



SQS acquires majority stakes in Thinksoft

From Left to Right - Mr. Mohan Parvatikar, Mr. René Gawron, Mr. Ralph Gillesen, Mr. Asvini Kumar, Mr. Riccardo Brizzi, Mr. Diederik Vos & Ms. Vanaja Arvind.

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Corporate Information

BOARD OF DIRECTORS

David Bellin
Chairman & Independent Director

Dr. Martin Müller
Executive Director

Gireendra Kasmalkar
Non-Executive Director

K. Kumar
Independent Director

Dr. S. Rajagopalan
Independent Director

Rajiv Kuchhal
Independent Director

Ralph Gillessen
Non-Executive Director

René Gawron
Non-Executive Director

Riccardo Brizzi
Non-Executive Director

Ulrich Bäumer
Independent Director

COMPANY SECRETARY

S. Akila

AUDITORS

PKF Sridhar and Santhanam,
Chartered Accountants,
91-92, Dr RK Salai, Mylapore, Chennai-600004

INTERNAL AUDITORS

A. Murali & Associates
Chartered Accountants,
New No 2, T4 3rd Floor, Majestic Sqaure,
Sherfudeen Street, Choolaimedu, Chennai-600094

BANKERS

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

ICICI Bank Ltd
Bazullah Road, T. Nagar, Chennai-600017

HSBC
Cathedral Road, Chennai-600004

LEGAL ADVISORS

S. Ramasubramaniam & Associates
New No. 13/1, Bishop Wallers Avenue West, Mylapore, Chennai-600004

REGISTRAR AND SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

6A, Sixth Floor, Prince Infocity II, No. 283/3 & 283/4, Rajiv Gandhi Salai
(OMR), Kandanchavadi, Chennai-600096

WEBSITE

www.thinksoftglobal.com

Letter to Shareholders

Dear Shareholders,

Please allow me to introduce myself as the new Chairman of your Board following the acquisition of a majority stake in the company by SQS Software Quality Systems AG.

SQS, headquartered in Germany and listed in London, serves its clients from offices and test centres across Europe, the US, India and Egypt. Thinksoft, as you will know, is a successful testing business based in Chennai and Mumbai but operating globally and specializing in BFSI. The logic of putting these two businesses, with complementary strengths, together to increase sales, reduce costs and increase shareholder value was obvious to both Boards and an amicable transaction was completed in April this year. I pay tribute to the Founders of the company, Mr. A. V. Asvini Kumar, Ms. Vanaja Arvind and Mr. Mohan Parvatikar for building Thinksoft into a successful international business and thank them for their help and support during and since the acquisition.

I am pleased to report that the integration of the two businesses is going extremely well. We can already see:

- New business opportunities working with existing clients and reaching new ones
- The first 'joint' project wins from existing SQS and Thinksoft clients and a promising project pipeline utilizing our combined strengths
- European, US and Indian colleagues working effectively together on-site and in test centers
- A sales decline in the US being reversed;
- A willingness to learn from each other in adopting best practice to meet client objectives

We can now tell global customers we have a greater combined competence, strength and scale. To simplify this message we are seeking approval to rename the business as SQS India BFSI Limited so all services can be marketed under one SQS umbrella. The interests of SQS AG will continue to be aligned with all other Thinksoft shareholders. SQS India BFSI will continue to be listed in Mumbai with the National Stock Exchange and Bombay Stock Exchange. The company will continue to be a good corporate citizen of India generating increased FOREX for the country, returns for shareholders and we expect further investment to grow the workforce in India.

To support these objectives at Board level I am delighted that my three independent director colleagues on the Board will continue to serve you. We are proposing in the AGM the re-election of Prof Kothandaraman Kumar, Dr. S. Rajagopalan, and Mr. Rajiv Kuchhal. We are also proposing the re-election of Mr. Ulrich Bäumer, a senior lawyer at Osborne Clark Solicitors with extensive corporate experience in India, who joined the Board as an independent director in December 2013.

From SQS we welcome Dr. Martin Müller who has re-located to Chennai following his appointment as Executive Director and Managing Director of Thinksoft. Dr. Müller was previously responsible for SQS operations in Germany and brings with him a detailed knowledge of the business and the global testing market. René Gawron (Chief Financial Officer, SQS AG), and Gireendra Kasmalkar (Managing Director and CEO at SQS India Infosystems Pvt. Ltd.) have joined the Board as non-executive directors and we value their commitment to a successful integration and growth strategy. We thank Ralph Gillissen (Chief Market Officer, SQS) and Riccardo Brizzi (Chief Operating Officer, SQS) for their valued contribution as non-executive directors from January to June this year. Both felt they can contribute more to our success operationally than as Board members and we welcome their continued involvement.

Your Board is a centre for constructive debate and will continue to act in the best interests of all shareholders, staff and clients. The results for 2013-14 have allowed us to increase the dividend by 50% and we will aim to maintain a distribution of 30% of net profits going forward.

Our performance during the year was very satisfactory. Our operating Revenue increased from Rs. 1,614 Mns to Rs. 1,944 Mns, an increase of 20% compared to the previous year. Our Net profits after Tax were Rs. 300 Mns, an increase of 55% on the previous year. Europe continues to be our strongest market territory contributing 49% of the total Revenue during this year. Banking services accounted for 46% of total Revenues while services to the Cards and Payments sector registered encouraging growth of 12% to contribute 37% of total Revenues.

Your Board recognizes the input of our employees, a core asset, in achieving these results. Their energy, dedication and hard work are the DNA that helps us retain a unique position in BFSI testing. We added another 270 employees during this year, a net addition of 123 employees. Total employee strength at March 31, 2014 was 905 for Thinksoft and its subsidiaries. We thank them all for our success.

The software industry, particularly the Testing segment is never static and clients globally are always looking for operational and cost efficiencies. The BFSI sector has to be risk averse in reviewing testing spend and values, perhaps more than other sectors, the benefit of independent end-to-end testing. The company will continue to focus on its client's objectives in building its expertise and proven strengths. Now under the umbrella of SQS, a leader in the independent testing sector, we see enormous synergies and opportunities to provide more services to existing clients, to access new geographies and to leverage bigger offshore assignments.

I take this opportunity to convey our gratitude to our clients for their trust and business support, to all my colleagues for their dedication and hard work and to you, our shareholders for your confidence, continued support and encouragement.

Thank you,
Your Sincerely,

David Bellin
Chairman of the Board

Decade at a Glance

Rs. in Millions

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Gross Revenue	1944.4	1614.4	1214.4	829.3	828.6	922.6	749.2	588.6	366.9	217.4
EBIDTA	499.0	326.2	224.2	60.9	105.1	178.7	122.2	122.4	48.6	27.0
Profit Before Tax	422.3	264.8	185.0	32.0	90.6	160.6	108.2	103.6	40.1	18.9
Profit After Tax	300.4	194.4	113.8	18.7	82.3	144.9	99.7	94.6	36.2	15.6
Fixed Assets: Gross Block	472.6	457.0	224.8	194.2	101.2	90.2	88.5	69.9	63.8	44.2
Fixed Assets: Net Block	274.1	312.1	108.7	111.5	42.4	33.5	28.2	22.1	27.7	11.4
Share Capital	102.7	101.2	100.5	100.5	100.5	87.0	76.6	72.5	70.7	70.7
Reserves and surplus	979.7	780.7	654.6	599.2	592.2	381.9	246.6	160.0	82.1	53.9
Networth	1082.4	881.9	755.1	699.7	692.7	469.0	329.0	232.5	152.7	124.6
Sundry Debtors	557.8	413.2	235.8	229.0	159.3	238.6	203.7	186.4	98.5	59.8
Cash and Bank Balances	502.5	393.9	404.5	400.3	514.0	265.6	147.3	76.6	47.4	58.4
Current Assets*	1157.0	951.6	899.0	762.2	789.2	600.3	420.0	291.0	184.1	139.3
Current Liabilities	289.9	288.7	263.1	183.3	149.3	171.1	122.6	82.0	59.8	25.1
Working Capital	867.0	663.0	635.8	578.9	639.9	429.2	297.4	209.0	124.2	113.3
Employee Strength (Nos.)	905	782	742	661	499	538	580	494	465	285
No of Equity Shares ('000)	10267.7	10123.7	10052.0	10052.0	10052.0	8702.0	7663.0	7245.0	7068.0	7068.0
Earnings Per Share (Diluted) (Rs.)	28.7	19.0	11.3	1.9	8.8	17.6	13.4	13.2	5.1	2.2
Book Value per Share (Rs.)	105.4	87.1	75.1	69.6	68.9	53.9	42.9	32.1	21.6	17.6

EBIDTA: Earnings before Interest, Depreciation & Taxes + Other Income

*Current Assets.- Figures are as per new schedule VI format from the year 2011-12 onwards.

One Million (Mn) is equal to Ten Lakhs

One Billion (Bn) is equal to One Hundred Crores

Board of Directors



David Bellin



Dr. Martin Müller



Gireendra Kasmalkar



K. Kumar



Dr. S. Rajagopalan



Rajiv Kuchhal



Ralph Gillessen



René Gawron



Riccardo Brizzi



Ulrich Bäumer

Directors' report

To the Members,

SQS Software Quality Systems AG Acquires Majority Stakes in Thinksoft:

SQS Software Quality Systems AG, entered into an agreement, on November 8, 2013, with the promoters of Thinksoft Global Services Limited, to acquire majority stakes in Thinksoft Global Services Limited and made an Open Offer to the public shareholders according to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As a result, SQS Software Quality Systems AG, had acquired majority stakes in the Company by acquiring up to 53.35% of the shares in Thinksoft Global Services Limited and the Company has become a subsidiary of SQS Software Quality Systems AG.

This acquisition will create a platform for accelerated growth with the potential to increase sales and shareholder returns.

We are presenting herewith, the report on our business and operations for the year ended March 31, 2014.

1) Financial Highlights for the year ended March 31, 2014.

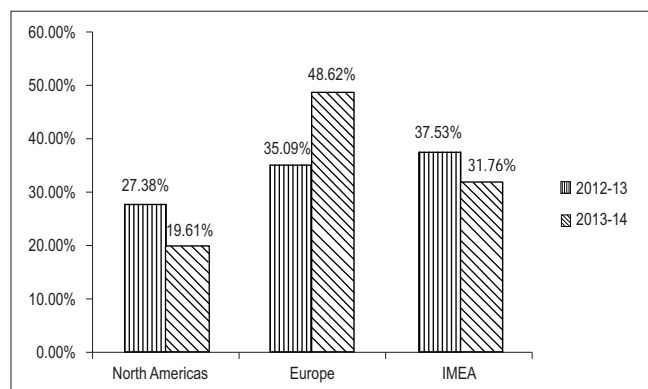
	Consolidated		Standalone	
Rs. Millions (Mns)	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Total Revenue	2,046	1,639	2,031	1,601
Employee benefits expense	1,182	946	786	607
Depreciation and amortization expense	57	46	56	46
General, administrative and other expenses	365	367	799	704
Finance cost	20	15	20	14
Total expenses	1,624	1,374	1,661	1,371
Profits Before Taxes	422	265	370	230
Taxes	122	70	116	67
Profit for the year	300	194	254	163
Earnings per Equity share (Par value of Rs.10 each)				
Basic	29.53	19.32	25.01	16.20
Diluted	28.66	19.03	24.27	15.95

2) Business and Operations Review:

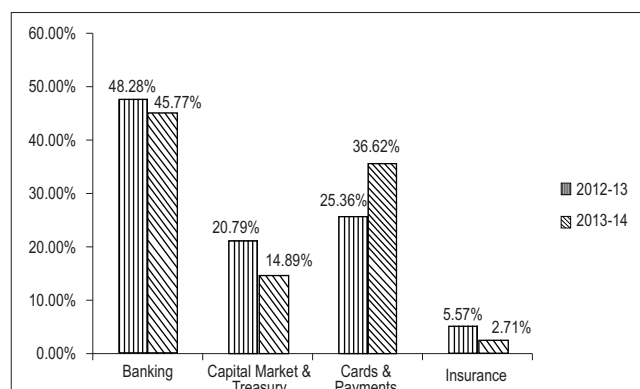
Total Operating Revenues increased, in Rupee terms by 20 %, to Rs. 1944.44 Mns this year, from Rs. 1614.43 Mns in the previous year (In US dollar terms this amounts to an increase in revenues of 8%).

- While the existing customers continue to support us, Revenues from new business increased from 7% in the previous year to 19% in the current year.

Revenue By Geography



Revenue By Practice



- Profit after tax at Rs. 300 Mns constituted 15.4% of revenues as against Rs. 194 Mns (12.0 %) for the previous year. Exchange Gain contributed Rs. 77 Mns during this year compared to Rs. 10 Mns in the previous year.
- Geographically, 48.62% of the revenues came from Europe (previous year 35.09 %), 31.76% from India, Middle East, Asia and Australia Regions (Previous year 37.53%), 19.61% from America (Previous year 27.38%) and the proportion of onsite to offshore revenues stood at 53.49 %/46.51 % compared to 47.54%/52.46% in the previous year. This is reflected in an increase of 35 % in onsite Revenue from Rs. 767.57 Mns to Rs. 1040.04 Mns during the current year.
- Employee expenses increased due to increase in the number of employees from 782 from March 31, 2013 to 905 by end of March 31, 2014. Onsite revenue increase from 47% in the previous year to 53% increase in the current year and consequent increase in salary cost. There was a one-time payment of Rs. 50 Mns (previous year - nil), towards severance pay to two of the Whole Time Directors during the current year.
- The general administrative and other overheads marginally decreased due to consolidation of facility centers to owned facilities resulting in savings in rent and other associated costs.
- Employee strength was 905 (women 27.8%) at the end of the year compared to 782 (women 26.0%) previous fiscal. The attrition rate increased to 17.4% for the year ended March 2014, compared to 15.9% during the previous year.

3) Capital Expenditure:

During the year, we spent an amount of Rs. 19.25 Mns adding to our gross block comprising of Rs. 9.03 Mns on technology infrastructure, Rs. 1.95 Mns on physical infrastructure, Rs. 8.27 Mns addition on intangible assets.

4) Liquidity:

The company continues to maintain sufficient cash to meet its strategic objectives. The liquid assets at the end of the year stood at Rs. 1060.27 Mns (as against Rs. 800.53 Mns previous year). Year-end Account Receivables stood at Rs. 557.78 Mns (104 days sales) as against Rs. 413.23 Mns previous year (96 days sales). The increase in Accounts Receivables is mainly attributed to increase in volume of Revenue.

5) Share Capital:

As at the end of the financial year the Company's Equity Share Capital stands at Rs. 102.68 Mns, consisting of 10,267,681 fully paid up Equity Shares of Rs. 10 each. In pursuance of exercise of options granted under Thinksoft ESOP Scheme 2011 by the employees, the company has allotted 144,000 equity shares during the Financial Year 2013-14 to the employees, as a result of which the paid-up capital of the company increased from 101.24 Mns to 102.68 Mns. 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 1.

6) Net Worth:

The net worth of the Company rose to Rs. 1082.36 Mns as at March 31, 2014 from Rs. 881.89 Mns at the end of the previous fiscal. This works out to a per share net worth of Rs. 105.41.

7) Dividend:

Based on the Company's performance, the Directors are pleased to recommend a final Dividend of Rs. 4/- per share (40% on face value of Rs.10/- each) for the financial year 2013-14. The Board has also declared an interim dividend of Rs. 5/- per equity share (50% on face value of Rs.10/- each) on October 17, 2013.

The Final Dividend, if approved by the Shareholders in the General Meeting would result in a total dividend of Rs. 9/- per equity share (90 % on face value of Rs.10/- each) for the financial year ended March 31, 2014. (Previous year 60% on face value of Rs. 10/- each, i.e. Rs.6 /- per equity share).

8) Transfer to Reserves:

During the financial year, the Company has transferred Rs. 25.44 Mns, (previous year Rs. 16.40 Mns) which represents 10% of the net profits of the Company. As a result, the total amount of General Reserve as on March 31, 2014 is Rs.81.01 Mns (As at March 31, 2013 - Rs. 55.57 Mns).

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

- Thinksoft Global Services Pte. Ltd., Singapore
- Thinksoft Global Services Inc., USA

- c) Thinksoft Global Services (Europe) GmbH, Germany
- d) Thinksoft Global Services UK Limited, UK
- e) Thinksoft Global Services FZE, UAE

In view of meager/no direct Revenues flowing out of the German subsidiary and also since SQS Software Quality Systems AG has its headquarters located in Germany, it was felt there was no need to maintain a subsidiary and incur administrative expenses. Therefore action has been initiated for a voluntary winding up of the German subsidiary.

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 February 8, 2011, exempted Companies from attaching the Financial Statements of Subsidiary Companies. 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. Further the Ministry of Corporate Affairs vide General Circular 08/2014 dated April 4, 2014 has clarified that the financial statements, auditors report and Boards report in respect of financial year that commenced earlier than April 1, 2014 shall be governed by the relevant provisions/ Schedules/Rules of the Companies Act, 1956. The Audited Annual Accounts and related information of subsidiaries, wherever 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. A Statement of Subsidiaries under Sec 212 of the Companies Act 1956 is attached to the report as ANNEXURE 2.

11) Directors:

During the year, Mr. Mohan Parvatikar, whole time Director resigned from the Board effective Dec 27, 2013. The Board places on record the special appreciation to Mr. Mohan Parvatikar for the valuable contribution he made during his tenure as Director of the Company.

With effect from March 01, 2014, Mr. A. V. Asvini Kumar and Ms. Vanaja Arvind stepped down as Managing Director and Executive Director of the Company respectively. The Board places on record its deep sense of appreciation to Mr. A. V. Asvini Kumar and Ms. Vanaja Arvind for promoting the Company and tremendous contribution made by them for the growth and success of the Company.

During the year Mr. David Bellin and Mr. Ulrich Bäumer were appointed as Independent Directors of the Company. Pursuant to execution of shareholders agreements with the existing promoters for acquisition of shares, SQS has nominated Mr. Gireendra Kasmalkar, Mr. René Gawron, Mr. Ralph Gillessen and Mr. Riccardo Brizzi as the Non - Executive Directors of the Company and Dr. Martin Müller as the Executive Director of the Company. The Members have approved the aforesaid appointments through Postal Ballot on March 17, 2014.

In accordance with Articles 142 and 143 of the Articles of Association of the Company and the provisions of the Companies Act, 2013, Mr. Gireendra Kasmalkar, Non-Executive Director is liable to retire by rotation in the ensuing Annual General Meeting and is eligible for re-appointment. Mr. K. Kumar, Dr. S. Rajagopalan, Mr. Rajiv Kuchhal and Mr. Ulrich Bäumer, Directors of the Company, are being appointed as Independent Directors for a term of 5 consecutive years up to March 31, 2019 as per the provisions of Section 149 and other applicable provisions of the Companies Act, 2013.

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 to hold office from the conclusion of this Annual General Meeting, until the conclusion of third consecutive Annual General Meeting, subject to ratification by the shareholders annually. The Auditors have also confirmed that the appointment, if made, shall be in accordance with the provisions of Companies Act, 2013. The Audit Committee and the Board of Directors in their meeting held on April 23, 2014 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 Company has taken initiatives on automating its testing methodologies and also taken initiatives towards building products. During the year 2013-14, the company has spent an amount of Rs. 6.60 Mns and the same has been capitalized in the books of the company. The company also has taken initiatives to build an automated framework for its offering.

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 3 of this report.

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. (Please refer ANNEXURE 4)