

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on Corporate Governance

Corporate Governance has been progressively maturing globally over the past few years. The norms of Corporate Governance are being continuously redefined to establish formal standards of best corporate practices. The Listing Agreement, which details the mandatory requirements of Corporate Governance, has been recently amended to place significant responsibility on the Board of Directors of the Company and the Management. Zensar believes that sound Corporate Governance is critical to enhance and retain investor trust. Therefore, Zensar is committed to adherence of norms of Corporate Governance on a consistent basis for meeting its obligations towards all stakeholders.

1. Board of Directors

A Composition

The Company's Board of Directors is characterized by independence, diversity of nationality, transparency in decision-making and accountability. It comprises a judicious mix of executive, non-executive and independent Directors in line with the requirements of the Listing Agreement relating to Corporate Governance. Dr. Ganesh Natarajan, Deputy Chairman and Managing Director of the Company, is the Executive Director and is in charge of the day-to-day management of the Company subject to the overall superintendence and control of the Board.

B Details of Meetings held

Six Board Meetings were held during the Financial Year, on 29th April 2005, 22nd July 2005, 18th October 2005, 6th December 2005, 19th January 2006 and 9th March 2006. The details of the Board of Directors as required by the Listing Agreement are given below:

Sr. No.	Name of Director	Category	Date of Appointment	Attendance in Board Meetings during 2005-06	Attendance in last AGM	Other Boards/Committees		
						Directorships ¹	Committee ²	
							Member	Chairman
1	Mr. H.V. Goenka	❖ Chairman ❖ Non Executive	04.09.01	6	No	8	1	1
2	Mr. Jack Noble ³	❖ Vice Chairman ❖ Non Executive	22.10.04	2	No	Nil	Nil	Nil
3	Mr. Tim Escudier ³	❖ Vice Chairman ❖ Non Executive	24.04.02	0	No	NA	NA	NA
4	Dr. Ganesh Natarajan ⁴	❖ Deputy Chairman and Managing Director ❖ Executive	04.09.01	5	Yes	1	Nil	Nil
5	Mr. A.N. Agrawal	❖ Independent ❖ Non Executive	29.01.02	5	No	1	Nil	Nil

Sr. No.	Name of Director	Category	Date of Appointment	Attendance in Board Meetings during 2005-06	Attendance in last AGM	Other Boards/Committees		
						Directorships ¹	Committee ²	
							Member	Chairman
6	Mr. P.K. Choksey	❖ Independent ❖ Non Executive	24.04.80	5	No	2	2	1
7	Dr. Nirmalya Kumar	❖ Independent ❖ Non Executive	29.01.02	3	No	2	Nil	Nil
8	Mr. John Levack	❖ Independent ❖ Non Executive	16.01.03	5	No	3	2	Nil
9	Mr. Andrew MacNaughton ⁵	❖ Non Executive	09.03.06	0	NA	Nil	Nil	Nil
10	Mr. P.K. Mohapatra	❖ Independent ❖ Non Executive	31.01.01	6	Yes	7	3	Nil
11	Mr. A.T. Vaswani	❖ Independent ❖ Non Executive	09.02.96	6	Yes	4	5	3
12	Mr. Daniel Jones ⁶	❖ Alternate Director to Jack Noble ❖ Non Executive	06.12.05	0	NA	NA	NA	NA
13	Mr. Petri Imberg ⁶	❖ Alternate Director to Jack Noble ❖ Non Executive	09.03.06	0	NA	Nil	Nil	Nil
14	Mr. Anthony Pipe ⁷	❖ Alternate Director to Andrew MacNaughton ❖ Non Executive	09.03.06	2	Yes	Nil	Nil	Nil

¹Excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

²Only Audit Committee and Shareholders Grievance Committee are reckoned for this purpose.

³Mr. Tim Escudier resigned as Director and Vice Chairman on 19th January 2006. Mr. Jack Noble was appointed as Vice Chairman on 20th April 2006.

⁴Dr. Ganesh Natarajan was reappointed as Deputy Chairman and Managing Director for a further term of 5 years with effect from 1st March 2006.

⁵Mr. Andrew MacNaughton was appointed as Additional Director on 9th March 2006.

⁶Mr. Daniel Jones, who was appointed as Alternate Director to Mr. Jack Noble on 6th December 2005, resigned on 9th March 2006. Mr. Petri Imberg was appointed as Alternate Director to Mr. Jack Noble on 9th March 2006.

⁷Mr. Anthony Pipe's appointment as Alternate Director to Mr. Tim Escudier ceased on 19th January 2006 concurrent with the resignation of Mr. Escudier. Mr. Pipe was appointed as Alternate Director to Mr. Andrew MacNaughton on 9th March 2006.

2. Audit Committee

A Composition

The Audit Committee comprises three non-executive Directors, viz., Mr. A. T. Vaswani, Mr. P. K. Chokey and Mr. Jack Noble. Mr. Tim Escudier resigned as Member of the Committee and Mr. Jack Noble was appointed as Member of the Committee on 19th January 2006. Mr. A. T. Vaswani, Independent Director, is the Chairman of the Committee. Mr. P. K. Mohapatra is a Permanent Invitee. The Company Secretary acts as the Secretary to the Committee. The Chief Financial Officer, the Internal Auditors and the Statutory Auditors attend the meetings on invitation.

B Details of Meetings held

Nine Audit Committee Meetings were held during the year. These were held on 25th April, 2005, 29th April, 2005, 25th June, 2005, 22nd July, 2005, 3rd September, 2005, 18th October, 2005, 16th December 2005, 16th January 2006 and 9th March 2006. Attendance at Audit Committee Meetings during the Financial Year was as follows:-

Name of Director	No. of Meetings held	No. of Meetings attended during the year
Mr. A.T. Vaswani (Chairman)	9	9
Mr. P. K. Choksey	9	9
Mr. Tim Escudier	8	0
Mr. Jack Noble	1	0

Mr. A. T. Vaswani, Chairman of Audit Committee attended the previous Annual General Meeting of the Company held on 23rd July, 2005.

C Terms of Reference

The Terms of Reference of the Audit Committee are in conformity with the requirements of Section 272A of the Companies Act, 1956 and were revised in view of the amended Clause 49 of the Listing Agreement. The Terms of Reference of the Audit Committee, *inter alia*, include the following:

1. Oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. 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.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. 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

- b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
 6. 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.
 7. Discussion with internal auditors regarding any significant findings and follow up there on.
 8. 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.
 9. Discussion with statutory auditors, before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

3. Compensation Committee

A Composition

The Compensation Committee comprises Mr. P. K. Mohapatra, Mr. Jack Noble and Mr. John Levack all of whom are Non Executive Directors. Mr. Tim Escudier resigned as Member of the Committee and Mr. Jack Noble was appointed as Member of the Committee on 19th January 2006. Mr. P. K. Mohapatra, Independent Director, is the Chairman of the Compensation Committee.

B Details of Meetings held

Compensation Committee Meetings were held on 22nd July, 2005, 18th October, 2005, 19th January 2006 and 9th March 2006 during the year. Attendance at Compensation Committee Meetings during the year was as follows:-

Name of Director	No. of Meetings held	No. of Meetings attended during the year
Mr. P. K. Mohapatra (Chairman)	4	4
Mr. John Levack	4	4
Mr. Tim Escudier	2	0
Mr. Jack Noble	2	1

C Terms of Reference

Brief description of Terms of Reference of the Compensation Committee is as follows:-

- Determining the remuneration packages for Executive Director, the direct reports to the Managing Director / Chief Executive Officer
- Implementation of the Employees Stock Option Plan
- Allotment of shares consequent upon exercise of stock options

D Remuneration of Executive Directors

The Managing Director is paid remuneration as per the terms recommended by the Compensation Committee approved by the Board and confirmed by the Shareholders of the Company. The remuneration of the Managing Director comprises basic salary, allowances and perquisites.

The remuneration of Dr. Ganesh Natarajan was revised during the year as follows:

(A) Salary : Rs. 304917/- per month

(B) Allowances : Rs. 96333/- per month

(C) Perquisites : include Housing, Medical reimbursement, Leave Travel Concession, club fees, Credit card subscription, hard furnishing allowance, hospitalization and personal accident insurance as per Company policy.

Total remuneration paid to Dr. Ganesh Natarajan during the Financial Year 2005-06 was Rs. 0.65 Crore. A service contract for the period 1st March 2006 to 28th February 2011 has been entered into with the Managing Director renewing his appointment for a further term of 5 years in terms of the resolution governing his appointment and the terms of remuneration. In terms of the said service contract, either the Managing Director or the Company is entitled to terminate the contract by giving not less than 120 days notice in writing to the other party or 120 days salary in lieu thereof.

In the year 2002, Dr. Ganesh Natarajan had been granted 500000 Stock Options in terms of the Company's 2002 Employees Stock Option Scheme. These Stock Options vest equally over a period of 4 years from the date of grant. Of the above, till date, Dr. Ganesh Natarajan has exercised 120000 Stock Options.

E Remuneration of Non Executive Directors

Non Executive Directors are paid sitting fees of Rs. 10000/- for Board Meeting and Rs. 5000/- for Audit Committee and Compensation Committee Meetings for every meeting attended by them. No other remuneration than sitting fees is paid to the Non-Executive Directors.

Of the Non Executive Directors, Mr. A. T. Vaswani holds 3000 equity shares of Rs. 10/- each and Mr. P. K. Choksey holds 400 equity shares of Rs. 10/- each, of the Company.

4. Investors' Grievance and Share Transfer Committee

A Composition

The Investors' Grievance and Share Transfer Committee comprises Mr. A. T. Vaswani, Mr. P. K. Choksey and Dr. Ganesh Natarajan. Mr. A. T. Vaswani is the Chairman of the Committee. With the intention of servicing the shareholders more expeditiously, the Committee has delegated the authority to approve transfers and transmissions up to 500 shares per transaction identified by a separate transfer number to Ms. Asha Pramod, Company Secretary.

B Details of Meeting held

The Committee has been holding regular meetings to ensure compliance with the provisions of the Companies Act, 1956 and the Listing Agreement and to ensure proper service to investors. Eleven meetings have been held during the year. The attendance of Directors at these meetings has been as follows:-

Name of Director	No. of Meetings held	No. of Meetings attended during the year
Mr. A. T. Vaswani (Chairman)	11	11
Mr. P. K. Choksey	11	11
Dr. Ganesh Natarajan	11	10

C Terms of Reference

The Terms of Reference of the Investors' Grievance and Share Transfer Committee envisage the following:

- Dealing with matters relating to share / debenture transfers
- Reviewing the system of dealing with and responding to correspondence from shareholders and debenture holders
- Reviewing and dealing with complaints and responses to letters received from Stock Exchanges, SEBI and Department of Company Affairs

5. Code of Conduct

The Board of Directors of the Company have laid down a Code of Conduct for all its Members and Senior Management personnel of the Company, who have affirmed their compliance therewith.

Sd/-
Dy. Chairman and Managing Director

6. Compliance Officer

The name and designation of the Compliance Officer is Ms. Asha Pramod, Company Secretary.

7. General Body Meetings:

Location, date and time, where last three Annual General Meetings were held:-

Particulars	FY 2002-03	FY 2003-04	FY 2004-05
Date & Time	24 th July 2003 at 12.00 Noon	15 th July 2004 at 3.00 PM	23 rd July 2005 at 11.00 AM
Venue	Institution Of Engineers (India), 1332, Shivajinagar, J.M. Road, Pune 411 005	Institution Of Engineers (India), 1332, Shivajinagar, J.M. Road, Pune 411 005	Institution Of Engineers (India), 1332, Shivajinagar, J.M. Road, Pune 411 005

The following are Special resolutions passed by the shareholders of the Company at the previous three Annual General Meetings:

- i. Holding of office of profit by Dr. Ganesh Natarajan as Global CEO of the Company's wholly owned subsidiary Zensar Technologies Inc.
- ii. Delisting the equity shares of the Company from Pune Stock Exchange.

During the previous year, the Company did not pass any special resolution through postal ballot.

8. Disclosures

There had been no materially significant related party transactions with the Directors or the Management, subsidiaries or relatives of Directors during the Financial Year 2005-06 that have potential conflict with the interest of the Company at large. Details of related party transactions are given in Note 14 to the Notes to accounts.

There have neither been any instances of non-compliance nor any penalty, stricture have been imposed on the Company by Stock Exchanges or by Securities and Exchange Board of India or by any other statutory authority on any matter related to the capital markets during the last three years.

While the Company has not formally established a Whistle Blower Policy as a mechanism for its employees to report to the Management about any actual or suspected violation of the Company's code of conduct or the Business Principles or concerns about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances.

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement as presently applicable. Details of non-mandatory provisions to the extent complied with have been disclosed in this report.

9. Means of Communication

- The Quarterly, Half Yearly and Annual Financial Results of the Company are hosted on the Investor Section of the Company's web site www.zensar.com. The site also features official news releases and presentations made to institutional investors and analysts.
- The Company provides information to the Stock Exchanges as per the requirements of the Listing Agreement.

- Quarterly Financial Results are published in newspapers having appropriate circulation as required under the Listing Agreement, such as Times of India, Maharashtra Times, and Business Standard.
- The Company disseminates relevant information through Quarterly newsletters, which are mailed to all shareholders.
- The Company communicates with stakeholders and general public through press releases and other media and maintains ongoing interaction with analysts.
- The Company also broadens its exposure and awareness through carefully selected industry seminars, trade shows and meetings with commercial partners.
- The Company has provided an E-mail address on its website whereby investors can directly contact the Company. However, this E-mail address is only extended as a facility to the investors and communications sent to this E-mail address would not constitute legal service.

10. General Shareholders' Information

- A. Next Annual General Meeting:** As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held on 27th July, 2006. The time and venue of the Meeting is indicated in the Notice.
- B. Financial Year:** April 1 to March 31
- C. Date of book closure:** 20th July, 2006 to 27th July, 2006 (both days inclusive).
- D. Dividend payment:** Dividend on Equity Shares has been proposed at the rate of 26%. The Dividend, if declared by the Members, will be paid on or after 1st August, 2006 but within the statutory time limit of 30 days.
- E. Financial calendar:** (tentative and subject to change)

Event	Due Date
Financial reporting for the quarter ending 30 th June, 2006	End July, 2006
Financial reporting for the quarter ending 30 th September, 2006	End October, 2006
Financial reporting for the quarter ending 31 st December, 2006	End January, 2007
Financial reporting for the quarter ending 31 st March, 2007 (unaudited) or End June, 2007 (Audited)	End April, 2007
Annual General Meeting for the year ending 31 st March, 2007	End September, 2007

- F. Listing on Stock Exchanges:** The shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Listing fees have been paid for the year 2006-07.

The shares of the Company have been delisted from the Pune Stock Exchange pursuant to the Special Resolution passed at the Annual General Meeting held on 23rd July, 2005.

G. Stock Code & ISIN:

Stock Code: Bombay Stock Exchange Limited - 504067
National Stock Exchange of India Limited - ZENSARTECH

ISIN: INE520A01019 with NSDL & CDSL

H. Market Price Data: Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Limited and National Stock Exchange of India Limited during 2005-06 were:

Period	Bombay Stock Exchange Limited					National Stock Exchange of India Limited				
	High Rs.	Low Rs.	Close Rs.	Total Traded Qty.	Sensex	High Rs.	Low Rs.	Close Rs.	Total Traded Qty.	Nifty
Apr -2005	223.50	185.00	190.35	337887	6154.44	223.55	178.00	190.60	1118271	1902.50
May -2005	194.00	165.25	174.05	352877	6715.11	197.00	165.00	174.30	1259652	2087.55
June-2005	189.10	160.05	168.05	231956	7193.85	188.90	163.05	167.95	728439	2220.60
July -2005	200.00	166.20	175.70	608192	7635.42	202.00	166.50	174.80	1359239	2312.30
Aug -2005	193.00	166.00	188.50	426884	7805.43	196.00	162.00	189.00	1200336	2384.65
Sep -2005	204.00	170.00	177.40	965972	8634.48	203.00	166.00	177.25	1612773	2601.40
Oct -2005	198.80	156.95	159.80	613023	7892.32	198.70	157.00	159.05	953829	2370.95
Nov -2005	187.85	159.30	173.90	249213	8788.81	206.00	158.20	174.05	541230	2652.25
Dec -2005	199.20	173.00	185.45	802010	9397.93	199.50	172.00	185.85	1415834	2836.55
Jan -2006	225.00	184.10	204.90	1614624	9919.89	223.80	184.05	204.60	2144268	3001.10
Feb -2006	211.90	190.00	198.35	352869	10370.24	218.00	188.50	198.80	645198	3074.70
Mar -2006	223.00	183.50	211.25	441683	11279.96	223.20	182.10	210.50	703323	3402.55

Note: The above data has been downloaded from the official websites of the respective Stock Exchanges.

I. Share Transfer Agents: Sharepro Services (India) Pvt. Ltd. are the Registrars and Share Transfer Agents.

Their contact details are: -

912, Raheja Centre
Free Press Journal Marg
Nariman Point
Mumbai 400 021

OR

Satam Estate, 3rd Floor,
Above Bank of Baroda
Chakala, Andheri (East)
Mumbai 400 099

In addition, shareholders can also contact Mr. K. G. Abraham and / or Mr. G. R. Rao at Sharepro Services (India) Pvt. Ltd., whose contact details are given below:-

Name	Telephone no.	E-mail ID	Fax No.
K.G. Abraham	(022) 28215168 (022) 28329828	sharepro@vsnl.com	(022) 28375646
G.R Rao	(022) 28215060		

- J. Share Transfer Procedure:** In respect of transfer of shares, shareholders are advised to contact Sharepro Services (India) Pvt. Ltd. directly. Every effort is made to clear share transfers / transmissions and split / consolidation requests within 15 days. Requests for issue of duplicate share certificates are normally cleared within 25 days, subject to the documents being clear in all respects.

The Company has received some complaints from shareholders during the financial year. To the best of its knowledge, these complaints have been resolved to the satisfaction of the shareholders.

Nature of Complaint	2005-2006		2004-2005	
	Received	Attended to	Received	Attended to
Non - receipt of share certificates	46	46	31	31
Letters from Stock Exchanges, SEBI etc.	20	20	16	16
Non-receipt of Dividend / Debenture interest / Redemption warrants	123	123	128	128
TOTAL	189	189	175	175

- K. Distribution Schedule:** As of 31st March, 2006, the distribution of the Company's shareholding was as follows:

Description	As on 31 st March, 2006				As on 31 st March, 2005			
	No. of Share holders	% of Share holders	No. of Shares held	% of Share-holding	No. of Share holders	% of Share holders	No. of Shares held	% of Share-holding
1-500	20088	96.42	1799790	7.68	19659	96.08	1737541	7.45
501-1000	418	2.00	330609	1.41	486	2.38	373894	1.60
1001-2000	158	0.76	234969	1.00	165	0.80	243163	1.04
2001-3000	63	0.30	166016	0.71	52	0.25	131693	0.57
3001-4000	14	0.07	50471	0.22	21	0.10	72428	0.31
4001-5000	22	0.11	99215	0.42	14	0.07	65478	0.28
5001-10000	35	0.17	238363	1.02	27	0.13	196188	0.84
10001 & above	35	0.17	20516451	87.54	38	0.19	20515908	87.91
Total	20833	100.00	23435884	100.00	20462	100.00	23336293	100.00

- L. Dematerialisation of shares:** Approximately 65.89% (Previous Year 59.08%) of the total paid up share capital of the Company amounting to 15442117 (Previous Year 13787144) Equity Shares was held in dematerialized form as on 31st March, 2006.
- M. Convertible instruments:** As of date, the Company does not have any outstanding convertible instruments, which are likely to have an impact on the equity of the Company except Stock Options granted under the 2002 Employees Stock Option Scheme, details of which have been disclosed in the Directors' Report.
- N. Contact Address:**
 Ms. Asha Pramod
 Company Secretary
 Zensar Technologies Ltd.
 Zensar Knowledge Park,
 Kharadi, Plot # 4, MIDC,
 Off Nagar Road, Pune 411 014, India
- O. Nomination:** Members can avail of nomination facility. Blank nomination forms will be supplied on request.
- P. Multiple Folios:** Members who are holding shares in more than one folio under name(s) in the same order are requested to send the relative share certificates to the Registrars and Share Transfer Agents for consolidation of the entire holding in one folio. The share certificates after consolidation will be returned by Registered Post / Courier.
- Q. Shareholding Pattern:** Categories of Shareholding as on 31st March, 2006

Category	As on 31st March, 2006				As on 31 st March, 2005			
	No. of Share holders	% Share holders	No. of Shares held	% Share holding	No. of Share holders	% Share holders	No. of Shares held	% Share holding
Individuals	19867	95.36	2641626	11.27	19654	96.05	2575869	11.04
Corporates	690	3.31	15284915	65.22	707	3.46	14707004	63.03
FIs & Other								
Foreign Bodies	8	0.04	54825	0.23	7	0.03	5174780	22.17
NRIs/ OCBs	264	1.27	5265600	22.47	80	0.39	28064	0.12
Mutual Funds	4	0.02	188918	0.81	14	0.07	850576	3.64
NSDL (in transit)	0	0.00	0	0.00	0	0.00	0	0.00
Total	20833	100.00	23435884	100.00	20462	100.00	23336293	100.00

PRACTICING COMPANY SECRETARY'S CERTIFICATE

To the Members of Zensar Technologies Limited

We have examined the compliance of conditions of corporate governance by Zensar Technologies Limited for the year ended 31st March, 2006 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that as per the records maintained, no investor grievances against the Company are pending for a period exceeding one month before shareholders/ Investors Grievance Committee.

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

For S. V. Deulkar & Co.
Company Secretaries.

S. V. Deulkar
Proprietor.
F.C.S. 1321 C.P. No. 965

Pune
Dated 20th April, 2006