

Letter to the Shareholders

Dear Shareholders,

It is a matter of pride for me to get this chance to write to you regarding our Annual Report after our highly successful public issue last year. The year 2005 - 2006 is a milestone in the growth history of the company. We have got your shared wishes and funding to put the company on a path of accelerated growth in coming years.

Brief History

This being our new association, it is probably useful to reflect upon the journey so far and how the company has evolved over the past 13 years. The company was incorporated in the year 1993, with a very small capital and small work force at Ambala. In next year of its incorporation, we acquired a plot at Noida for building our first delivery center. Over the time, we strengthened our offshore development center, started internet application development competency, and got ISO 9001 certification by KPMG in the year 1998. In the year 2001, we established dedicated IPLC link between Noida and California office, started aggressive sales and marketing for its services and added 24/7 Technical Support Services in our portfolio. Finally, we came with Initial Public Offer (IPO) in the year 2005 and became listed public company with both the exchanges i.e. BSE and NSE.

Our vision from the day one was simple but compelling - to build world-class services and make the FCS brand globally recognized and respected. Our journey has just started and we request you to look at our track record and repose your continued faith in the management and employees of your company.

Company Highlights

- Revenue: Rs. 115.83 crores (Year ended on March 31, 2006)
- Net Profit: Rs. 14.79 crores (Year ended on March 31, 2006)
- Number of Active Clients: 109
- Number of Employees: 745
- Expansion Plan in: Noida and Chandigarh

Infrastructure Growth - Steps in Right Direction

As a prudent step and in line with IT industry, we decided to expand our operations in B class cities where skilled manpower and requisite infrastructure is available. You will be glad to hear

that we opened our Panchkula (Haryana) unit near Chandigarh in leased premises with a total investment of Rs. 86.1 lacs. We applied for and were allotted a 1.66-acre plot at J-7, Rajeev Gandhi Chandigarh Technology Park, Chandigarh (U.T.). The cost of plot is Rs. 1.66 crores, out of which your company has made the payment of Rs. 41.50 lacs. The possession of plot has been handed over to the company. The company is in the process of developing the architecture plan to build the site.

We were awarded a plot/building in an auction by Punjab and Haryana High Court at the cost of Rs. 147 lacs. While the money is still deposited with Honorable High Court, the matter is still in litigation and we have not been given possession. Looking at the undue delay, we applied for and have been allotted 1 acre plot at Sector 73, Noida - 201301 (U.P.). Due to the development work, the company is yet to get the possession of plot at Noida. The company has made the payment of Rs. 50.02 lacs against total cost of plot being Rs. 1.54 crores.

Size of Business Opportunity in front of us

It is a well-known fact that as of today, IT is taking the world by storm with India being recognized as the powerhouse of skilled IT professionals. But what is not known that, India makes up for a mere 2% to 5% market share of the total business. At FCS, we identify this as the biggest opportunity. With your support, we will look at every possible way to increase our revenues and market share. As we build our infrastructure, our ability to take larger projects will increase, thereby we will increase our revenues and profitability with increasing sale with existing as well as new clients.

Increasing scope of services

The internal changes and the new initiatives implemented changed FCS's perception from being a Technology Outsourcing Company to being a Business Solution Provider. This has resulted into our customers asking us for more services and effective solutions. Consequently there has been a key thrust in moving most of the work to India. In order to achieve our long -term goal of being the 'One - Stop - Shop for our customers, we have geared our marketing efforts to meet international challenges. We have also expanded and realigned our services. These include initiatives in terms of business consulting and process outsourcing, not to mention the process deployed internally in the organisation. We are also planning to create an Advisory Board with leading eminaries in their respective fields.

Human Resources Development

One of the concerns is always recruiting and retaining professionals. It is a trying time but with good HR practices, strong in-house focus on training, good salary and incentive structures, and with opening of development center in Panchkula, we are preparing ourselves to staff our increasing business. At FCS, we understand that people are key to our business -success. We are constantly increasing the work force. We have regular appraisal system in order to appreciate the achievements of individuals, apart from that of the team and the organisation as a whole. We hope that this initiative will help to identify our leaders of the future, who will drive the organisation further and also help the employees to perform both tangibly and intangibly. The company is also taking up

mentoring of its team so as to align its goals to that of the organization. As a measure of retention tool of the employee and to retain the best talent from the industry, your company has already started the implementation of Employee Stock Option Plan namely FCS ESOS 2005 and FCS ESPS 2005.

Best Practices and Corporate Governance

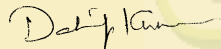
The Company is building best practices on Corporate Governance and is planning to induct new independent directors on its board. During the year, we inducted Mr S.N Sharma as Additional Director. We have also proposed the appointment of Mr. Hemant Paliwal, as an independent director, to further strengthen the Board. We take this opportunity to thank all for serving the Company's Board with their valuable suggestions and guidance that have immensely helped our organisation.

We wish to sincerely thank all our shareholders for the support, advice and guidance that they have given to our company.

At the end, I would like to cordially invite all the shareholders of the company to attend the Thirteenth Annual General Meeting (AGM) on Monday, July 24, 2006 at 9.30 A.M. at The Executive Club, 439, Village Shahoorthpur, Fatehpur Beri, New Delhi - 110 074, India.

The notice for the meeting containing the proposed resolutions is enclosed herewith.

Very truly yours,

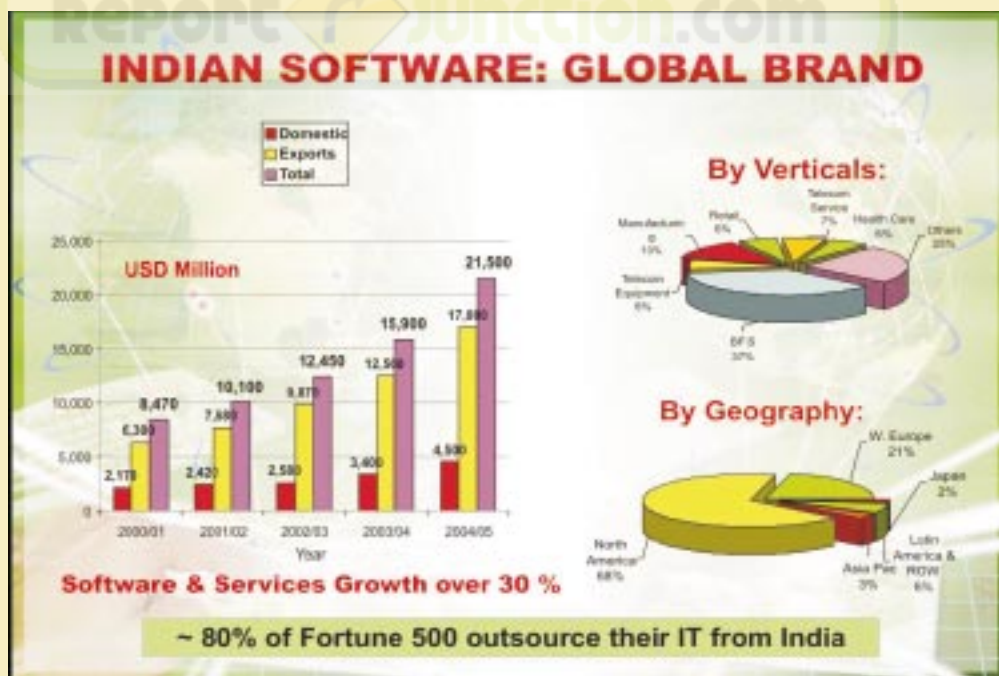


Dalip Kumar
Managing Director

Our Industry

FCS Software Solutions Ltd. is a growing player in a growing industry segment of IT services. More than half of the fortune five hundred companies are outsourcing work to India. India has emerged as a global player in information technology year 2010 as per McKinsey, IT services and back office work in India will swell five folds to a whopping USD 57 billion. Annual export industry employing four million people accounting for 11% of India GDP. Research major Gartner claims 1 in 10 US technology job will go overseas by Year 2006 and Forrester research says, in next 15 years more than three million US white collared jobs, representing USD 136 billion in wages will depart to places like India. The BPO sector has also been growing at 60-70 % annually and is projected to reach 12.3 billion\$ by 2006 and will provide employment to almost a million. In E-Learning and Digital consulting area, industry research suggests that corporations and other enterprises in the United States, including the government and military, spend at least \$20 billion, and perhaps as much as \$100 billion, on training and development every year. India alone has more than 200 BPO centers with a turn over of USD 2 billion and a work force of 150,000.

FCS is aware of and is working with utmost effort to leverage this opportunity consciously selecting the companies to partner with, thereby, facilitate a long fruitful stable relationship with its clients.



Source: Ministry of Information Technology (www.mit.gov.in)

Our Company



Equipped with 13 long years of rich focused experience, we are growing our infrastructure and sales efforts to increase our revenues as well as profit margins. Being a client oriented and customer centric organization, we are in the process of continuously improving and deploying the industry best practices in operations.

The FCS Work Culture

Empowered Freedom: Think, innovate, and work independently for common goals. We can achieve everything if we do not worry on who gets the credit.

Treating Time as a Business Tool: Work fast to help your colleagues and company compete in the marketplace. Business happens at the speed of thought, so organize yourself for such fast-paced environment.

Continuous Learning for Consistent Innovation: Look out and stay in continuous learning posture. A frog in a well will never know what is happening in the ocean.

Listen to Voice of Customer: Our clients are the best people to know their businesses. They use our services to meet their business needs. This is the reason to read, hear and understand voice of customer and provide information and services the way they want it.

The FCS Core Values

Trust: Act to generate trust and dependability in your work and environment.

Transparency and Integrity: Meet the customer expectations through total transparency and integrity.

- **Transparency:** Inform your colleagues and clients about issues affecting their work, quickly and truthfully.
- **Integrity:** Do not over promise. Deliver what you promise. Be blunt and say what you mean or think within.

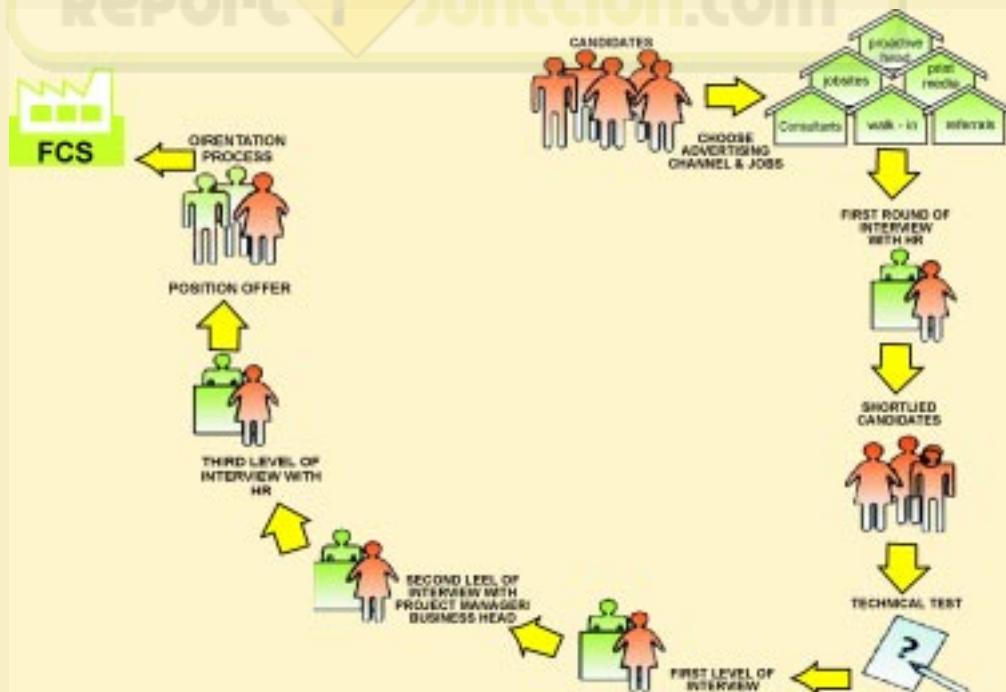
Respect for Colleagues: Respect and appreciate your colleagues' work and competency. It is the teamwork that makes the company win and deliver customer delight.

Our People

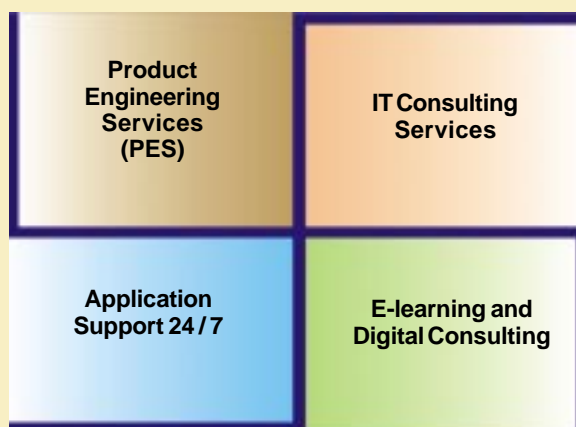
We strongly believe it's the people who make the organization, especially in our industry, which is manpower intensive industry. We have one of the most competent HR and recruitment team in-house who proactively focus on getting the best of the resources in the organization. Our well-defined hiring process, supported by professionally designed training and orientation courses equip our professionals to give world-class service to our clients.

We have a well-defined organizational hierarchy that helps us hire new talent with clearly defined growth plan in place. Our HR team continuously works towards adding new feature in our "Retention Policy" to overcome perhaps the biggest impediment to the growth of any service industry like ours, the problem of retention. In order to keep the attrition rate at minimum level, we have regular appraisal system. Appraisal system appreciates the achievements of individuals, apart from that of the team and the organization as a whole. We are always trying to build a creative and innovative environment where our people can meet their aspirations. Our processes also help to identify our leaders of the future and will help the employees to perform both tangibly and intangibly. The company puts serious focus on training and has already implemented FCS Training Campus (FTC) with explicit purpose to grow and nurture our existing and new employees.

The Company has successfully started the implementation of Employee Stock Option Plan namely FCS ESPS 2005 and FCS ESOS 2005 as a strategic move for the retention plan.



Our Business



Product Engineering Services (PES)

PES Group is specifically focused on servicing the software product companies. All services, processes and teams are structured to provide Software Product Life Cycle Management.

IT Consulting Services

Many organizations today implement packaged solutions or custom-developed applications without consideration for how they will maintain and enhance the application after launch. Maintenance of applications spread across multiple platforms from legacy to client server systems to more recent multitier or browser-based designs has always been a challenge to enterprises.

FCS IT consulting division provides Application Maintenance. The Company provides ongoing functional and application support for a customer's application maintenance needs. FCS team, work for stabilizing, optimizing and extending client's application so that its functionality continues to meet the client's growing and changing needs.

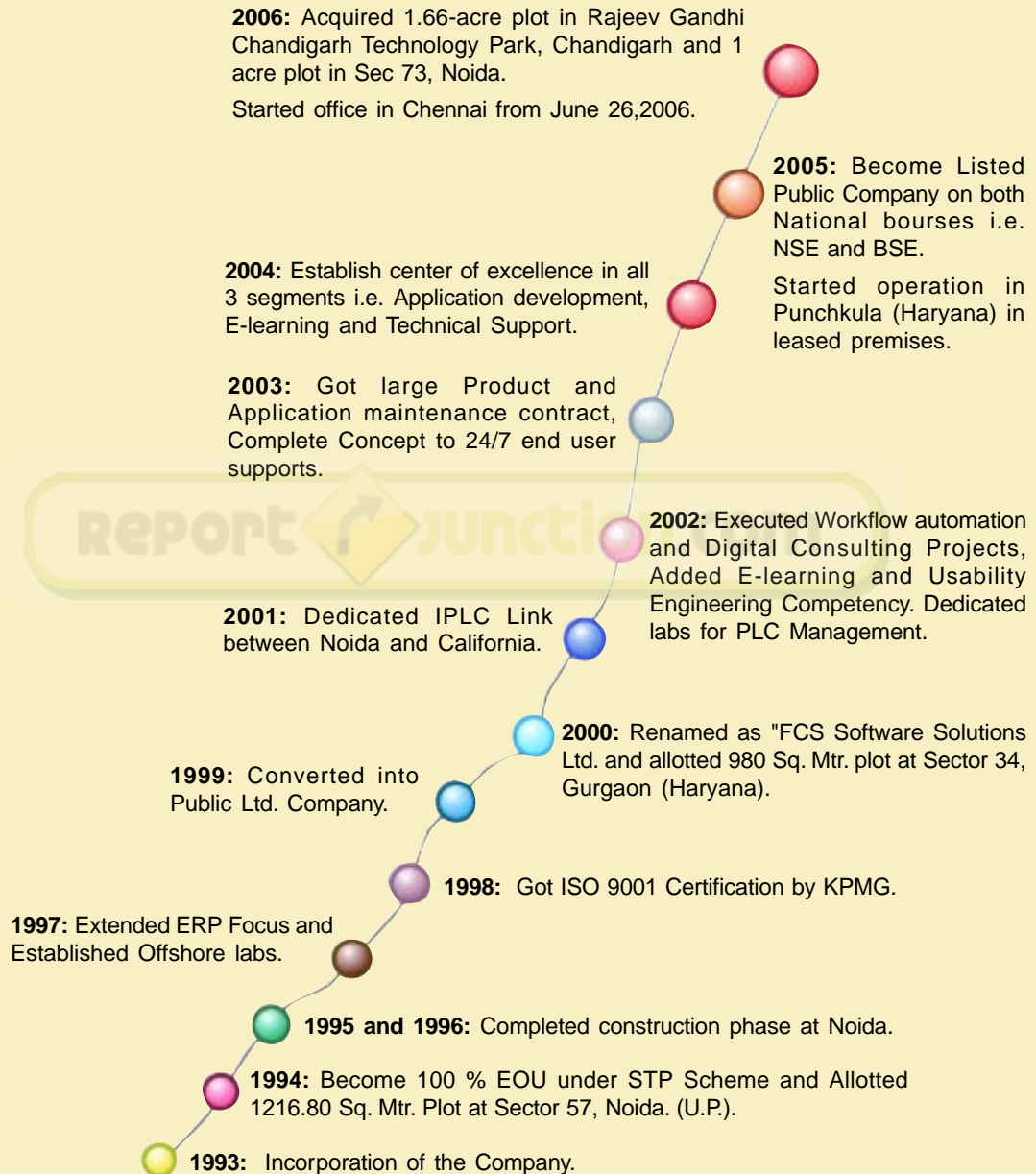
Application Support 24/7

The company provides toll free voice, e-mail, and chat support 24/7 where clients' employees can call to report any problem with the applications that they use to do their day-to-day work. Some of these business applications are mission critical and need to be supported on a set service level agreement.

E-learning and Digital Consulting

US corporations look at E-learning or web / CD based training programs as one of the ways to achieve organizational growth and improved business performance. E-learning helps employees, vendors, and dealers of a company to better their performance and deal with fast-changing environments. E-learning makes training highly efficient, by making it available anytime, anywhere and reduces total cost of training. E-learning is used to train employees, customers and service technicians on product knowledge, concepts, strategies, risk and finance, compliance and technology.

Company History



NOTICE

Notice is hereby given that the **13th Annual General Meeting** of the Members of the Company will be held on Monday, July 24, 2006 at The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074, at 9.30 A.M. for transacting the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2006 and Profit and Loss Account for the year ended on that date, together with the reports of the Auditors and the Board of Directors thereon.
2. To re-appoint Statutory Auditors in place of M/s. SPMG & Co., Chartered Accountants, who retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company and to authorize the Board to fix their remuneration.
3. To consider re-appointment of Janak Sharma as Director who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re- appointment as non-executive Director. Janak Sharma holds 6300 shares of the Company.
4. To consider and approve the declaration of the dividend at the rate of 25 % (including 10 % interim dividend) on the equity shares of the Company.

SPECIAL BUSINESS

5. **To consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution:**

"**RESOLVED THAT** pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Article of Associations etc, if any, Mr. Shiv Nandan Sharma who has appointed as Additional Director of the company, be and is hereby regularized as Director of the Company, subject to director retiring by rotation."

6. **To consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution:**

"**RESOLVED THAT** pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Article of Associations etc, if any, Mr. Hemant Paliwal be and is hereby appointed as Director of the Company, liable to director retiring by rotation."

7. **To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:**

"**RESOLVED THAT** pursuant to Section 198, 269, and 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act 1956 or any statutory modification(s) or re-enactment(s) thereof, the appointment of Shri Krishan Kant Arora, Executive Director of the company whose term of appointment had been expired on Dec. 07, 2005 and who fulfilled the conditions specified in the part I and Part II of Schedule XIII of the Companies Act, 1956 have been re-appointed as Whole Time Director of the Company for another period of Five years w.e.f. 08.12.2005 on the following terms of remuneration be and is hereby approved:

1. Salary: Rs. 1,20,000/- per month

CATEGORY (A)

I. Housing:

- a) In case of furnished accommodation hired by the Company such expenditure not exceeding 60 % of the salary over and above 10% payable by him.
- b) In case no accommodation is provided by the company he shall be entitle to House Rent Allowance subject to the ceiling laid in clause (a) above
- c) The expenditure incurred by the company on Gas, Electricity, Water and furnishing shall be valued as per the Income Tax Rules, 1962 which shall, however, be subject to a ceiling of 10 % of the salary.

II. Medical Reimbursement:

Medical Reimbursement of the expenses incurred for self and his family subject to a ceiling of one months salary in a year or 3 months over a period of 3 years inclusive of medical insurance premium if any taken by the companion, him and his family.

III. Leave Travel Concession:

Leave Travel Concession for him and his family once in a year in accordance with the rules of the company.

IV. Club Fees:

Fees of a clubs excluding admission and life membership fees.

V. Personal Accident Insurance:

Personal Accident Insurance of an amount not exceeding Rs. 10000/- (Rupees ten thousands only)

CATEGORY (B)

Contribution to the Provident Fund, Super Annuation Fund or Annuity Fund as per the rules of the company to the extent these, either singly or put together are not taxable under Income Tax Act, 1961.

CATEGORY (C)

The Company shall provide a car with a driver and a telephone at his residence. Personal long distance calls and use of car for Private purpose shall be billed by the company to him. All officials calls made by him from his Cell Phone will also be reimbursed by the Company"

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the