



SQS India BFSI Limited

Annual Report FY 2014 -15



sqs-bfsi.com

BOARD OF DIRECTORS



David Bellin



Dr. Martin Müller



Gireendra Kasmalkar



K. Kumar



Lilian Jessie Paul



Dr. S. Rajagopalan



Rajiv Kuchhal



René Gawron



Ulrich Bäumer

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CORPORATE INFORMATION

BOARD OF DIRECTORS

David Bellin
Chairman & Director

Dr. Martin Müller
Managing Director & CEO

Gireendra Kasmalkar
Non-Executive Director

K. Kumar
Independent Director

Lilian Jessie Paul
Additional (Independent) Director

Dr. S. Rajagopalan
Independent Director

Rajiv Kuchhal
Independent Director

René Gawron
Non-Executive Director

Ulrich Bäumer
Independent Director

CHIEF FINANCIAL OFFICER

N. Vaidyanathan

COMPANY SECRETARY

S. Akila

AUDITORS

PKF Sridhar & Santhanam LLP (formerly PKF Sridhar & Santhanam)
Chartered Accountants,
91-92, Dr R K Salai, Mylapore, Chennai-600004

INTERNAL AUDITORS

A. Murali & Associates, Chartered Accountants
New No 2, T4 3rd Floor, Majestic Square, 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
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Serilingampally,
Hyderabad – 500 032

REGISTERED OFFICE

6A, Sixth Floor, Prince Infocity II, No. 283/3 & 283/4, Rajiv Gandhi
Salai (OMR), Kandanchavadi, Chennai – 600 096

WEBSITE

www.sqs-bfsi.com

Letter to Shareholders

Dear Shareholders

In my second letter to you as Chairman, I am very pleased to report a sound and satisfactory year-end result, despite lower than expected economic growth in many geographies and major cost restructuring measures in the industries we serve. Revenues increased by 10% to Rs.2,141 Mn. Profit after tax was Rs.185 Mn or 8.6% of revenues, in a year when currency exchange losses cost us Rs.37 Mn. The previous year we achieved Rs.254 Mn or 13.1% of revenues, when currency exchange gains won us Rs.62 Mn. Strip out the currency profit and loss and we see sustainable growth of 15% year on year.

The transition from Thinksoft Global to SQS India BFSI has been successful and the company is now a key player in the larger SQS group of companies operating in 20 countries worldwide. The integration process is continuing but we already see strong working relationships being built to win new clients, develop new services for existing clients and to demonstrate the potential of a global delivery model to help our clients with their software management and software testing challenges. For BFSI clients, SQS India BFSI will be at the Centre of that global delivery model going forward. Your Board held realistic expectations of what Year 1 under the SQS umbrella would achieve but we are pleased with the initial results and see the synergies and group strength delivering for all our stakeholders going forward. It is particularly pleasing to see sales increasing in the US and we look forward to working with the SQS Group's latest acquisition in the US, Mid-West based Trissential, a highly regarded IT project management consultancy.

During the year your Board welcomed Ms Jessie Paul, a marketing expert who now runs her own advisory firm after careers with Infosys and Wipro, as an additional independent director. You are served by an active, diverse group of independent, executive and non-executive directors sincerely committed to the best interests of the Company, all its shareholders and all its stakeholders.

The implementation of the Indian Companies Act 2013 created a huge amount of additional work, especially for our Finance Department, our Independent Directors and our external advisors. I thank them all for their additional efforts, vigilance and advice. I am proud to report that your Company and your Board was well ahead of legislative requirements in many areas: diversity of directors, CSR, familiarization with management and we intend to continue to support the spirit of the Act as well as its detail.

The Board always recognized that acquisition, however amicable and however strong the rationale, inevitably creates uncertainty for our employees whatever the benefits of scale, investment in training, wider career opportunities and positive business developments. Our consolidated headcount remained almost stable at 900+ as we worked on better utilization and optimized project staffing. Attrition came down to below 17% which is in relation to sector specific and regional circumstances an appropriate and manageable level. The successful integration we are reporting is down to their openness and willingness to reach out and engage with the rest of the SQS Group in meeting and exceeding client expectations. We thank them for their hard work and support.

I would also thank our clients, established and new, for their trust, support and continued recognition of the value of independent advice and testing and of course our shareholders for your continued support. We look forward to a positive 2015-16.

Thank you,
Yours sincerely,

David Bellin

Chairman of the Board

Decade at a Glance (Consolidated Basis)

Rs. in Million

Particulars	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Gross Revenue	2141.6	1944.4	1614.4	1214.4	829.3	828.6	922.6	749.2	588.6	366.9
EBITDA	388.6	499.0	326.2	224.2	60.9	105.1	178.7	122.2	122.4	48.6
Profit Before Tax	320.4	422.3	264.8	185.0	32.0	90.6	160.6	108.2	103.6	40.1
Profit After Tax	216.5	300.4	194.4	113.8	18.7	82.3	144.9	99.7	94.6	36.2
Fixed Assets: Gross Block	482.8	472.6	457.0	224.8	194.2	101.2	90.2	88.5	69.9	63.8
Fixed Assets: Net Block	243.0	274.1	312.1	108.7	111.5	42.4	33.5	28.2	22.1	27.7
Share Capital	105.4	102.7	101.2	100.5	100.5	100.5	87.0	76.6	72.5	70.7
Reserves and surplus	910.8	979.7	780.7	654.6	599.2	592.2	381.9	246.6	160.0	82.1
Networth	1016.2	1082.4	881.9	755.1	699.7	692.7	469.0	329.0	232.5	152.7
Sundry Debtors	567.4	557.8	413.2	235.8	229.0	159.3	238.6	203.7	186.4	98.5
Cash and Bank Balances	683.5	502.5	393.9	404.5	400.3	514.0	265.6	147.3	76.6	47.4
Current Assets*	1380.1	1156.9	951.7	898.9	762.2	789.2	600.3	420.0	291.0	184.0
Current Liabilities	559.8	289.9	288.7	263.1	183.3	149.3	171.1	122.6	82.0	59.8
Working Capital	820.3	867.0	663.0	635.8	578.9	639.9	429.2	297.4	209.0	124.2
Employee Strength (No.s)	907	905	782	742	661	499	538	580	494	465
No of Equity Shares ('000)	10545.3	10267.7	10123.7	10052.0	10052.0	10052.0	8702.0	7663.0	7245.0	7068.0
Earnings Per Share (Diluted) (Rs.)	20.6	28.7	19.0	11.3	1.9	8.8	17.6	13.4	13.2	5.1
Book Value per Share (Rs.)	96.4	105.4	87.1	75.1	69.6	68.9	53.9	42.9	32.1	21.6
Dividend - Rs. per share (Interim and Final)	24.0	9.0	6.0	5.0	1.0	1.0	1.0	2.0	2.0	1.0

EBITDA: Earnings before Interest, Depreciation, Taxes & Amortization

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

One Million (Mn) is equal to Ten lakhs

Directors' report

To the Members,

We are presenting herewith, the report on our business and operations for the year ended March 31, 2015.

1. Financial Highlights for the year ended March 31, 2015 :

	Consolidated		Standalone	
Rs. in Mn	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Total Revenue	2,159	2,046	2,159	2,031
Employee benefits expense	1,361	1,182	812	786
Depreciation and amortization expense	52	57	52	56
General, administrative and other expenses	410	365	998	799
Finance cost	16	20	16	20
Total expenses	1,839	1,624	1,878	1,661
Profits Before Taxes	320	422	281	370
Taxes	104	122	96	116
Profit for the year	216	300	185	254
Earnings per Equity share (Par value of Rs.10 each)				
Basic	20.86	29.53	17.81	25.01
Diluted	20.57	28.66	17.56	24.27

2. Business and Operations Review:

Total Operating Revenues increased, in Rupee terms by 10%, to Rs.2,141.55 Mn during the 2014-2015 financial year, from Rs.1,944.44 Mn in the previous year. In US dollar terms this also amounts to an increase of 10%.

- During the year, repeat business from existing clients accounted for 91% of revenues, up from 79% the previous year. New client acquisition contributed 9% of revenues. New business is expected to grow as synergies within the SQS Group feed through the sales pipeline.
- Profit after tax at Rs.185 Mn, representing 8.6% of revenues as against Rs.254 Mn (13.1%) for the previous year. Currency fluctuations resulted in a loss for the year of Rs.37 Mn compared to a gain of Rs.62 Mn in the previous year.
- Geographically, 46.24% of revenues came from Europe (previous year 48.62%), 31.58% from India, Middle East, Asia and Australia Regions (previous year 31.76%), 22.18% from America (previous year 19.62%) and the proportion of onsite to offshore revenues stood at 55.34%/44.66% compared to 53.49%/46.51% in the previous year. This is reflected in the increase of 14% onsite Revenue from Rs.1,040.04 Mn to Rs.1,185.21 Mn during the year under review.
- Employee expenses increased due to higher onsite deployments with onsite revenue increasing to 55% of the total Revenue (previous year 53%).
- Employee strength, as at March 31, 2015 for the standalone entity was 767 (consolidated 907) compared to 803 as at March 31, 2014 (consolidated 905). Women employees standalone count stood at 221 (29% of the total) compared to 223 (28%) in the previous year. For the consolidated group women employees stood at 250 (28%) compared to 252 (28%) in the previous year. The attrition rate remained at 17% for the year ended March 2015.

3. Capital Expenditure:

During the year, Rs.20.61 Mn of capital expenditure was added to a gross block comprising of Rs.14.86 Mn on technology infrastructure, Rs.1.95 Mn on physical infrastructure, Rs.1.44 Mn on Vehicles, Rs.2.36 Mn 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.1,034.72 Mn (as against Rs.878.70 Mn previous year). Year-end Account Receivables stood at Rs.549.81 Mn (94 days sales) as against Rs.517.86 Mn previous year (97 days sales). The increase in Accounts Receivables is mainly attributed to increased revenues.

5. Share Capital:

As at the end of the financial year the Company's Equity Share Capital stands at Rs.105.45 Mn, consisting of 10,545,299 fully paid up Equity Shares of Rs.10 each. The exercise of employee share options granted under Thinksoft ESOP Scheme 2011 resulted in the allocation of 277,618 equity shares during the Financial Year 2014-15 to employees. As a result, the paid-up capital of the company increased from Rs.102.68 Mn to Rs.105.45 Mn. The disclosure in compliance of Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 is attached to this report as **Annexure I**.

6. Net Worth:

The net worth of the Company moved to Rs.848.56 Mn as at March 31, 2015 from Rs.946.32 Mn at the end of the previous fiscal. This reduction reflects the Proposed Final Dividend of Rs.20/- per share. This works out to a per share net worth of Rs.80.47.

7. Transfer to Reserves:

During the financial year, the Company has transferred Rs.18.48 Mn, (previous year Rs.25.44 Mn) to reserves, which represents 10% of the net profits of the Company. As a result, the total amount of General Reserve as on March 31, 2015 was Rs.99.49 Mn (Rs.81.01 Mn as at the end of the previous year).

8. Dividend:

Based on the Company's performance, the Net Cash Position of the Company and the first year anniversary of integration with the SQS Group, the Board of Directors is pleased to recommend a final Dividend of Rs.20/- per share (200% on face value of Rs.10/- each) for the financial year 2014-15. This consists of Rs.5 being the normal dividend and Rs.15 as a one-off special dividend. The Board had also declared an interim dividend of Rs.4/- per equity share (40% on face value of Rs.10/- each) on October 30, 2014.

The Final Dividend, if approved by the Shareholders in the General Meeting, would result in a total dividend of Rs. 24/- per equity share (240% on face value of Rs.10/- each) for the financial year ended March 31, 2015. (Previous year 90% on face value of Rs.10/- each, i.e. Rs.9 /- per equity share).

9. Change of Name of the company:

As approved by the Shareholders in the Sixteenth AGM, the name of the Company has been changed from Thinksoft Global Services Limited to SQS India BFSI Limited.

The company continues to have a global presence through its subsidiaries, branches and places of business.

10. Subsidiaries:

a. Change of names of Subsidiaries:

During the year the names of the Wholly Owned Subsidiaries were changed to reflect the branding of the SQS Group, except for the subsidiary in Germany, which is being wound up. The company now has the following five wholly owned subsidiaries:

- a) SQS BFSI Pte. Ltd (formerly Thinksoft Global Services Pte. Ltd.), Singapore
- b) SQS BFSI Inc. (formerly Thinksoft Global Services Inc.), USA
- c) Thinksoft Global Services (Europe) GmbH, Germany (being wound up)
- d) SQS BFSI UK Ltd (formerly Thinksoft Global Services UK Ltd.), UK
- e) SQS BFSI FZE (formerly Thinksoft Global Services FZE.), UAE

The names of overseas branches have also adopted the SQS BFSI identity. The Company has branches in Belgium, Malaysia, Australia, Hong Kong, UK and Cyprus. During the year the company initiated steps for the closure of the branch in Cyprus, due to uncertain economic and political conditions there.

b. Financial Statement of Subsidiaries:

A separate section on the salient features of the financial statements of subsidiaries, as prescribed under Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 can be found in **Annexure II**.

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. The Audited Accounts shall also be available at the website of the Company.

11. Annual Return:

The Company filed its Annual Return for the year 2013-14 on September 09, 2014. It was filed in Form 20B as per the provisions of Companies Act, 1956. The extracts of the current Annual Return for the present financial year as prescribed under Section 92 read with Rule 12 of Companies (Management and Administration) Rules, 2014 is attached to this report as **Annexure III**.

12. Number of meetings of the Board:

Eight Board Meetings were held during the year and the gap between any two meetings did not exceed 120 days. The dates on which the said meetings were held are as follows: April 03, 2014, April 23, 2014, June 02, 2014, June 13, 2014, June 21, 2014, July 24, 2014, October 30, 2014 and January 22, 2015. The details of the same are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

13. Corporate Governance and Management Discussion Analysis Statement:

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company's auditors confirming compliance with Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with National Stock Exchange of India (NSE) and Bombay Stock Exchange (BSE) is included in the Annual Report. The Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

A separate Management Discussion and Analysis Report is also attached and forms part of this report.

14. Declaration given by Independent Directors:

All the Independent Directors of the Company have given their declaration under Section 149 (6) of the Companies Act 2013, confirming that they are in compliance with the criteria as laid down in the above said Section for being an Independent Director of the Company.

15. Policy on Directors' Appointment and Remuneration including criteria for determining qualifications, positive attributes, independence of a director:

The Board has, on the recommendation of the Nomination & Remuneration Committee, framed a policy for the selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

16. The Board observed that there are no qualifications or reservations by the Auditors as well as by the Secretarial Auditor in their reports.**17. Particulars of loans, guarantees or investments:**

The Company has not given any loan to any person or other body corporate, given any guarantee or provided security in connection with a loan to any other body corporate or person or acquired by way of subscription, purchase or otherwise, the securities of any other body corporate. As specified under Section 186 of the Companies Act 2013. The company has the following investments in its Wholly Owned Subsidiaries:

Particulars	March 31, 2015 Rs.	March 31, 2014 Rs.
Unquoted equity instruments (in subsidiaries)		
100,000 equity shares (Previous year -100,000 equity shares) of SGD 1/- each in SQS BFSI Pte. Ltd (formerly Thinksoft Global Services Pte. Ltd.,) Singapore	2,658,023	2,658,023
3,000 equity shares (Previous year -3,000 equity shares) of USD 0.01/- each in SQS BFSI Inc. (formerly Thinksoft Global Services Inc.,) USA	4,625,400	4,625,400
EUR 50,000/- (Previous year - EUR 50,000) in Thinksoft Global (Europe) GmbH, Germany	2,714,774	2,714,774
350,000 equity shares (Previous year -350,000 equity shares) of GBP 1/- each in SQS BFSI UK Ltd (formerly Thinksoft Global Services UK Ltd.,) UK	24,168,000	24,168,000
24 equity shares (Previous year - 24 equity shares) of AED 25,000/- each in SQS BFSI FZE (formerly Thinksoft Global Services FZE.,) UAE	8,696,000	8,696,000

18. Particulars of contracts or arrangements with related parties:

During the year 2014-15 the contracts and arrangements entered by the Company with related parties were on an "arm's length" basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interests of the Company at large. All Related Party Transactions are placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on an annual basis for the transactions which are foreseen and repetitive in nature. The transactions entered into pursuant to the omnibus approval so granted are verified and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

The policy on materiality of Related Party Transactions as approved by the Board is uploaded on the Company's website. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

The details of contracts or arrangements with related parties entered during the year were given in a separate annexure to the report in **Annexure IV**.

19. Material changes and commitments, if any, affecting the financial position of the company:

There are no material changes or commitments affecting the financial position of the company, which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.