics Pvt. Ltd. has been appointed as the Company's transfer agent to expedite the process of share transfer both physical and demat segment.

## **(V) CEO/CFO CERTIFICATION**

It has been placed before the Board.

## **(VI) CORPORATE GOVERNANCE**

All the regulations of Corporate Governance have been duly complied with.

The Company has been regularly complying with the Corporate Governance regulations as certified by the Companies Auditors.

## **(VII) COMPLIANCE**

Forms part of Annual Report for the year ended 2011-2012.

Lee & Nee Softwares (Exports) Ltd.  
*Arpita Gupta*  
Authorised Signatory