



CONNECT  
CONVERGE  
CREATE

ANNUAL REPORT  
**2012-13**

## Forward Looking Statement

We, AGC Networks (the “Company”) in this Annual Report, have shared information and made forward looking statements to enable investors to know our services portfolio, business logic and direction and thereby comprehend our prospects. Such and other statements - written and oral - that we may periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘intend’, ‘plan’, ‘project’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized although we believe we have been prudent in our assumptions. The achievement of results is subject to uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialize or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

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AGC HAS BEEN A KEY ENABLER OF TECHNOLOGY SOLUTIONS THAT HAVE CATALYSED MOMENTOUS CHANGES IN THE ICT DOMAIN OVER THE LAST THREE DECADES. THESE CHANGES HAVE MADE THE WORLD THAT WE LIVE IN MORE CONNECTED AND INTERACTIVE WITH MOBILITY BEING THE DRIVING FORCE. EACH SOLUTION ENABLES BETTER CONNECTS TO PEOPLE AND PROCESSES ACROSS INDIVIDUALS AND ORGANIZATIONS.

This anytime, anyplace, anywhere CONNECT is making the world CONVERGE into a single community where ideas are exchanged as easily as goods and services, propelling us to CREATE solutions to address today's growing demands.

## THE WORLD OF AGC

### CONNECT

We believe in building a seamless connect that links our people as a team, our teams with our capabilities, our capabilities to our customers, our customers to our alliance partners which extends onto our global locations.

### CONVERGE

As we extend our presence across regions and locations and gain traction in newer markets, we are using this connect to CONVERGE global cultures and amalgamate these into a collaborative and interactive platform of unified ideas, voices and vision.

### CREATE

As we connect people and converge cultures, we CREATE customized solutions and distinct strategies specific to customers and markets thus leveraging opportunities. These strategies connect our people, converge the garnered expertise and create an ENABLING EXPERIENCE environment that is both at the core and fore of AGC Networks.



## PERFORMANCE REVIEW 2012-13

### CHALLENGING YEAR

With over four years since the global financial crisis, the world economy continues to face challenges and strong headwinds. Recovery has proved to be harder to come by than as anticipated in 2012. Prolonged crisis in the Eurozone highlighted by the debt-repayment crisis in Greece in the middle of 2012 and the more recently in Cyprus in March 2013, have all contributed to creating an uncertain environment around us. This has also affected growth hot-spots of China and India with waning demand. In the USA, there has been a modest recovery.

The overall sluggishness and uncertainty in the macro-economic situation in the economy has resulted in creation of a challenging operational environment, especially for the IT and technology space, as most sectors, particularly telecom and infrastructure among others have resorted to tightening of budgets and a reduction in service led spending. There has been a marked reduction in demand from the telecom industry in India due to cancellation of telecom licenses.

### DETERMINED PERFORMANCE

In spite of a challenging business climate, AGC put in a determined performance for the year in review. Your Company continued with its global scale-up plans and consolidated in the key growth markets of North America, the Middle East and Africa, and Australia apart from its strong hold in India, with investments aimed at garnering a share in these markets.

On the whole, there was a modest improvement of 6 per cent in the total revenues for the year though not quite in line with what your Company had estimated based on expectations of a positive outlook envisaged at the beginning of the year. Loss before tax for the year was ₹ 9.9 crores, with revenues being affected by strong headwinds. While your Company continued to perform well operationally, Loss after tax for the year was ₹ 21.9 crores as your Company decided to go ahead with a stronger and conservative balance sheet.

### BUILDING A STRONG BALANCE SHEET

In the last quarter of the year, the Board of Directors of your Company decided to take a resilient call in favour of a strong balance sheet for the future. Deferred Tax amounting to ₹ 12.5 crores and investments of ₹ 27.6 crores made in North America were charged to the current year's Profit and Loss Account. While this accounting treatment resulted in a Net Loss of ₹ 21.9 crores for the year, this decision will go a long way in transparently creating a stronger balance sheet for the future.

Your Company has also demerged a Specialized Managed Services division in the USA to engage with the customers on a pay per use model and to enable your Company to focus more on the technology services business.

## INTACT GROWTH STORY

The positive outlook for AGC continues to remain intact as we expand into newer geographies leveraging the capability base created in India onto the global platform. During the year, your Company made notable advances, particularly in the second half of the year by gaining key customer wins in the key verticals of BFSI, Government and PSU sector, Automobiles and IT / ITes. This underlines your Company's position as one of the leading Global ICT Solutions provider with a core expertise of providing integrated technology solutions across its quadrants.

Your Company also has a diverse and comprehensive portfolio of Services, offering that include Managed Services, Professional Services, IT Governance Risk & Compliance Services and Maintenance Services. The Services business of your Company has shown a steady performance over the last two years, both in terms of contribution to overall revenues as well as margins.

As part of its continuous efforts to keep pace with the fast changing world of technology and ENABLING EXPERIENCE for its customers, AGC launched innovative industry Solutions for the BFSI, Education, Media & Entertainment and Government/Public verticals. These solutions hold immense potential for growth in view of the unfolding opportunity in these spaces, particularly the Banking and Education business, which are poised for explosive growth in the coming years.

## INVESTING IN NORTH AMERICA

North America has been one of the few bright spots on the global geo-economic map, with the economy growing at 2.3 per cent compared to 1.8 per cent in the previous year (IMF). Many marquee customers of AGC have a strong presence in North America. However, North America is a mature market for technology solutions, and to grow in this market requires substantial investments.

AGC strengthened its foothold in the North American market with the acquisition of the business of Transcend United Technologies. Transcend provides global IT systems integration focussed on Unified Communications, Data Center Infrastructure and Managed Services.

Besides this, your Company also made a strategic investment by setting up a state of the art Customer Experience Center (CEC) in Dallas, USA. AGC has been at the forefront to offer its customers an immersive experience by creating a simulating environment of client business scenarios prior to the purchase decision by demonstrating the solutions at the CEC. These investments will drive your Company's growth in the coming years.

## WINNING IN THE MIDDLE EAST AND AFRICA

AGC achieved major wins in the emerging growth markets of the Middle East and Africa during the year. This included enabling of the IT infrastructure transformation of one of the world's premier sporting destination, powering the 'hosted contact center' solution for Africa's largest integrated telecommunications company and a Government initiated project win in Africa among others.

# Strategic Overview



## 10 CUBE STRATEGY

At the heart of future growth of AGC is the key strategic initiative – the 10 Cube Strategy clearly outlining delivery of 10 key Solutions with 10 key Global Alliance partners delivered seamlessly across 10 key Geographies.

The 10 Cube strategy aims to create a quantifiable, measurable and scalable growth strategy for the future by connecting global reach, agility, technology and domain expertise with customer needs. It has made your Company more relevant to customers in businesses across Education, Media & Entertainment, Healthcare, Retail, Government and Public Sector and Hospitality, in addition to its already proven dominance in BFSI, Telecom and IT / ITes verticals.

**AT AGC, THE ART OF EXPERIENCE ENABLEMENT MEETS THE SCIENCE OF EXPERIENCE MANAGEMENT**

## ENABLING EXPERIENCE

In the highly competitive technology world, what differentiates AGC is its ability to surpass customer expectations and delight them. The AGC 'Experience Specialists' deliver 'Integrating' technology Solutions across global markets and verticals layered with a spectrum of applications services.

At AGC, the art of experience enablement meets the science of experience management. Equipped with Global technology alliance partners and a technically skilled workforce, AGC works closely with customers to gain an outside-in view of the clients business. The overall customer and OEM relationship is managed and enabled by an AGC Experience Specialist with support from Subject Matter Experts (SMEs).

Our Customer Experience Center (CEC) vibrantly showcases ENABLING EXPERIENCE at AGC where business environments and real life vertical specific scenarios are created to demonstrate solutions that meet customer specific requirements.

## CONNECT. CONVERGE. CREATE.

At AGC, our strategy for growth is based on CONNECT – connecting people with technology, skills with competencies, experience with expertise and science with art. We CONVERGE global cultures and emerging trends, data and empathy, advancement with understanding, and deliver holistic solutions that are aligned with our clients' strategy and CREATE unmatched experience.

We are connecting our strong India based people and capabilities advantage and linking them with newer customers in the newer geographies, to be served by converging global cultures and creating the signature ENABLING EXPERIENCE of AGC.

## AMALGAMATING GLOBAL CULTURES

As we establish our presence into newer locations across the globe, there is an increasing amalgamation of diverse and rich cultures. Cultures give every city a dimension and connect with its people. At AGC, we believe in celebrating the unique culture of every city where we have our footprint and blend it in the solutions for our customers in that part of the world. This 'Global' approach is the essence that seamlessly connects the organization across cultures.



## NEW INDUSTRY SOLUTIONS

As part of AGC's continuing quest to remain at the fore-front of evolving changes in the technology space by leading innovation, your Company has launched a range of industry solutions designed at ENABLING EXPERIENCE for its customers.

Some prominent solutions developed for the BFSI, Education, Media & Entertainment and Government/Public Sector businesses hold tremendous promise to open up new revenue streams for your Company and spear-head future growth.



### BFSI

The banking space has evolved over the last few years with changes in technology. Today, customers conduct most of their banking transactions without even visiting the bank, sitting in the comfort of their office or homes. The advent of mobile internet and smart devices is further transforming banking. Banks need to create a fresher front-end customer experience and there is a need to re-align its systems and processes. As banking moves from footfalls at banks to web-falls on the internet, the issue of security presents both an opportunity and a challenge.

AGC Solutions spanning both the end customer and the infrastructure solutions are an opportunity on the horizon in ensuring a better experience.



## EDUCATION

Technology is emerging as the biggest game-changer in the education space. The traditional constraints of a physical classroom, physical books and even physical teachers and examinations that limited the spread of education are fast becoming irrelevant with the advent of online classes and courses, smart devices and always-on connectivity options. Today, smart-classrooms make it possible for a professor in London to conduct lectures through video-conferencing in Lucknow.

To capitalize this emerging opportunity, AGC has developed a range of Teaching and Management solutions through Audio Video Collaboration solutions aligning to global education standards through creation of Virtual and Smart classrooms.

## MEDIA & ENTERTAINMENT

The need for accelerated and improved digitization in the Media & Entertainment sector across markets, especially India and SAARC, have impacted demand for high performance computing, storage, retrieval and network infrastructure led solutions. The AGC offerings in this segment span content storage and security, high performance computing and high performance networks.

## GOVERNMENT/PUBLIC SECTOR

The scale and method of technology solutions deployment in the Government/Public sector undertakings have a high impact on society at large. Some of the opportunities being explored by AGC range from creating E Learning solutions and enabling the creation of a safe and secure environment for citizens.

# MD and CEO's Message



Dear Shareholders,

After an excellent 2011-12, your Company faced a challenging year during 2012-13. Strong global economic headwinds and testing market conditions had a telling effect on the overall investment climate in India. Cancellation of telecom licenses resulted in waning demand, adding to the challenges.

However, the international business environment continues to remain attractive with numerous opportunities for growth. North America surprised many economists and industrialists alike with a positive growth during the year, driven by a largely resurgent private sector. The positive signals of growth continue to improve indicating an encouraging prospect in the near future. The Middle East and Africa are also fast emerging as key growth hot-spots, as is Australia where the government and businesses are joining hands to provide multi-channel services to customers. These and related opportunities are being actively explored by AGC globally.

Global scale up has been a key strategy at AGC over the past 2 years. With a technology presence in India and over 3000 customers spread across the globe including Fortune 500 companies, your Company has been expanding its global footprint into these key and emerging growth markets. Your Company continues to make investments in these markets with a long-term focus.

The North American market is a case in the point : during 2012-13, AGC acquired the business of Transcend United Technologies LLC (TUT), a global IT systems integration company focussed on Unified Communications and Data Center, Infrastructure and Management services with over 1500 customers. Your Company has also created its signature Customer Experience Center in Dallas, Texas. In this mature market, investment decisions play a crucial role in creating a differentiator for AGC as a Global Solutions Provider and Integrator and are expected to yield an extended customer base in the future.



Similarly, AGC's existing customer base in Australia is fast expanding. During the year, your Company established its focus across the quadrants through our alliance partners to garner a share of the emerging multi-channel service opportunity.

In the Middle East and African markets, AGC has gained traction with some impressive wins in the Hospitality and Telecom sectors. These include IT enablement of a Sports Stadium, IT implementation for Dubai Sports City and a prestigious project for a leading Government led initiative in Africa. AGC also implemented a hosted contact center for its largest telecommunications company there.

Overall, your Company was successful in maintaining its top-line on a consolidated basis, albeit modestly.

As far as operational performance for the year 2012-13 is concerned, the consolidated revenues for the year increased by 6 per cent during the year compared to the previous year. While the growth in revenues is moderate and not in line with outlined expectations, your Company continues with its plans and investments in various projects with its long term strategy in place.

Your Company has reported net loss of ₹ 21.9 crores on account of difficult market conditions and one time charge relating to the investments in North America and deferred tax adjustments.

Your Company has demerged a Specialized Managed Services division in the USA to engage with the customers on a pay per use model and to enable your company to focus more on the technology services.

Your Company has reported a net profit of ₹ 3.7 crores for the year based on the Compiled Consolidated Financials after giving effect to this demerger.

The outlook for your Company continues to remain positive and attractive. Our expanding global presence with sustained investments has insulated us from specific-market risks. In India, the banking space promises high growth with new banking licenses on the anvil, as well as banks recognizing and initiating their spends on Data Security and Governance apart from the increased need for mobility across devices and platforms. We have won a breakthrough deal from a consortium of PSU bankers to set up their Cheque Truncation System (CTS) application. Many other government contracts in infrastructure and utilities have also been awarded to AGC. Our solutions in the education space addressing the needs of distance education and shrinking boundaries are in line with the latest in the world.

We continue to remain focused on being RELEVANT to our customers across geographies through our seamless Services portfolio of offerings wrapped around technology from our Global alliances across geographies.

We are confident of driving AGC into the next phase of growth.

Thank you for your trust and faith in AGC, and I assure you the best is yet to come!

S. K. Jha

MD & CEO

**THE OUTLOOK FOR YOUR COMPANY CONTINUES TO REMAIN POSITIVE AND ATTRACTIVE. OUR EXPANDING GLOBAL PRESENCE WITH SUSTAINED INVESTMENTS HAS INSULATED US FROM SPECIFIC-MARKET RISKS.**

Dear Shareholders,

The global IT domain continues to offer significant opportunities for growth. The world spending on IT grew by 2.1 per cent to US\$ 3.6 trillion in 2012, and is expected to grow by 4.1 per cent to nearly US\$ 3.8 trillion in 2013 and reach just under US\$ 4 trillion in 2014. The global IT Services spending is expected to grow by 5.2 per cent in 2013, with service-led solutions displacing the traditional sourcing approaches. In India, 3 out of 4 companies are planning to increase their IT spending in 2013 with focus on virtualization, data center consolidation and IT modernization.

With our strong capability spectrum in India, our rich experience of over 27 years, and with our four Solution quadrants offering end-to-end integrated technology solutions to clients, AGC is poised to leverage the opportunity on the ICT horizon.

## President's Message

**WITH OUR STRONG  
CAPABILITY SPECTRUM  
IN INDIA, OUR RICH  
EXPERIENCE OF OVER  
27 YEARS, AND WITH  
OUR FOUR SOLUTION  
QUADRANTS OFFERING  
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