

Thinksoft Global Services Limited



the dna of QUALITY

Software Testing Specialists for the Global Financial Sector

Treasury

Credit Cards

Mobile Payments

Core Banking

Life Insurance

Wealth Management

Capital Markets

Brokerages

Trading

Central Banking



DNA (deoxyribonucleic acid) is the hereditary material, containing the genetic instructions used in the development and functioning in humans and most other organisms. The DNA segments carrying this genetic information are called genes. Along with RNA and proteins, DNA is one of the three major macromolecules that are essential for all known forms of life.

An amalgam of domain knowledge, structured testing methodologies, and testing technology expertise constitutes the DNA of Business Requirements Assurance. This is precisely what enables Thinksoft, an Independent Testing Specialist to help its clients reduce software product life cycle costs and develop 'business ready software' within compressed timelines, without sacrificing quality.

BOARD OF DIRECTORS



DR. S. RAJAGOPALAN



VANAJA ARVIND



MOHAN PARVATIKAR



K. KUMAR



A. V. ASVINI KUMAR



RAJIV KUCHHAL

CORPORATE INFORMATION

BOARD OF DIRECTORS

VANAJA ARVIND
Executive Director

RAJIV KUCHHAL
Non-Executive and Independent Director

Dr. S RAJAGOPALAN
Non-Executive and Independent Director

MOHAN PARVATIKAR
Whole Time Director

K KUMAR
Non-Executive and Independent Director

A V ASVINI KUMAR
Chairman and Managing Director

COMPANY SECRETARY

A THANIKAINATHAN

AUDITORS

PKF Sridhar and Santhanam
Chartered Accountants, Chennai-600004

INTERNAL AUDITORS

A Murali & Associates
Chartered Accountants, Chennai-600094

BANKERS

The Lakshmi Vilas Bank Ltd.
Cathedral Road, Chennai-600086

ICICI Bank Ltd
T. Nagar, Chennai-600017

Citi Bank NA
Club house Road, Chennai-600002

LEGAL ADVISORS

SRS Associates, Chennai-600004

REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited
Cyber Villa, Plot No. 17-24, Vittalrao Nagar,
Madhapur, Hyderabad – 500081

FACILITATORS

Madras Export Processing Zone (MEPZ)
Tambaram, Chennai-600045

Software Technology Park (STPI)
Chennai-600041

Tidel Park Limited
Taramani, Chennai -600113

Velankani Tech Park
Electronic City, Bengaluru-560100

REGISTERED OFFICE

Type II, Unit-5, Dr. V.S.I Estate
Thiruvanmiyur, Chennai-600041

WEBSITE

www.thinksoftglobal.com

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Letter to Shareholders

Dear Shareholders,

It gives me great pleasure to report the highlights of the Company's performance and achievements for the year 2011-12 just gone by.

Our consolidated revenues, at INR 1,214 million, were up 46% over the previous year and Net profit at INR 113 million, grew 508% over the previous year. The performance was all the more creditable as it came against the backdrop of two years of flat growth primarily due to the general economic conditions. In view of this performance the Board of Directors decided to announce a final dividend of INR 3 / share, taking the total dividend to INR 5 / share.

To put things into perspective, it is pertinent to note that the company has demonstrated a 24.72 % CAGR of revenues over the past 10 years (2002-2012) and also maintained an unbroken dividend record. This has been achieved in the face of stiff competition from the "scale" players, buyer behavior biased towards favoring "mega" vendors and periodic market unresponsiveness arising out of dot com bust in the year 2000, the 9/11 attacks and the financial crisis of 2008/09.

From all accounts the IT services market seems to be evolving in the direction of demanding increasing "quality" levels and also of rewarding "value" delivered. This is taking many forms including independent testing services becoming part of the mainstream value chain and by the fact that many specialist players are being invited to hitherto forbidden bidding tables. Our company will definitely benefit from this, as it plays into our conventional strengths. Anticipating this, we had triggered a number of initiatives in the past one year and have expanded our specialist offering space (building testing expertise and Centre of Excellences in BFSI mobile app testing, and for the much larger and complex payments processing area). The Company has also successfully completed pilot projects in the area of mobile testing using the concept of working with "cloud platforms" and using remote test centres.

It is not surprising therefore, that the Company has been selected by the Reserve Bank of India, through a rigorous selection process to be its preferred testing partner for the countrywide rollout of one of its major transformational initiatives. We are also participating in bidding for comprehensive testing of a strategic payment platform being undertaken by an apex body. The Specialist BFSI testing space is growing at 30% annually and we are well positioned to be a significant player with a good market share. We are cementing sales partnerships with "domain" specialist firms to address mid tier clients and working on our new branding strategy to capitalize on these trends.

We also view our investment in building functional expertise and associated technology skills as a key strategic differentiator in how we deliver our services. With our constant focus on efficiency and productivity, we have eliminated redundant steps from our business processes, and thus maximized the efficiency of our services which helps our clients derive cost savings.

The past year witnessed the uncovering of a number of mega scams and citizens discontent at the endemic corruption and poor quality of governance in many spheres affecting daily life. The regulatory policy and environment has also been very ambiguous and confusing for the business sector. While responding to these challenges, your company has been maintaining the highest standards of corporate governance by implementing clear and transparent corporate policies and following all the norms and guidelines laid down by RBI, SEBI, Stock Exchanges, CBDT and other regulatory bodies both in letter and in spirit. We are proud to be counted among the companies which have this kind of track record.

The Company has also initiated the process of implementing an ERP system and is in the final stage of cutting over to "live" status for the finance and associated functions. We have also increased our investment in our training and talent management processes, adding to and improving our capabilities for imparting critical industry, product and process training.

Before I conclude, I would like to mention that our focus remains on sustaining the momentum we have achieved this year and building on the traction that the business has seen from different quarters. We are confident that the investment in people, process and technology would propel your Company to greater heights in the forthcoming years.

On behalf of the Board of Directors', I take this opportunity to express our gratitude to all our stakeholders, who have reposed trust in us and look forward to your continued support to help keep the company on the growth path in the coming years.

Yours Sincerely,

A V Asvini Kumar

June 15, 2012

Annual Report 2011-2012

Performance Highlights - Consolidated

Decade at a Glance

(INR in Million)

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Gross Revenue	1,214.42	829.27	828.63	922.62	749.24	588.62	366.91	217.37	123.79	156.01
E B I D T A	224.20	60.87	105.08	178.73	122.16	122.36	48.59	27.04	-0.56	38.22
Profit Before Tax	185.00	32.04	90.64	160.62	108.15	103.57	40.07	18.90	-11.91	28.02
Profit After Tax	113.77	18.72	82.33	144.89	99.65	94.61	36.22	15.62	-11.87	24.94
Fixed Assets: Gross Block	224.84	194.18	101.16	90.15	88.51	69.89	63.78	44.19	41.53	28.54
Fixed Assets: Net Block	108.74	111.50	42.44	33.49	28.17	22.13	27.73	11.44	11.16	6.58
Share Capital	100.52	100.52	100.52	87.02	76.63	72.45	70.68	70.68	70.68	70.66
Reserves and surplus	654.57	599.17	592.17	381.94	246.55	160.03	82.05	53.89	43.11	59.77
Networth	755.09	699.68	692.68	468.96	328.99	232.48	152.73	124.57	113.79	130.43
Sundry Debtors	235.77	228.96	159.31	238.57	203.70	186.43	98.50	59.80	24.61	55.24
Cash and Bank Balances	404.47	400.33	513.95	265.60	147.25	76.56	47.36	58.40	116.67	70.24
Current Assets	905.51	762.18	789.18	600.34	419.98	291.00	184.08	139.25	164.03	145.49
Current Liabilities	263.12	183.32	149.27	171.09	122.58	81.98	59.84	25.09	18.18	21.49
Working Capital	642.39	578.87	639.90	429.24	297.40	209.02	124.24	113.26	145.85	124.00
No of Equity Shares ('000)	10,052	10,052	10,052	8,702	7,663	7,245	7,068	7,068	7,068	7,066
Earnings Per Share (Diluted) (Rs.)	11.30	1.86	8.83	17.62	13.38	13.21	5.12	2.21	-1.68	3.53
Book Value per Share (Rs.)	75.12	69.61	68.91	53.89	42.93	32.09	21.61	17.63	16.10	18.46

E B I D T A : Earnings before Interest, Depreciation & Taxes + Other Income.

Directors' Report

To the Members,

We are presenting herewith, the report on our business and operations for the year ended March 31, 2012.

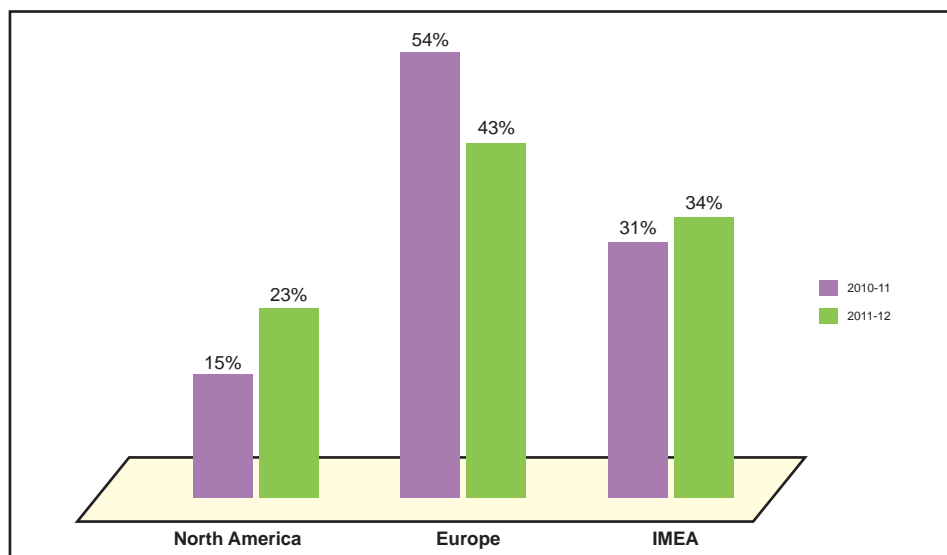
1) Financial Highlights for the year ended March 31, 2012

(INR In Million)	Consolidated		Stand Alone	
Description	2011-12 Current Year	2010-11 Previous Year	2011-12 Current Year	2010-11 Previous Year
Export Revenue	1,121.27	775.39	1,025.84	559.25
Domestic Revenue	93.15	53.88	93.15	53.88
Total Revenue	1,214.42	829.27	1,118.99	613.13
Delivery expenses	813.28	557.10	852.74	432.50
Funds from Operations	401.14	272.17	266.24	180.63
Selling and Marketing expenses	147.81	119.16	51.06	44.31
General and Administrative expenses	126.28	125.64	110.31	109.11
Profit before Interest, Depreciation & Taxes	127.05	27.37	104.87	27.21
Less: Depreciation	37.40	27.88	37.17	27.56
Less: Interest	0.26	-	0.26	-
Operating Profit Before Taxes	89.39	(0.51)	67.43	(0.35)
Other Income	95.61	32.55	88.91	26.44
Net profit before taxes	185.00	32.04	156.34	26.09
Provision for taxation	(65.88)	(12.30)	(60.28)	(7.62)
Deferred Tax	(5.35)	(1.02)	(5.35)	(1.02)
Net Profit after tax	113.77	18.72	90.71	17.45
Profit brought forward from previous year	420.34	413.34	384.76	379.02
Profit available for appropriation	534.11	432.06	475.47	396.48
Appropriations : Interim Dividend	20.10	-	20.10	-
Transfer to General Reserve	9.10	-	9.10	-
Proposed Final Dividend	30.16	10.05	30.16	10.05
Tax on Dividend	8.11	1.67	8.11	1.67
Profit carried to Balance sheet	466.64	420.34	408.00	384.76
EPS basic	11.32	1.86	9.03	1.74
EPS diluted	11.30	1.86	9.01	1.74

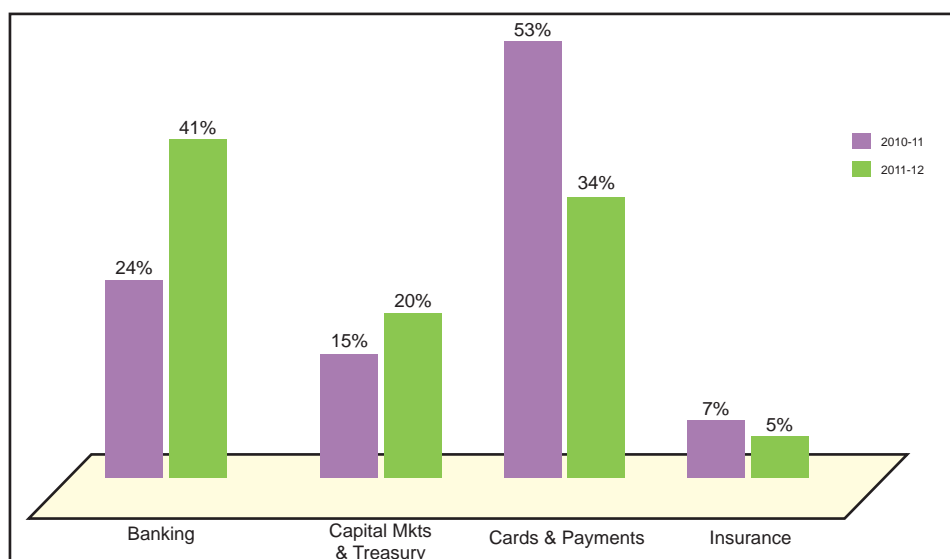
2) Business and Operations Review

- Total revenues increased, in Rupee terms by 46%, to INR 1214.42 million during the current year, from INR 829.27 million in the previous year (In US dollar terms this amounts to an increase in revenues of 38%).

Distribution of Revenue by Geography



Distribution of Revenue by Practice



- Profit after tax at INR 113.77 million constituted 9.37% of revenues as against INR 18.72 million (2.26%) for the previous year. 'Exchange Gain' contributed to INR 48.86 million.
- Geographically, 42.69% of the revenues came from Europe (previous year 53.64%), 34.24% from IMEA (previous year 31.11%), 23.07% from America (previous year 15.25%) and the proportion of onsite to offshore revenues stood at 50.54% / 49.46% compared to 44.35% / 55.65% in the previous year. This is reflected in an increase of 67% in onsite Revenue from INR 367.78 million to INR 613.74 million during the current year.
- Delivery expenses have marginally decreased to 66.97% against 67.18% in the previous year. This is a result of a combination of higher proportion of revenues from onsite projects and also lower offshore utilization factors. The overall utilization decreased to 65.4%, compared to 66.9% in the previous year.
- The Gross Profit (Funds from Operations) at INR 401.14 million worked out to 33.03% of total revenues (excluding other income) compared with 32.82% in the previous year, while the PBITDA was at 10.46% as against 3.30% for the previous year. After Tax profits (including other income) increased to 9.37% (previous year 2.26%).
- General and Admin Expenses registered a marginal increase in absolute terms. It is INR 126.28 million and 10.40% during the current year as against INR 125.64 million and 15.15% in the previous year.
- The company increased its investments in S&M activity, consequently, sales and marketing costs increased in absolute terms at INR 147.81 million and 12.17% versus INR 119.16 million and 14.37% recorded in the previous year.
- Revenues from repeat business marginally decreased to 87% compared to 90% in the previous year.
- Employee strength was 742 (women 27.8%) at the end of the year compared to 661 in the previous fiscal. The attrition rate decreased to 17.2% for the current year ended March 2012, compared to 31.2% during the previous year.

3) Capital Expenditure

During the current year, we capitalized INR 61.82 million to our gross block comprising of INR 13.69 million on technology infrastructure, INR 46.39 million on physical infrastructure, INR 1.74 million addition on intangible assets.

4) Utilization of IPO proceeds

Out of INR 1531.51 lakhs (net of issue expenses) raised through IPO, INR 679.23 lakhs has been utilized for setting up the testing facility at TIDEL Park and MEPZ, Chennai as on March 31, 2012 and INR 632.80 lakhs utilized for normal capital expenditure and balance INR 219.48 lakhs is available in bank as fixed deposits.

5) Liquidity

The company continues to maintain sufficient cash to meet its strategic objectives. The liquid assets at the end of the current year stood at INR 636.42 million (as against INR 629.29 million in the previous year). Year end Account Receivables stood at INR 235.77 million (71 days sales) as against INR 228.96 million in the previous year (101 days sales).

6) Share Capital

As at the end of the financial year the Company's Equity Share Capital stands at INR 100.52 million, consisting of 10,051,581 fully paid up Equity Shares of INR 10 each. During the year, the Company has granted 339,000 options under Thinksoft ESOP Scheme 2011. The disclosure in compliance with the Clause 12 of the SEBI (Employee Stock Option Scheme And Employee Stock Purchase Scheme) Guidelines 1999, as amended is attached to this report as Annexure 3.

7) Net Worth

The net worth of the Company rose to INR 755.09 million as at 31st March 2012 from INR 699.68 million at the end of the previous fiscal. This works out to a per share net worth of INR 75.12.

8) Dividend

For the financial year ended 31st March 2012, your Board has recommended a final dividend of Rs. 3/- per equity share (30% on face value of Rs.10/- each), subject to the approval of the Shareholders in the ensuing Annual General Meeting.

Your Board has also declared an interim dividend of Rs.2/- per equity share (20% on face value of Rs.10/- each) on 3rd November 2011. This would result in a total dividend of Rs.5/- per equity share (50% on face value of Rs.10/- each) for the financial year ended 31st March 2012. (Previous year Rs.1/- per equity share of face value of Rs.10/- each).

9) Subsidiaries

The company is having its global presence through its subsidiaries, branches and places of business.

The company has the following five wholly owned subsidiaries

- a) Thinksoft Global Services Pte. Ltd., Singapore
- b) Thinksoft Global Services Inc., USA
- c) Thinksoft Global Services (Europe) GmbH, Germany
- d) Thinksoft Global Services UK Limited, UK
- e) Thinksoft Global Services FZE, Sharjah, UAE

10) Financial Statement of Subsidiaries

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet, and Profit and Loss account of our subsidiaries. Ministry of Corporate Affairs vide its General Circular no. 02/2011 dated 8th February 2011, exempted Companies from attaching the Financial Statements of Subsidiary Companies (refer Annexure 1). However, as per said circular the Companies are required to provide only the consolidated financial statement in the annual report, accordingly, the Annual Report contains the consolidated financial statements. The Audited Annual Accounts and related information of subsidiaries, whichever applicable, will be made available to shareholders upon request and will also be available for inspection during normal business hours at the Registered Office of the company.

11) Directors

Dr. S Rajagopalan, Director who was appointed as a director on 17th September 2008, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers for re-appointment as Director.

During the year under review Mr. C N Madhusudan, Non- Executive Independent Director had resigned from the Board of Directors with effect from 21st September 2011. The Board records its appreciation of the contribution made by Mr. C N Madhusudan during his tenure as a director of the Company.

During the year under review Mr. Rajiv Kuchhal, was inducted as Additional Director in your Board with effect from 21st September 2011. Mr. Rajiv Kuchhal's term expires on the date of the Annual General Meeting. The Company has received a Notice pursuant to the provisions of Section 257 of the Companies Act, 1956 for appointment of Mr. Rajiv Kuchhal as Director of the Company, liable to retire by rotation.

The Board of Directors recommends the appointment/re-appointment of Directors as mentioned above.

12) Auditors

M/s. PKF Sridhar & Santhanam, Chartered Accountants, Chennai retire as the Auditors of the Company at conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Audit Committee in their meeting held on 27th April 2012 has recommended the reappointment of M/s. PKF Sridhar & Santhanam, Chartered Accountants, Chennai.

13) Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section(1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are provided in the Annexure 2 to the Directors' Report section.

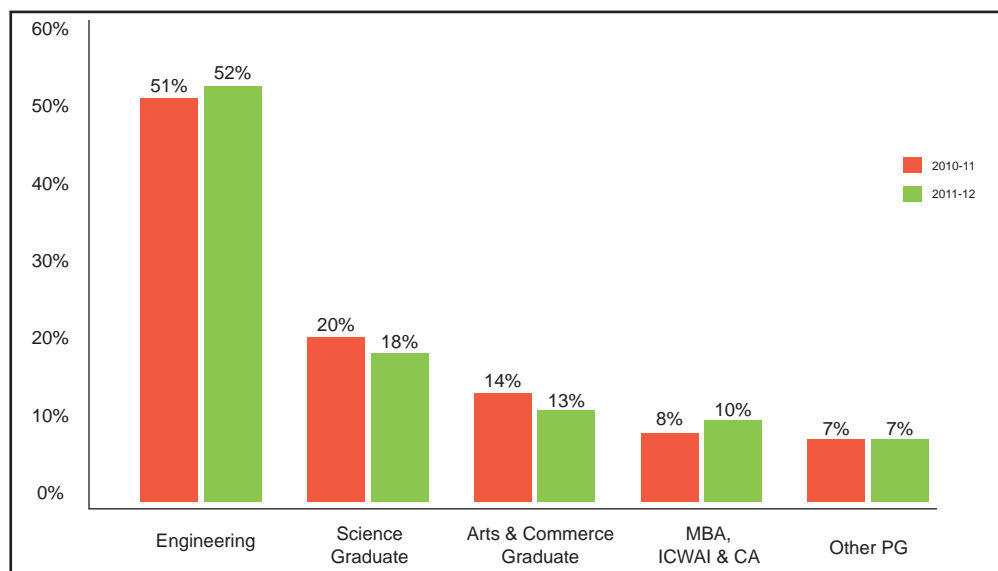
14) Particulars of employees

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, and the rules framed there under, the required information is annexed and forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all the Shareholders of the Company excluding the said annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

15) Human Potential

The overall employee strength increased from 661 to 742 during the end of the year.

Education profile of the employees



The Company strongly believes that organizational effectiveness can be significantly enhanced by focusing on the human side of the enterprise.

As part of its ongoing regular training programs, during the current year, about 137 training programs were conducted for the employees, clocking an average of 38 hours training per employee per year.

The company further endeavours through its special talent management initiatives, to make its key employees result oriented and business savvy.

A Resource Management group is mandated with the task of optimising the deployment of resources across practices and geographies.

16) Quality, Technology and Systems

Enterprise Resource Planning (ERP):

The company plans to move towards a more structured, organization wide integrated application covering Finance, Sales, Order tracking, Customer service and Human resources.

The Company has selected and is in the process of implementing Netsuite, a cloud based Software-as-a-Service (SaaS) ERP system which would be completed during the financial year 2012-13. The enterprise applications are delivered over internet and managed as service by the application provider, and would be implemented to manage and co-ordinate all the resources information and functions from a shared data store. The Company already initiated the process towards implementation of an ERP system.

PCI DSS (Payment Card Industry Data Security Standard):

Thinksoft's offshore TCoE (Testing Centre of Excellence) in Tidel Park, Chennai is compliant of PCI DSS during the financial year 2011-12.

PCI DSS is a worldwide information security standard defined by the Payment Card Industry Security Standards Council. Thinksoft's compliance with PCI DSS implies Completely Secured Physical/Logical Work Environments, Multilayer Encryption for data at Receipt, Processing and Storage, Comprehensive Privacy Framework, Detailed Risk Assessment Methodology, Wireless Intrusion and Prevention System, Enhanced HR Security Controls, Intensive Vulnerability Management Program by Authorized Scan Vendors (ASV), Business Continuity Program meeting BS 25999 standards.