

report on corporate governance

in accordance with clause 49 of the listing agreement with the stock exchanges in india and some of the best practices followed internationally on corporate governance, a report containing the details of governance systems and processes at helios and matheson is given hereunder:

transparency, fairness, disclosure and accountability are central to the working of the company and its board of directors.

the company is committed to meeting the expectations of all its stakeholders. this is demonstrated in shareholder returns, governance processes and an entrepreneurial, performance based work environment. our customers have benefited from our high quality service offerings delivered at the most competitive prices.

corporate governance has indeed been an integral part of the way we have done business during the last two decades. this emanates from our strong belief that strong governance is integral to creating value on a sustainable basis. the fundamental concern of corporate governance is to ensure the conditions whereby a company's directors and managers act in the interest of the company and its various stakeholders. your company has always been guided by a strong conviction of adhering to transparency, accountability and integrity. the company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. shareholders' interests are utmost and the management is only a trustee of the shareholders capital to carry out the activities in a truthful manner. in terms of distributing wealth to our shareholders, apart from having a track record of uninterrupted dividend payment, the company has also delivered consistent unmatched shareholder returns since listing.

corporate governance is a journey for constantly improving sustainable value creation and is an upward moving target.

our employee satisfaction is reflected in the stability of our senior and middle management, low attrition across various levels and substantially higher productivity.

board of directors

the company has an executive chairman and the number of independent directors is more than 50% of the total number of directors. as on 30th september, 2012, the company has 5 directors on its board, of which 3 directors are independent and non executive directors. the number of non-executive directors is more than 50% of the total number of directors. the company is in compliance with clause 49 of the listing agreement pertaining to composition of directors.

the board of directors and its committees meet at regular intervals.

the following functions come under the purview of the board of directors and its committees.

- . review of financial plans and budgets
- . formulating strategic business plans
- . monitoring high end projects
- . keeping shareholders informed regarding plans, strategies and performance

a total of 4 meetings of the board of directors were held during the year 2011-12 on 11.11.2011, 14.02.2012, 15.05.2012 and 13.08.2012.

details of helios and matheson board of directors, their attendance at company's board meetings and their directorships are set out below:

name of director	board meetings held during the year	attended	attendance at last agm	no of other directorships
chandra ramesh	4	3	yes	3
diwakar sai yerra	4	4	yes	2
muralikrishna g.	4	4	yes	3
s r sistla	4	4	yes	0
s.k.patil	4	4	yes	3

in accordance with the listing agreement entered into with the stock exchanges, the board had constituted 2 committees, namely, the audit committee and the investor services committee.

shares held by non executive directors

air-vice marshal vsm (retd) s.r.sistla holds 850 shares in the company. the other non-executive directors namely, ms. chandra ramesh and mr. s. k. patil do not hold any share.

disclosures regarding appointment or reappointment of directors

air-vice marshal vsm (retd) s.r.sistla, director, retires by rotation at this annual general meeting and is eligible for re-election. details regarding his back ground and other particulars are given elsewhere in the report.

the tenure of mr g.muralikrishna, managing director & ceo, expires in january 2014. the board of directors at their meeting held on 05.02.2013 decided to reappoint him for another 5 years with effect from 01.04.2013 on terms and conditions stipulated elsewhere in this annual report. mr.muralikrishna has been the managing director of the company since its inception in 1991. necessary resolutions for approval of shareholders are proposed in the notice of the ensuing annual general meeting for the reappointment of avm(retd) sr sistla as director and mr muralikrishna as managing director & ceo for a period of five years with effect from april 1, 2013.

directors with materially significant related party transactions, pecuniary or business relationship with the company

there has been no materially significant related party transaction, pecuniary transaction or relationship between helios and matheson and its directors that may have potential conflict with the interests of the company at large.

information supplied to the board

the board has unfettered and complete access to any information within the company, and to any of the employees. the information regularly supplied to the board includes:

- . annual operating plans of business, capital budgets, acquisitions etc.,
- . quarterly results of the company
- . minutes of meetings of audit committee and investor grievance committees as well as abstracts of circular resolutions passed, also board minutes of subsidiaries.
- . general notices of interest
- . dividend data.

- . information on recruitment and remuneration of senior officers below the board level.
- . materially important litigations, show cause, demand, prosecution and penalty notices.
- . any materially relevant default in financial obligations to and by us of substantial nature
- . details of joint ventures, acquisitions of companies or collaboration agreements.
- . transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- . significant development on the human resources and industrial relations front.
- . sale of material nature, of investments, subsidiaries and assets, which are not in the normal course of business.
- . details of foreign exchange exposure and steps taken by management to limit risks of adverse exchange rate movement.
- . details of derivative transactions entered into by the company and update on foreign exchange exposure and provisions resulting from such transactions.
- . non compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delay in share transfer.

the board of helios and matheson is routinely presented with the aforesaid information wherever applicable and materially significant. necessary follow up reports are also presented to the board regularly.

audit committee

the audit committee was constituted in terms of section 292a of the companies act 1956 and clause 49 of the listing agreement. audit committee is constituted with independent directors forming two-thirds of its strength. they possess rich experience in the areas of finance, audit and systems. the committee is headed by ms. chandra ramesh with mr. diwakar sai yerra, and mr. s.r.sistla directors, as its members. all members of the audit committee are knowledgeable in finance, accounts and company law matters. minutes of each audit committee meeting are placed before the board and discussed in full. the company's external auditors are also invited to participate in these meetings. both the external and internal auditors have full and unrestricted access to the members of the audit committee.

internal control

management feels that the internal controls in place are sufficient considering the size, nature and complexities of the operations of the company. audit committee overlooks the operation and if required, modifications are put in place. the internal audit function is also reviewed by the audit committee of the board.

the terms of reference stipulated by the board of directors to the audit committee are, as contained in clause 49 of the listing agreement and section 292a of the companies act, 1956, as follows:

- . overseeing the company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
- . recommending the appointment / reappointment of external auditor, fixation of audit fee and approval for payment of other services.
- . reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on judgment by management (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit report, (v) the going concern assumption, (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries etc., that may have potential conflict with the interests of the company at large, (viii) matter required to be included in directors responsibility statement to be included in boards' report.

- . reviewing with the management and external auditors, the adequacy and compliance of internal control systems.
- . reviewing the adequacy of internal audit functions.
- . discussion with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern and steps needed to correct the same.
- . reviewing the company's financial and risk management policies.
- . to look into the reasons for substantial defaults in the payment to the depositors, debenture holders and shareholders (in case of non payment of declared dividend) and creditors.

the audit committee mandatorily reviews the terms of reference and the information as laid down before it in terms of the listing agreement.

during the year the committee met 4 times on 11.11.2011, 14.02.2012, 15.05.2012 and 13.08.2012 as statutorily required. the statutory auditors of the company were also invited to take part in the proceedings.

attendance record of audit committee members

name of director	no of meetings held	no of meetings attended
ms. chandra ramesh	4	3
mr. diwakar sai yerra	4	4
mr. s r sistla	4	4

investors' grievance committee

the investors' grievance committee/investors' services committee specifically looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. the committee comprises the following members.

avm sr sistla - chairperson

mr. diwakar sai yerra

ms chandra ramesh

the committee met thrice during the year on 11.11.2011, 14.02.2012 and 13.08.2012.

given below is the attendance record.

name of director	no of meetings	meetings attended
avm sr sistla	3	3
mr. diwakar sai yerra	3	3
ms chandra ramesh	3	3

the committee acts in close liaison with its share transfer agents and registrars, m/s integrated enterprises india ltd. the company has received a certificate from its share transfer agents and registrars that complaints, if any, received from the shareholders till 30.09.2012 have been suitably redressed. the company regularly follows up with registrars for redressal of all complaints in time as per statutory requirements.

remuneration committee

as the constitution of the remuneration committee is not mandatory, a report of the same is not attached, for the year under review.

details of remuneration paid to the executive directors during the year are as under

name of director	relationship with other directors	salary in ₹.	total in ₹.
mr.g.k.muralikrishna	none	3,00,000	3,00,000
mr. diwakar syerra	none	12,85,000	12,85,000

other than the managing director and executive director, other non executive directors are paid a sitting fee of ₹.10,000 for each board meeting attended. they are not paid any sitting fee for attending the committee meetings. the directors are not paid any commission on net profits or any other perquisite.

details of the sitting fees paid during 2011-12 are as follows:

₹.

ms. chandra ramesh	30,000
avm vsm (retd) s. r. sistla	40,000
mr. s. k. patil	40,000

investor services/complaints during the year ended 30th september, 2012

nature of complaints	2012		2011	
	received	attended	received	attended
non receipt of share certificates	0	0	1	1
correction in share certificates	2	2	3	3
non receipt of bonus /split shares certificates	8	8	1	1
annual report	3	3	4	4
non receipt of dividend warrants	14	14	0	0
revalidation	21	21	12	12
general queries	4	4	3	3
procedure for loss of share certificate	6	6	4	4
procedure for transmission	1	1	0	0
issue of duplicate share certificate	2	2	2	2
issue of duplicate dividend warrants	3	3	11	11
total	64	64	41	41

all the letters 64 (41)received covering “information and services” have been attended to.

management discussion and analysis

this annual report has a detailed chapter on management discussion and analysis.

disclosures by management to the board

all details relating to financial and commercial transactions where directors may have a potential interest are provided to the board and the interested directors neither participate in the discussion nor do they vote on such matters.

shareholders**means of communication**

helios and matheson has its own website and all vital information relating to the company and its performance including quarterly results and official press releases are updated and posted on the website. on line price ticker is also provided to keep the investor informed regarding the movement of the share prices in the market. the company's website address is www.heliosmatheson.com

investor grievances

the company has constituted investors' services committee for redressing shareholders' and investors' complaints. the status on complaints is reported to the board of directors at its meetings. mr. k.m.kumar, company secretary is the compliance officer. all the queries of the investors are attended to within a reasonable time limit. the company also has a separate email id investor@heliosmatheson.com to attend to shareholders' queries.

share transfers and dematerialization requests

all share transfers and requests for dematerialization of the company's shares by the shareholders are handled by integrated enterprises (india) ltd., registrars & share transfer agents, who are registered with sebi as a category 1 registrar. dematerialisation requests are attended to within the statutory time limit.

details of compliance with listing agreement

the company has complied with all provisions relating to the capital market as laid down in the listing agreement.

payment of listing fees to stock exchanges

the company has remitted the annual listing fees to the respective stock exchanges where its shares are listed (bse, nse and mse).

general body meetings

details of last 3 annual general meetings

financial year ended		date	time	venue
september 30, 2011	19th agm	march 29, 2012	3 pm	bharatiya vidya bhawan, mylapore, chennai
september 30, 2010	18th agm	march 30, 2011	3 pm	bharatiya vidya bhawan, mylapore, chennai
march 31, 2009	17th agm	march 25, 2010	3 pm	rani seethai hall, anna salai, chennai

no special resolution was passed at the annual general meeting held on 25.03.2010 and 29.03.2012

the following special resolution was passed by the members at the annual general meeting held on 30.03.2011:

u/s 81(1a) of the companies act, 1956, authorizing the board of directors to issue equity shares and other financial instruments for an amount not exceeding ₹.500 crore to such entities as mentioned in the said resolution.

postal ballot

for the year ended september 30, 2012, no business was passed through postal ballot.

auditors' certificate on corporate governance

as required under clause 49 of the listing agreement, the auditors' certificate is given as annexure to the directors' report.

ceo / cfo certification

as required by clause 49 of the agreement, a certificate duly signed by the ceo and cfo of the company has been submitted to the board.

general shareholder information

1. date, time and venue of agm : monday, march 25, 2013, 3.00 pm,
rani seethai hall,anna salai, chennai
2. dates of book closure : march 21 to march 25, 2013(both days inclusive)
3. final dividend payment : on or after march 25 , 2013 but within
the statutory time limit of 30 days
4. financial calendar
(tentative and subject to change) : results for qe dec 31, 2012 : on february 05, 2013
results for qe march 31, 2013 : on or before may 15, 2013
results for qe june 30, 2013 : on or before august 15, 2013
results for qe sep 30, 2013 : on or before 30 november, 2013
annual general meeting : on or before 31 march 2014
5. listing on stock exchanges : bombay stock exchange ltd (bse)
national stock exchange of india ltd (nse)
madras stock exchange ltd (mse)
6. stock code & trading symbol : bombay stock exchange : helios mat i (532347)
national stock exchange : heliosmath
madras stock exchange : hms
bloomberg code : hmit in (bse)
7. listing fees : paid to all the stock exchanges for the year 2012-13.
8. corporate offices : heliostower,143/1,nungambakkam high road, chennai 600034;
04-01,heliopolis, crest, ascendas international tech park, taramani,
chennai 600113
9. registrars & share transfer agents : integrated enterprises (india) ltd., kences towers,
1, ramakrishna street, t.nagar, chennai 600 017
10. share transfer system : about 97.76 % of the company's paid up equity shares are in electronic
form. transfer of these shares is done through the depositories with no
involvement of the company. as regards transfer of shares held in
physical form, the transfer documents can be lodged with the company
or the share transfer agents, integrated enterprises (india) ltd., total
number of shares transferred in physical form during 2011-12 was 1199
as against 4825 during the previous year.

11. market price data (in ₹ per share)

month	bombay stock exchange		national stock exchange	
	month high	month low	month high	month low
october, 2011	25.80	23.30	25.00	23.35
november, 2011	24.80	20.00	24.80	20.20
december, 2011	24.60	18.25*	21.95	17.50*
january, 2012	24.95	18.25*	25.00	17.50*
february, 2012	31.50	24.50	31.45	24.05
march, 2012	29.50	23.50	29.40	23.50
april, 2012	28.50	24.50	29.40	24.35
may, 2012	26.75	22.10	26.40	22.35
june, 2012	24.75	22.05	24.75	22.50
july, 2012	27.20	23.00	27.20	23.05
august, 2012	31.85	22.80	32.00	22.60
september, 2012	37.25*	27.00	37.40*	26.60

*represents the yearly high and yearly low of equity shares.

12. share price performance in comparison to broad based indices-bse sensx

helios and matheson share price performance relative to bse sensx based on share price on september 30 2012



13. distribution of shareholding

shareholding pattern of the members of the company as on september 30, 2012 is given below according to category

category	no. of shareholders	voting strength (%)	no. of shares held
promoters	4	40.38	96,55,680
corporate bodies	413	4.59	10,96,645
institutions/banks	2	0.54	1,30,063
public	23969	54.49	1,30,29,941
total	24388	100	2,39,12,329

distribution of shares by size of shareholders as on september 30,2012

number of equity shares	no. of shareholders	% of shareholders	no. of shares	% of shareholding
1 to 500	20122	82.51	34,07,889	14.25
501- 1000	2249	9.22	18,22,260	7.62
1001- 5000	1676	6.87	36,35,550	15.20
5001- 10000	178	0.73	13,38,190	5.60
10001 and above	163	0.67	1,37,08,440	57.33
total	24388	100.00	2,39,12,329	100.00

14. dematerialization of shares

about 97.76 % of the company's paid up equity shares have been dematerialized upto september 30,2012. trading in equity shares of the company is allowed only in dematerialized form as per notification issued by the securities and exchange board of india (sebi).

demat no in nsdl and cdsl for equity shares

: isin no. ine674b01012

15. liquidity

the company's shares are actively traded on the bse and nse. the data for the total no of shares traded in and the volume thereof is given below for the period from october 1, 2011 to september 30, 2012.

month	bse		nse	
	no of shares traded	volume (in ₹. lakhs)	no of shares traded	volume (in ₹. lakhs)
october 2010	53,989	13.14	95,169	23.19
nov 2010	80,061	17.85	1,38,654	31.07
dec 2010	1,02,283	20.50	1,05,383	20.86
jan 2011	1,43,196	31.91	1,57,436	35.81
febr 2011	4,22,902	118.27	62,38,551	176.76
march 2011	3,20,906	86.41	3,86,078	104.81
april 2011	1,70,587	45.16	1,80,055	47.48
may 2011	1,73,641	41.67	2,13,474	50.83
june 2011	88,572	20.73	1,12,937	26.56
july 2011	1,19,395	29.85	1,71,052	44.13
august 2011	6,50,444	189.52	11,75,529	343.75
sept 2011	10,71,882	354.36	16,65,073	549.27
total	33,97,858	969.38	50,24,691	1456.53
average volume per month/ average price per share	2,83,154 28.52		4,18,724 28.98	

16. outstanding gdrs/ adrs/warrants or any convertible instruments, conversion date and likely impact on equity.

pursuant to the approval given by the shareholders at the last agm held on 29.03.2012, your company issued, on a preferential basis, 12.50 lakh nos of warrants each, convertible into one fully paid up equity share of the company at ₹. 29.24 per share, to mr g.muralikrishna, managing director, and mr v ramachandran, promoters of the company. they have paid the amount due thereon of ₹. 182.75 lakh being 25% of the value as application money. as on date, the said promoters have exercised their option for conversion of 6.25

lakh warrants each as provided in the regulations. after receipt of requisite statutory approvals, the company would allot the equity shares. with this allotment, the total holding by the promoter group would go up to 43.34% from the existing 40.38% and warrants outstanding for conversion as on date would be 12.50 lakh.

17. reconciliation of share capital

a qualified practising company secretary carried out a share capital audit to reconcile the total admitted capital with national securities depository limited (nsdl) and central depository services (india) limited (cdsl) and the total issued and listed capital. the audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with nsdl and cdsl.

18. green initiative

as a responsible corporate citizen, the company welcomes and supports the 'green initiative' taken by the ministry of corporate affairs, government of india (mca), by its recent circulars, enabling electronic delivery of documents including the annual report, quarterly, half yearly results etc. to shareholders at their e-mail address previously registered with the depository participants (dps)/company/registrars & share transfer agents. shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses. those holding shares in demat form can register their e-mail address with their concerned dps. shareholders who hold shares in physical form are requested to register their e-mail addresses with integrated enterprises (India) limited, by sending a letter, duly signed by the first/sole holder quoting details of folio no.

19. depository services

shareholders may write to the respective depository or to integrated enterprises (india) ltd, for guidance on depository services. address for correspondence with depositories are as follows :-

national securities depository limited
trade world, a wing, 4th & 5th floors,
kamala mills compound,
lower parel,
mumbai-400 013.
telephone : (022) 2499 4200
facsimile : (022) 2497 6351
e-mail : info@nsdl.co.in
website : www.nsdl.co.in

central depository services (india) limited
phiroze jeejeebhoy towers,
17th floor,
dalal street,
mumbai-400 001.
telephone : (022) 2272 3333
facsimile : (022) 2272 3199
e-mail : investors@cdslindia.com
website : www.cdslindia.com

20. unclaimed dividend

all unclaimed/unpaid dividend amounts for the financial year 2004-05 have been transferred to investor education & protection fund(iepf) and no claims shall lie against the company or the fund in respect of the unclaimed amounts so transferred.

the unclaimed dividend in respect of the financial year 2005-06 is due for transfer to iepf on 26th october 2013. shareholders, who have not yet encashed their dividend warrant(s) for the said period are requested to forward their claims to the company well before the said date as no claims can be entertained by the company once the transfer is made to iepf.

21. address for correspondence for queries relating to:

financial statements

s chandramoulieswaran
vice president (finance)
helios and matheson information technology ltd
heliopolis, crest, 04-01, international tech park,
taramani, chennai 600113
tel: +91 44 4375 0022
mouli.c@heliosmatheson.com

investor related matters

k.m.kumar
company secretary
tel: +91 44 4391 0033
kumar.km@heliosmatheson.com

declaration

this is to confirm that the company has adopted a code of conduct for its board members and the senior management team and the same is available on the company's website.

i confirm that the company has, in respect of financial year ended 30.09.2012 received from the senior management team of the company and the members of the board a declaration of compliance with the code of conduct as applicable to them .

for the purpose of this declaration , the term “ senior management ” means the direct reportees of the chairman and managing director.

g. muralikrishna
ceo & managing director

certificate

**auditors' certificate on compliance with the conditions of corporate governance
under clause 49 of the listing agreement**

to

the members of helios and matheson information technology limited

1. we have examined the company's compliance of conditions of corporate governance as stipulated in clause 49 of the listing agreement entered into, with the stock exchanges of india, for the year ended september 30, 2012.
2. 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 with the conditions of corporate governance. it is neither an audit nor an expression of opinion on the financial statements of the company.
3. we have conducted our review on the basis of the relevant records and documents maintained by the company and explanation given to us and the representation made by the management.
4. based on such a review, in our opinion and to the best of our information and according to the explanations given to us, the company has complied with the conditions of corporate governance, as stipulated in clause 49 of the said listing agreement.
5. we further state that , such compliance is neither an assurance as to the future viability of the company, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the company.

for and on behalf of
venkatesh & co
chartered accountants
fr.no.0046365

place: chennai
date : february 5, 2013

ca. v. dasaraty
partner
m.no.26336

investor faq's

1. where and in which year was helios and matheson incorporated?

ans : helios and matheson was incorporated in chennai, in the state of tamil nadu, in india on march 8, 1991

2. when did helios and matheson have its initial public offer (ipo) and what was the initial listing price?

ans : helios and matheson made an initial public offer in october 1999 and was listed on the madras stock exchange ltd. bombay stock exchange ltd and national stock exchange of india ltd in december 1999, august 2000 and february 2005 respectively. trading opened at ₹.209 per share on mse compared to the ipo price of ₹.50 per share.

3. which are the stock exchanges where helios and matheson shares are listed and traded?

ans: shares of helios and matheson are listed and traded on bombay stock exchange ltd, national stock exchange of india ltd and madras stock exchange ltd,

4. what is the history of dividend issue at helios and matheson during the last five years?

year	2007	2008	2009	2010	2011
dividend:	₹. 7,17,46,422	3,46,68,493	5,77,80,823	3,58,68,494	3,58,68,494
(tax free)	35%	15%	25%	15%	15%
			(18months)		

5. how do i transfer my shares in india or change my address with the transfer agent?

ans: to transfer shares held in physical form, you may write to the company's registrars integrated enterprises (india) ltd., 2nd floor, kences towers, 1, ramakrishna street, north usman road, t.nagar, chennai 600017 or else, you can correspond directly with the company secretary at the corporate office at heliostower, 143/1, nungambakkam high road, chennai 600034. you can effect transfer of shares in electronic form through your depository participant. general correspondence regarding shares may be addressed to the company's registrars, integrated enterprises (india) ltd, at the above address or to the company secretary at the corporate office.

6. how do i get to know of the latest updates / information regarding the company?

ans: in addition to the information given to the stock exchanges and sebi, company's financial results and other information are regularly updated on the company's website at www.heliosmatheson.com. you can also subscribe for the news alerts via the link <http://heliosmatheson.com/investors/invest.asp>

7. how do i contact helios and matheson by telephone, mail or in person?

ans: financial analysts and members of the press/media can contact the following member of helios and matheson management during business hours for any information.

s.chandramoulieswaran

vice president finance

helios and matheson information technology limited,
heliopolis crest, #04-01, ascendas international tech park,
taramani, chennai 600113.

tel: +91 44 43750022

fax: +91 44 43910099