

AGC NETWORKS LIMITED



ANNUAL REPORT 2013-14



An **Opportunity** called **Challenge**



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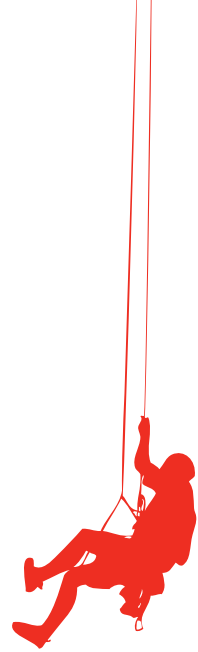
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## Forward looking statement

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 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.

“The Chinese use two brush strokes to write the word ‘crisis.’ One brush stroke stands for danger; the other for opportunity.”

- (John F. Kennedy)



Businesses are changing at a faster pace than ever before. These changes are causing disruption, disorder and disturbance, effectively testing and challenging status quo.

With the world getting increasingly connected and networked, with information and data being available anywhere and anytime, with social media emerging as a powerful driver of change, traditional business models and mindsets face unprecedented challenges.

Overcoming these challenges requires patience and perseverance. Businesses that succeed have common intrinsic qualities:

#### Attitude and Resilience

At AGC, we firmly believe that hidden in every crisis is a challenge, and embedded in every challenge is an opportunity.

At AGC, we learn but don't look back. We are focused on the present and the future. We are now confident about our strategy, our strengths, our solutions and our people.

With a positive attitude, we are ready for

## An Opportunity called Challenge



# Message from Managing Director and CEO

Dear Shareholders,

I am happy to be back at AGC Networks and grateful to the Board for entrusting me with the task of leading the Company into the future at a time when global markets are brimming over with both – **opportunities and challenges**.

It is a time when we have to reimagine **our purpose of accelerating our customers' business** with customized technology solutions. It is a time to differentiate ourselves in the eyes of our customers through exemplary responsiveness, superior design and sharp project execution to contribute to their business outcomes in a positive way.


We are strengthening our bonds with **our partner ecosystem**, relationships that are invaluable because they are the source for us to stay ahead of the technology curve. They help us identify emerging technologies that we integrate for customers so they are abreast of the cycle of technology evolution.

We are bolstering **key areas of our operations**, most importantly our sales engine, our cash flows, our logistics efficiency, our services and projects teams and our learning systems, to create a formidable value chain with enabling processes that aim to deliver genuine value to stand out in a commoditized marketplace.

Team AGC will embody the **values** we treasure every moment of every day: the will to win, integrity and fairness in our dealings, responsiveness and collaboration, empowerment and accountability, innovation, differentiation and continuous improvement, to embrace the change that this situation demands.

There is no doubt that failure is a better teacher than success! We look forward now to getting back to good health with a significant turnaround this year. Because implicit in every challenge is **the opportunity for reinvention**, the opportunity to bounce back with unprecedented vigor and vitality for sustainable success.





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It is my pleasure to introduce you to my team, my **strategy and quality council** that is going to lead this resurgence:

- **Sanjeev Verma**, CEO of USA Business & President International Operations, will be responsible for driving the P&L for all overseas AGC businesses, focusing on profitability and growth.
- **Amal Thakore**, Chief Financial Officer (CFO), will be responsible for leading the company's financial and accounting operations and supporting corporate governance on a global basis.
- **Mahua Mukherjee**, Chief People Officer (CPO), will head the HR & Administration function globally to enhance organization effectiveness.
- **Animesh Shrivastava**, Vice President (VP), will be responsible for all aspects of India Business to propel profitable business growth.
- **Pravin Shinde**, Vice President (VP), will lead Service Delivery and manage customer relationships and the associated operational excellence.
- **Vinod Nair**, Vice President (VP), will be responsible for our Commercial & Alliances and will nurture growth of key alliance relationships to meet mutual business objectives.
- **Vinod K**, Associate Vice President (AVP), will be responsible for Consulting, Application & Design.
- **Dattatraya Khatavkar**, Vice President (VP), will head the Cyber Security practice.
- **Business Operations** – The marketing function will be led by **Neelam Kapoor**, Vice President (VP) & Head - Marketing. **Manoj Kar**, Associate Vice President (AVP), will be responsible for Business Analytics & Reporting.

I thank you again for your patience and support.

**Anil Nair**

Managing Director & CEO

(w.e.f. 16<sup>th</sup> June, 2014)



# Message from the President

Dear Shareholders,

The last two years have not been particularly satisfactory for us at AGC. While it is a fact that there were strong headwinds in the macro-economy that aggravated the situation, what is important to accept and understand is the fact that we could not capitalize on opportunities.

An opportunity is good only if it is capitalized upon and the capability to leverage it is available. At AGC, we have done a careful, in-depth analysis aligning our strengths, remapping and re-managing opportunities at a global level. We have also taken various measures to ensure we build an organization that can manage risks more effectively.

Today, we are ready for an opportunity called challenge.

We take the opportunity to start the New Year with a stronger balance sheet by taking a prudent and conservative accounting approach and have provided for doubtful debts and / or written off certain assets. We have realigned our market focus on four key geographies: USA, Middle East / Africa, Australia / New Zealand and India.

Our timely investments in the USA in FY 2012, followed with the acquisition of the business of Transcend United Technologies (TUT) as well as establishment of Customer Experience Center have paid rich dividends for us in that market. From a loss in Year 1, we have turned in a marginal operating profit in the USA this year. We were also successful in winning a multi million dollar services contract from a Top 10 Bank in USA. We have got two



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new high-margin contracts whose benefits will accrue in the coming year. We continue to leverage our position as a leading Solutions Integrator in this key market connecting with our strong presence in India to offer compelling advantages to clients in the USA.

In the Middle East and African markets, we have now started to reap dividends by winning significant deals. Very recently we won two new large contracts worth over USD 6 million. We have stabilized Australia and made AGC a relevant player in the market. Some of the new contracts we won included a large Australian MNC for a fully managed Unified Communications solutions upgrade and support. In addition, there were other remarkable wins. Closer home in India, we achieved an extended project win in the BFSI space for Cheque Truncation Systems (CTS) implementation involving a consortium of bankers.

All these developments signal how AGC is building upon an opportunity called challenge and is poised to rebound and reshape itself positively and accelerate ahead in FY 2015 and beyond.

We have always been a Company with positive attitude. We continue to be one of the leading Solutions Integrators with proven capabilities in developing customized solutions that create compelling value for our clients. With our renewed, focused and sharp strategy, we are back on track.

Expect more!

Yours sincerely,

**Sanjeev Verma**

President & Executive Director



# An Opportunity Across Markets

USA, Middle East / Africa, Australia / New Zealand and India are the four key markets where AGC is focusing its attention and resources to capture opportunity. It is in these geographies that AGC sees a significant addressable market opportunity aligned with our capabilities.

## USA

The largest economy in the world is also the largest IT market place in the world. In FY 2012, AGC invested and expanded organically in the North American market. This was followed up in FY 2013 with the acquisition of the business of Transcend United Technologies (TUT) and establishment of a Customer Experience Center to provide differentiated customer centric solutions for our customers globally. Transcend United Technologies has now been totally integrated with AGC, and FY 2014 has been the first full year post integration. The USA business has now emerged as a profitable business within 2 years, with marginal operating profits in FY 2014. The USA market continues to provide exciting opportunities for further growth. The Affordable Care Act, popularly known as ObamaCare, is expected to open up many new opportunities in healthcare. The overall mood and the liquidity situation in the USA economy are also on the upswing, pointing to resurgence in this critical market.

Highlights of our USA business in FY 2014:

- Stabilizing the acquisition
- Complete integration as AGC
- Winning significant new logos
- Winning a multi million dollar Services Contract from one of the Top 10 Banks in the USA

- Leveraging India capability to drive productivity
- Creating a framework for growth in FY 2015

## MEA

FY 2014 saw the MEA business of the Company gaining stability. The focus continued on expanding new practices and alliance partner relationships. These include new relationships in Network Infrastructure (NI) - HP, Acme, F5; Data Center & Virtualization - HP, EMC, VMware, DoubleTale; and with SAP, Oracle and Ramco in the Business Applications quadrant.

In addition, AGC provided end-to-end Audio-Video, Data Center, Virtualization and Unified Communications solutions for the creation of spacious residential communities of over 4.2 million sq. meters in Middle East. AGC also provided large Board room orders for Middle East and North Africa's leading communication conglomerate and a leading hospital in Dubai.

Overall, 30 new customer logos were added during the year FY 2014.

We also added two new contracts in this market during the current year. While these wins were in the current FY, their positive impact will be visible in the year FY 2015.





## Australia / New Zealand

In FY 2014, AGC ANZ continued its focus on remaining relevant to its customers by focusing on customer service and building relationships with key technology alliance partners. The Company invested in leadership and team building. A significant win in this market was a contract from a leading Australian MNC for providing Unified Communications solutions for CM upgrade, maintenance and full time on site support. The Company also won an impressive order for CM upgrade across 12 APAC countries from a global IT vendor.

## India

India is one of the fastest growing economies in the world. With the explosion of internet and smart devices, every industry and sector of the economy is opening up new opportunities for IT. Whether it is the public or private sector, banks or educational institutions, e-retailers or telecom providers, there are endless opportunities as India leverages technology to march ahead.

India is a key geography for AGC, and the Company has an enviable track-record of performance, particularly in the BFSI segment, which continues to remain its strength.

During the year, AGC provided a single sign solution capable of handling up to 2 lac concurrent sessions to a leading investment bank and project advisor. The Company also deployed a unique Trunk-and-Tank locking system to control pilferage for a Fortune 500 Oil and Natural Gas company. In the Data Center and Virtualization practice, AGC won a major contract for Servers, Storage and Data Center for a leading Electricity Regulation Board. Team AGC also successfully delivered around 100 video endpoints connecting all offices to one of Nepal's prominent private mobile operator.

### Highlights of the India business in FY 2014 :

- Providing a Unified Communications solution including passport replacement and TDM to IP logger migration for India's premier technology support company
- Transformed the Network infrastructure for Summit Communications – a large telecom company in Bangladesh by deploying a high performing mobile back haul solution
- Deployed an end to end Unified Communications solution spanning voice & video for one of the largest Indian media and entertainment companies, across its 15 branches
- Migrated IPLC to MPLS across 7 locations (2 of which are in the United States) for a global leader providing integrated technology and operations-based solutions
- Completed a consulting project to enable a large Housing Project Company implement Information Security Management Systems and achieve ISO 27001 certification
- 150 locations Network Infrastructure roll-out for a leading bank in India



# An Opportunity called Cyber Security

Cyber Security Services are an integral part of AGC's Services bouquet.

Of late, there have been quite a few targeted cyber attacks primarily across Enterprise Customers and Government Institutions.

Keeping pace with the evolved requirements across enterprises, 'Cyber Security as a solution' fulfillment is gaining relevance and priority in the marketplace. Our spectrum of offerings ensures **customers' digital assets are adequately safe guarded.**

This offering is aimed at enabling enterprises remain secure and aligned to current industry bench marked risk management strategies, delivered through a combination of cutting-edge technology and an experienced team of compliance professionals.