

Annual Report
2014–15

AGC NETWORKS LIMITED

AGC 
Accelerating Business



**AGC'S EVOLUTION AS A GLOBAL SOLUTION
INTEGRATOR OF CHOICE**

CONTENTS

26	Notice	136	Form AOC - 1
33	Directors' Report	137	CEO/CFO Certificate
67	Management Discussion and Analysis Report	138	Auditors' Report Consolidated
80	Corporate Governance Report	144	Consolidated Balance Sheet
94	Auditors' Report	145	Consolidated Statement of Profit and Loss Account
100	Balance Sheet	146	Consolidated Cash Flow Statement
101	Profit and Loss Account	148	Notes to Consolidated Financial Statements
102	Cash Flow Statements		
104	Notes to Financial Statements	186	Financial Highlights - Consolidated

In times of Volatility, Uncertainty, Complexity and Ambiguity (VUCA), embracing change is the best way to keep a business moving with positive momentum. AGC's adaptive approach in a world filled with multiple challenges and scarce resources has ensured stability through optimization. Collaborative and systematic approaches have focused your Company on solutions. Consequently, when others may have stagnated, we have favored acceleration.

Business is increasingly interconnected and the rate of flux is multiplying exponentially. AGC is anticipating and leading this ever changing landscape with dynamism in decision making, while mitigating risk.

As AGC Networks enters its 30th year, we have learnt many valuable lessons about seizing emerging opportunities while focusing on the larger objective - of delivering innovative solutions to enhance the customer's technology landscape.

This change in attitude and approach has ignited AGC's evolution into becoming a **Global Solution Integrator of Choice**.

Forward looking statement

We, AGC Networks 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.

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

Leaving the past behind, steadying for growth this year, and ready to aim for consistent growth and increased value - your Company is ready to transform!

The last year was one fraught with challenges. It was a year of economic uncertainty - especially in the telecom and foreign exchange markets, exceptional items and write-offs made conservatively, and a deep clean-up exercise to prepare a stable ground for doing profitable business.

This year, under new and able leadership, your Company has managed to catch up significantly, as you will see from this Annual Report. The focus on ROTI (**Return on Technology Investment**) and CuSat (**Customer Satisfaction**) are two driving forces to

discipline all operations, being monitored microscopically to ensure that AGC is THE preferred partner across the globe. The several prestigious awards and orders won by your Company bear testimony to what is possible. Our past investments in overseas operations are beginning to bear fruit now.

The coming years will be of expanding global presence and delivering precise solutions and services to customer needs across the globe. **As of March 2015, all global geographic units have broken even or are generating profits.** Debt is being managed effectively, and calibrated growth is planned keeping profitability, as well as your Company's appetite for risk in mind.

Your Company will continue with its thrust on increasing service revenues. Given the inherent expertise that your Company possesses, Cyber Security Service Offerings, Cloud Services, Managed Services and AMCs should consistently increase share of revenues. These being annuity based and sticky businesses, the aim is to reduce volatility in earnings, besides improving margins.

To this end, your Company plans to enter into strategic partnerships and alliances in these areas, just like the existing and established partnerships and alliances in the Networking and Unified Communications business.

The overall objective would be to create an asset light Company with renewed efforts to increase cash flow and to manage debt judiciously. Most importantly, your Company will continue to follow best governance practices and keep a watchful eye on costs.

For achieving the above, your Company has the correct and capable leadership in place with laser sharp focus on the daunting task ahead, in the ever evolving and competitive ICT marketplace.

All these efforts, on a continued basis, will ensure that your Company builds stronger relations with customers and vendors alike, as well as with all stakeholders, thereby improving value.

Thank you shareholders for your continuing support.

Here's to exciting times ahead!

With Best Wishes,

Sujay R. Sheth

MESSAGE FROM THE MANAGING DIRECTOR AND CEO



Dear Stakeholders,

AGC has undergone a tectonic shift and we're profitable again.

Our last Annual Report talked about the formidable challenges before us with AGC having lost Rs. 282 Cr. in FY14. I'm glad to report that we returned to operating profits in the quarter ended Sep14, my first quarter after commencing the journey, ending FY15 with a PAT of Rs. 14.7 Cr. As you know, any tectonic shift hinges on rapid decisioning with certainty in an ever volatile, unpredictable, hyper-competitive environment!

Our turnaround involved seven steps:

First, ensuring our **leadership** is right, is aligned, teams are toned up and motivated to give their best.

Second, being clear about all elements of **strategy**, including organizational purpose, positioning and differentiation.

Third, **engaging** and **communicating** it to every AGCian so that it becomes a way of life, intrinsic to culture, along with our values which are our behavioral protocol.

Fourth, **optimization** across the board, especially cash flows, team structures, partnerships and our product portfolio.

Fifth, **sharpening** all systems including clean order booking, logistics, performance management and communication.

Sixth and seventh, **reinforcing** our bonds with partners and customers, so that we **collaborate** closely to win big.

We've created a robust operating framework

In a year of consolidation, we have defined the future path explicitly so that every AGCian knows the role he or she can play for the greater, collective good of the enterprise! Every AGCian across the world, bar none, has a page on which they can imprint the badge of their performance and feel proud of what we've created together, in a culture that is demanding but meritocratic. We're well on our way to realizing our aspiration of becoming a charismatic organization that stakeholders, partners, customers and employees respect and enjoy associating with. Results will always be an outcome of that.

Becoming the client's trusted technology advisor

We already represent the world's best technology brands and offer clients evolved, leading-edge choices. Our journey to becoming an enterprise solution integrator involves knowing the technology landscape of our clients and the brands constituting that landscape intimately. Providing guidance to ensure **Return on Technology Investment (ROTI)** for clients while being relatively brand agnostic is our niche.

OUR ASPIRATION IS TO BECOME A CHARISMATIC ORGANIZATION THAT STAKEHOLDERS, PARTNERS, CUSTOMERS AND EMPLOYEES RESPECT AND ENJOY ASSOCIATING WITH.

Resolving the CIO's dilemma

We help resolve the modern day enterprise CIO's dilemma as he grapples with getting more from less in a commoditized world! AGC's aim is give the CIO and business managers more context for technology investments through verticalized solutions that give them the competitive edge. We also help transition all technology elements - usually part obsolete, part end-of-life, part mismatched for interworking, some current. For this, we deploy client-relevant, cost effective managed / other service models, guiding the transformation to new technologies, whether they be premise based, in the cloud or hybrid solutions.

FY16 is a year of transformation

Our agenda for action is that we plan to expand our geo footprint, improve productivity and all key operational indices. We will continue to showcase leading edge technologies from global OEMs at our customer studios. And in terms of differentiation, we will leverage **RED** - proactive **Response**, **Execution** excellence and **Design** superiority for competitive advantage.

In the pages to follow, my colleagues will elaborate on their plans to enrich this tapestry.

The AGC brand stands for fulfilling commitments

You will continue to see evidence of this in all we do, internally and externally. I thank you for your confidence in us, your support and abundant good wishes. With the active support of our Promoters and Board of Directors, we look forward with great confidence to the future.

While FY16 is our year of transformation, we believe FY17 will be our year of growth!

With Best Wishes,

Anil Nair

MESSAGE FROM OUR LEADERS



THE INTERNATIONAL SPECTRUM

Sanjeev Verma

CEO (Americas) & President - International Operations

FY15 has been a year of stability and profitability for AGC's International Business, achieved through consolidation and alignment to AGC's focus on accelerating the customer's business across the markets that we operate in.

The key growth drivers of **consistency, homogeneity, relevance** and **process efficiency** have led to the international business of AGC Networks gaining momentum and scale. Garnering the customer's faith through relevant solutions and services being delivered impeccably within the customer's technology roadmap has been the hallmark of establishing our identity.

The international business spanning the **Americas, Middle East & Africa, Australia & New Zealand** and **Philippines** is now poised to deliver greater value leveraging our stronghold in India. We continue to innovatively engage with CIO's across industry verticals to align technology solutions to positively impact their business.

AGC's emergence as a global solution integrator of choice has been achieved through a dual approach - that of being adaptive to the customers' requirement across each unique market and blending a global customer's multi-geography requirement. Our mantra of **'think global and act local'** has started to pay dividends as our teams of solution architects, certified engineers and project specialists combine to create a global pool of resources delivering value to the customer.

Anticipating our customer's need to stay ahead of the technology curve, AGC has launched its **Cloud IVR services** through a state-of-the-art and fully redundant infrastructure which can be integrated into an existing technology setup without additional hardware. Through cloud services, AGC further strengthens its positioning as a **brand of choice** for enterprise and mid-market customers across verticals. AGC's customers will now have unprecedented access to a **global tech resource pool** delivered in the US and across the globe for a seamless experience.



BUILDING A STRONGER FINANCIAL FOUNDATION

Amal Thakore

Chief Financial Officer

The finance function at AGC Networks works in collaboration with customers, vendors, investor community and the market at large to streamline and strengthen our association. Deep industry knowledge and financial management skills are AGC's assets that have helped streamline operations, processes and aligned initiatives to deliver value to our stakeholders.

Your Company has been able to achieve both - break-even at the EBIDTA level in Q2 FY15 and improve QaQ (Quarter after Quarter) across identified business parameters. Strengthening **corporate governance, financial controls** and **cash flows** have been the foundation for meeting our near and longer term growth objectives across all geographies that we operate in.

Moreover, being cash flow positive in all geographies is reflective of sustainable customer satisfaction. The Company will also strive to be an asset light organization, with focus on reducing debt judiciously.

Our on-going priority on the journey to establishing AGC as a global solution integrator of choice will be to build a robust financial foundation to sustain this turnaround and maintain customer confidence in AGC.



HUMAN RESOURCES - A KEY ENABLER

Mahua Mukherjee
Chief People Officer

FY15 was a year of change for AGC, where we emerged with optimism and renewed vigor. Driven by the need to deliver value to business, HR has positioned itself to meet the business needs towards differentiation through **Responsiveness, Execution & superior Design (RED)**. At AGC, HR plays the role of a strategic business partner to build a successful global organization.

Our prime focus has been on building a **strong ecosystem** for employees through the right structures and effective leadership communication systems delivering HR practices and services to support the organization's business and global employees. The thrust is on building a value based culture to reinforce the core drivers of success through our **values**.

Today, in our journey to achieving business goals and targets, it is imperative that we enhance organizational effectiveness with sharp focus on outcomes. Our differential strategy will create a **high performance management culture** through a defined set of practices to enable, empower and engage employees to achieve the organizational purpose with greater involvement and accountability. This would provide the impetus to business to scale up and drive unprecedented success.

Our third core focus area is to develop and **enhance capability** throughout AGC, our ability to respond to changes in an agile and flexible way and facilitate a collaborative global '**One AGC**' workplace culture. We have developed and strengthened expertise at leadership levels for accelerated growth through succession planning, creating a leadership pipeline and on-boarding the right talent, particularly for emerging geographies. Our **learning strategy** focuses on enhancing versatility of middle management through capability building & job enrichment, and provides a multitude of growth opportunities within AGC through a defined competency matrix and career path.

As we enter new global markets and foray into new business segments, the above imperatives are the core enablers of our redefined HR strategy for global success. We are now poised to take challenges head on and thrive in a challenging and rapidly transforming world.



MESSAGE FROM OUR LEADERS



INTEGRATING TECHNOLOGY RESOURCES FOR COMPETITIVE ADVANTAGE

Samir Sayed

Global Head - Projects and Services

The charter for AGC global services is to enable profitable growth through differentiated customer experience. At AGC, we believe skilled resources are our core assets. We aim to be best of the best in our customer engagements and truly live up to our differentiation theme, RED. It is this combination of our core assets and strategy which is AGC's value proposition in the marketplace. AGC operates in 5 key geographies of India, Middle East & Africa, Australia & New Zealand, Philippines and the Americas where our technical expertise and domain knowledge in each geography is unique and unparalleled. This expertise is leveraged across geographies and in the true sense available as a globally networked resource pool for customers across the globe. Importantly, key operational metrics that are monitored and optimized include improving productivity, efficiency, competency and CuSat (Customer Satisfaction).

A formal CuSat survey to capture the Voice of the Customer for geographies outside India through an independent agency is a priority area for FY16. In India it is a well institutionalized process. In the last survey conducted in February 2015, 88% of our customers have rated us 8 or more on a scale of 10 in terms of their overall satisfaction in engaging with AGC, an improvement of 12.8% over the previous survey. On the revenue front, the focus of the services team is to significantly enhance the long term annuities through managed services, cloud offerings, multi-year maintenance contracts and most importantly, inducting a slew of new brands.

Our endeavor is to keep the customer at the forefront, always!



HELPING CUSTOMERS STAVE OFF A GLOBAL THREAT

Atul Khatavkar

Global Head - Cyber Security

The fast-evolving and increasing use of business collaboration tools like social media and IT delivery models such as cloud and mobility are all raising the security stakes for businesses today. Cyber Security threats have increased exponentially in the last few years. AGC Cyber Security is playing a key role in helping customers build their holistic advanced threat management strategy for the business to share information intelligently, work in harmony and meet the compliance and regulatory requirements for business to run smoothly.

Prominent among key projects that AGC has undertaken includes building the cyber security strategy for a critical infrastructure company in Saudi Arabia. The strategy included building robust processes and implementing key technology solutions. In Africa, AGC has helped one of the largest Banks build their Security Operations Center (SOC). The project included building world class SOC processes/procedures and implementing high end solutions like SIEM/WAF/DAM, Integrating applications and the IT infrastructure, and training key stakeholders to be operational 24*7.

Our Cyber Security technology solutions include SIEM, APT, NAC, NG FW, MDM and our advisory services include VA/PT, ISO 27001, PCI DSS, BCMS and ITSM.



OUR CUSTOMER'S TRUSTED TECHNOLOGY ADVISOR

Vinod K

Vice President & Head - Consulting, Applications and Design (CAD)

The CAD function has enabled AGC to become the customer's trusted technology advisor and an expert provider of hybrid solutions in the Customer's Technology Landscape. A Consulting (Business + Technology) approach helps AGC Consultants deep-dive and understand the business and technological requirements of the customer. This is remarkably different from just fitting solutions into customer's network.

Applications enable AGC to further differentiate our customers, providing them the edge not only through System Integration but also Solution Integration. These applications fall in the areas of Customer Service, Customer Experience and SMAC (Social Media, Mobile, Analytics and Cloud).

Superior **Design** enables our customers to have the best of technologies customized to their business needs with an optimized Bill of Material (BOM). AGC passionately strives to keep its pool of Certified Resources updated on all leading technology platforms. In this manner we ensure that the Solutions we design for customers helps accelerate their business and we evolve the Return on Technology Investment (ROTI) for the same. Consulting Application Design (CAD) catalyzes AGC's differentiation strategy of RED, with exemplary **Responsiveness**, sharp project **Execution** vis-à-vis implementation of any project and superior **Design** with the best of technologies.

Business models for organizations are evolving and with the use of right technology organizations can keep themselves ahead of competition. Along with this, the need arises for a relevant solution integrator who can provide solutions to overcome organizational challenges - a key driver for CAD @ AGC.



ESTABLISHING THE AGC IDENTITY AND BRAND GLOBALLY

Neelam Kapoor

Vice President & Head - Marketing

The marketing function has been the underlying fabric in the evolution of AGC Networks being perceived as a global solution integrator of choice across customers and geographies. We have taken the formulation and articulation of the messaging to key stakeholders - both internal and external. Internal are the AGC message bearers who focus on accelerating our customers' business and external are our stakeholders - customers, the market, partners and shareholders. Maintaining uniformity across geos while imbibing cultural nuances is what has helped AGC emerge as a global brand.

As a brand protector and a brand architect, marketing communications captures AGC's unique value efficiently across platforms and tools, whether in the form of informative communications within the organization and across offices efficiently, capturing the customer's voice or articulating our unique value proposition. Connecting the old world of conventional communications with the new world of socially relevant communications is the key to AGC's uniform message of driving the Purpose of our organization - that of accelerating our customer's business.



Marketing acts as a business enabler across departments and functions globally, ensuring visibility of Brand AGC in all customer-focused activities and events. Communicating the brand messages prominently on the website, through email campaigns and social networks, all symbolize a 'happy' operational efficiency and create high brand association. The team also works closely with technology partners to maximise visibility jointly in the market place.



WINNING A SEAT AT THE GLOBAL HI-TABLE OF THE BEST GLOBAL BRANDS

Pranav Trivedi

Vice President - Strategy & Alliances

The Strategy & Alliances function at AGC is focused on evolving a market-centric, competitive business strategy for **profitable growth and value creation**. It also galvanizes and manages Original Equipment Manufacturer (OEM) & SI-SP (Solution Integrator-Solution Provider) alliances in line with the business strategy. Target market addressability, competitiveness and portfolio adequacy - all play a key role in identifying potential alliance partners. The emphasis is always on ensuring that these partnerships are mutually significant, relevant and fulfilling. Currently, AGC has 5 Core, 4 Strategic and 19 Value partnerships across its solution quadrants. While most OEMs engage with multiple resellers in a volume driven industry, with its focus on business acceleration for customers, AGC fills the void of a Solutions Partner for its leading OEM alliances. Reciprocally, OEM partners too on their part have invested in AGC for joint market activation, profitability, internal enablement and business value creation. The best is yet to come!



SHARPENING RETURN ON RESOURCES

Manoj Kar

Vice President - Business Analytics & Program Management

Leveraging Business Analytics to **estimate potential gaps in results and recommending corrective actions to revenue leaders** to bridge the gap is one of the key result areas for the Business Analytics function.

This has been achieved through initiatives like **'Appreciative Inquiry'** - a search for the best in people to discover what fuels business when people are most effective, with the objective of heightening positive potential. This initiative is to gain a deeper comprehension of not only the good practices but the obstacles being faced by individuals to achieve their business objectives. Information sharing will enrich understanding and provide alternative ways to enhance effectiveness and performance of individuals.

Inquiry findings will enable the back office to make necessary changes in the processes and systems resulting in continuous improvement in cycle time and productivity which will finally enable the organization to exceed its time bound objectives.

Another important Analytics and business enabler is the prudent use of business tools (SFDC/SAP) to track and update business of the key parameters and configure enablers to achieve business objectives. Our future plan includes 'Outage Management' to alert key managers when business parameters are breached and warrant interventions.