

The efficiency catalyst



**21st ANNUAL
R E P O R T
2013-2014**



The efficiency catalyst ●●●

BOARD OF DIRECTORS

Mr. Dalip Kumar

Chairman & Managing Director

Mr. Shayam Sunder Sharma

Non Executive Director

Mr. Shiv Nandan Sharma

Non Executive Director

Mr. Govinda Sahu

Executive Director

CHIEF FINANCIAL OFFICER

Mr. Anil Sharma

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Gagan Kaushik

Auditors

M/S. SPMG & Company
Chartered Accountants
New Delhi - 110022

Registered Office

205, 2nd Floor, Agrawal Chamber IV,
27, Veer Sawarkar Block, Vikas Marg,
Shakarpur, Delhi – 110 092

Corporate office

Plot No. 83, NSEZ,
Noida Dadri Road, Phase –II,
Noida -201 305 [U.P.]
website : www.fcsltd.com

Bankers

Canara Bank
Bank of America
HDFC Bank
Wells Fargo Bank
Deutsche Bank

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Development Centers

- (i) FCS House Plot No. 83,
NSEZ, Noida Dadri Road, Phase-II, Noida,
Gautam Budha Nagar, (UP) 201305
- (ii) 2375 Zanker Road, Suit 250
San Jose, CA – 95131
- (iii) Plot-J-7, Rajiv Gandhi Technology Park,
Chandigarh – 160 10
- (iv) FCS House, A-86, Sector – 57
Noida – 201 301 [U.P.]
- (v) I.T. Park, Plot. No. 24, Sahastradhara Road,
Dehradun -248 001
- (vi) Plot No. 1A, Sector-73, Noida-201301
- (vii) Goethestra Be740237 Düsseldorf

Legal Advisors

- (1) Vivek Sharma
83, Lawyer Chamber,
Supreme Court of India
New Delhi – 110 001
- (2) Mahendra & Associates
249, District Court,
Gautam Budha Nagar (UP) 201 305

Chairman's Communique

My Dear Fellow Stakeholders,

I welcome all of you to the 21st Annual General Meeting of the company. We have been in business now for two decades and with some ups and downs, we continue to serve the purpose with same vigor as when we started. In a company's life, there are moments that needs to be created and then built upon. While some companies get those chances more quickly, others have to be patient. In our case, we had many opportunities that we were able to avail of but then every time, market conditions changed that impacted the scaling up of our opportunities. Just as everyone is aware, the market conditions continue to be tough around globe. With high inflation, the costs continue to grow whereas the poor economic conditions make it difficult to pass the costs to the clients who are themselves facing difficult times. In times like this, one needs to have ability to sustain and that is what we have. We believe that we will be able to go through these tough times and then as the markets improve, we will be able to utilize our strengths to build further on scale and margins.

One of the key factors in last few years is that as markets mature, bigger companies get an advantage over smaller companies due to their better branding. This is one aspect that we consider as our weakness and we have started building a plan to address this weakness. In today's world, one needs to be strong in social media. We are going to build a strong social media presence to address our all stakeholders – employees, customers, shareholders, and professionals.

I take this opportunity to thank all of you for your continued support both in good times and bad times. I assure that everyone in the Company will work extra hard to continue to earn the trust that we have built over all these years.

I would like to cordially invite to all the shareholders of the Company to attend the 21st Annual General Meeting of the Company (AGM) on 24th September, 2014 at 9:00 A.M. at The Executive Club, 439, Village, Sahoorpur, Fatehpur Beri, New Delhi-110074.

Sd/-

Dalip Kumar

Chairman & Managing Director

Date : August 25, 2014

Years at a Glance :

(₹ in Lacs)

For the year	2014	2013
Income		
Revenue from operations	13,340.55	11,690.73
Other Income	479.82	442.57
Total Revenue	13,820.37	12,133.3
Operating profit (PBIDTA)	(1,692.92)	102.9
Operating profit / Total income (%)	(0.12)	(0.01)
EPS (par value of ₹ 1 each)		
Basic	(0.44)	(0.35)
Diluted	(0.35)	(0.25)
Dividend	0	0
At the end of the year		
Fixed assets – net	30,419.89	33,525.18
Net current assets	10,821.95	9,575.48
Total assets	55,113.52	58,741.84
Debt	1,915.78	3,154.69
Equity (Shareholder's fund)	53,197.74	55,587.15
Net worth	48,597.33	50,189.69

CERTIFICATION BY CHAIRMAN & MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

The Chairman & Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement. The annual certificate given by the Chairman & Managing Director and the Chief Financial Officer is published in this Report.

Certificate on Compliance with Code of Conduct :

I hereby confirm that the Company has obtained from all the members of the Board and Management Personnel, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors/Management Personnel for the financial year 2013-14.

Place : Noida
Date : August 25, 2014

Sd/-
Dalip Kumar
Chairman & Managing Director

CEO / CFO Certificate under Clause 49 (V)

To,
The Board of Directors
FCS Software Solutions Limited

We, **Dalip Kumar**, Chairman & Managing Director and **Anil Sharma**, Chief Financial Officer of FCS Software Solutions Limited, to the best of our knowledge and belief, certify that –

1. We have reviewed financial statements and the cash flow statement of FCS Software Solutions Limited for the year ended 31st March, 2014 and to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting.

We have not come across any reportable deficiencies in the design or operation of such internal controls.

4. We have indicated to the Auditors and the Audit Committee:
 - (i) that there are no significant changes in internal control over financial reporting during the year;
 - (ii) that there are no significant changes in accounting policies during the year; and
 - (iii) that there are no instances of significant fraud of which we have become aware.

On behalf of the Board of Directors
For **FCS Software Solutions Limited**

Place : Noida
Date : August 25, 2014

Sd/-
Dalip Kumar
Chairman & Managing Director

Sd/-
Anil Sharma
Chief Financial Officer

Directors' Report

(for the Year 2013- 2014)

Dear Shareholders,

Your Directors are pleased to present the Report on our business and operations for the year ended March 31, 2014.

Financial Highlights

(₹ in Lacs)

	Year ended March 31,	
	2014	2013
Gross Income	13,820.37	12,133.31
Profit/(Loss) before Depreciation, Interest & Tax (PBDIT)	(1,692.92)	102.9
Misc. Income	4,604.90	5,397.46
Depreciation	3,968.90	3,772.45
Interest	88.38	106.1
Profit/(Loss) before Extra ordinary items	(5,750.21)	(3,771.7)
Profit before tax (PBT)	(5,750.44)	(3,775.65)
Profit after tax (PAT)	(5,768.11)	(3,736.07)
Appropriation:		
Dividend recommended – Final	Nil	Nil
Tax on distributed profits	30.36	23.72
Transferred to General Reserve	Nil	Nil
Balance with General Reserve	3,257.89	3,257.89
Balance Brought Forward	5,243.38	11,011.44
Transferred to Balance Sheet	(5,768.11)	(3,736.07)

The Board of Directors has made conscious efforts for drawing the financial statements on the basis of sound, accepted and conservative accounting principles. The revenues generated have to provide for prior period adjustments and provisions also but at the same time it ensure true and fair financial statements of the Company.

Overview

For the financial year ended March 31, 2014, the Company reported a total income of ₹ 13,820.37 lacs.

Material changes and Commitments

There has been no material Changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of this report.

Transfer to Reserves

No amount is being transferred to reserves.

Dividend

In view of requirement of funds for the expansion of Company's business, your directors did not recommend any dividend for the financial year 2013-14.

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 set out in the annexure to this report.

Subsidiaries

FCS has three Wholly Owned Subsidiary Companies outside India, viz. FCS Software Solutions America Limited, incorporated in America and F.C.S Software Middle East FZE, in UAE and FCS Software Solutions GmbH, in Germany to cater to the needs of its clients in America, UAE and Germany so that they have better legal security, faster services and comfort in dealing with the Company. FCS has one Wholly Owned Subsidiary Company in India i.e. Insync Business Solutions Limited. The Company has recently incorporated a new Wholly Owned Subsidiary in China named FCS Software (Shanghai) Co., Ltd.

The Board of Directors of our Company have reviewed the affairs of all the subsidiary companies. A statement of holding company's interest in subsidiaries as required under sub-section (3) of Section 212 of the Companies Act, 1956, forms part of this annual report.

Particulars of employees

During the year ended March 31, 2014, no employee is drawing remuneration in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975.

Directors' responsibility statement

To the Members,

We, the directors of FCS Software Solutions Limited, confirm the following:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the directors had prepared the annual accounts on a going concern basis.

Ensuring Compliance of laws

The company has devised and set in place proper systems to ensure compliance of all laws applicable to the company.

Transfer to Investor Education and Protection fund

Pursuant to Sections 205A(5) and 205C and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed/unpaid dividend, application money, remaining unclaimed/unpaid for a period of seven years from the date they became due for payment, in relation to the Company, have been transferred to the Investor Education and Protection fund (IEPF) established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred nor shall any payment be made in respect of such claim.

Composition of audit committee

Details of Audit Committee of Board of Directors of the Company forms part of the Annual Report and is given separately in Report of Corporate Governance.

Management Discussion and Analysis

A Management Discussion and Analysis Report has been attached and forms part of the Annual Report.

Corporate Governance

FCS is endeavouring to implement every norm, which is promulgated by legislation, or any of the statutory bodies. In line with that, a report on Corporate Governance, along with a certificate from the Statutory Auditors, has been included in the Annual Report, detailing the compliances of corporate governance norms as enumerated in Clause 49 of the Listing Agreements with the Stock Exchanges.

Public Deposits

The Company has not accepted any public deposits during the year under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975, and as such, no amount on account of principal or interest was outstanding as on the date of Balance Sheet.

Directors

In terms of the provisions of Sections 152(6) of the Companies Act, 2013 and Articles of Association of the Company, Mr. Govinda Sahu (Director), retire at the ensuing Annual General Meeting and, being eligible, has offered himself for re-appointment.

Consolidated Financial Statements

The Consolidated Financial Statements of the Company prepared in accordance with applicable Accounting Standards forms a part of this Annual Report.

Auditors

The statutory auditors M/s. SPMG & Company, Chartered Accountants, Delhi, retire at the ensuing Annual General Meeting, and being eligible, offers himself for reappointment. Your directors recommend their reappointment as auditors.

Acknowledgements

The Directors thank the Company's employees, customers, vendors, investors, service providers, bankers for their continued support. The Directors also convey a special thanks to the Government of India, particularly Ministry of Communication and Information Technology, the Customs and Excise departments, the Income Tax department, Ministry of Corporate Affairs, Office of Registrar of Companies, New Delhi, Board of approval and Development Commissioner of Special Economic Zones, particularly of Noida and Chandigarh for their co-operation.

For and on behalf of the Board of Directors
For FCS Software Solutions Limited

Place : Noida
Date : August 25, 2014

Sd/-
Dalip Kumar
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE "A"

Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

Conservation of energy

Although the equipments used by the Company being in the business of software development and education are not energy sensitive by their very nature, still the Company is making best possible efforts for conservation of energy by putting in place a well defined policy, which assures that the Computers and all other equipments purchased by the Company strictly adhere to environmental standards, and they make optimum utilization of energy.

The Company has also put in place, the continuous process of identifying and replacing in a phased manner, the machinery like Computers, Air Conditioners and UPS etc., which are low in efficiency.

Research and Development (R&D)

The Company believes that in order to improve the quality and standards of services, the Company should have a progressive Research and Development Process, which should keep on increasing along with the scale of operations of the Company. Sticking to its policy, the Company has allocated more than 20% time of its senior professionals exclusively for R&D in order to improve the quality of services, increase profitability, enhance the FCS brand and gain a reputation as an innovative business.

Technology absorption, adaptation and innovation

In this era of competition, in order to maintain and increase the clients and customers, we need to provide best quality services to our clients and customers at minimum cost, which is not possible without innovation, and adapting to the latest technology available in the market for providing the services. For this purpose, your Company has partnered with market leaders in technology. The senior management of your Company is focussed on the ongoing process of technology up gradation, and reinvention of business model of your Company, as and when required.

Foreign Exchange Earning and Outgo

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans.

During the year around 80% of revenues were derived from exports. The foreign exchange earned comprising of FOB value of exports, services was Rs. 11,521.94 lacs whereas total foreign exchange used (comprising of CIF value of imports and other outgoings) was Rs. 11,414.86 lacs.

Foreign exchange earned and used

(₹ in Lacs)

	2014	2013
Earnings	11,521.94	10,337.96
Outflows	11,414.86	9,744.01
Net foreign exchange earnings	107.08	593.95

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

FCS Software Solutions Limited has closed the financial year 2013-14 with revenue of ₹ 13820.37 lacs. We encourage our shareholders to read the information presented here in conjunction with additional information that we have furnished in the financial statements. The financial statements are prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by SEBI and the Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis to ensure that financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably showcase the key financial parameters of the Company in an objective and unbiased manner.

Industry structure and developments

The industry structure in the IT sector has four major categories. These are -

- IT services
- Software products
- IT enabled services
- Hardware

IT services

IT services constitute a major part of the IT industry of India. IT services include client, server and web based services. Opportunities in the IT services sector exist in the areas of consulting services, management services, internet services and application maintenance. The major users of IT services are -

- Government
- Financial services
- Manufacturing
- Banking
- Retail and distribution

IT enabled services

The services which make extensive use of information and telecommunication technologies are categorized as IT enabled services. The IT enabled services is the most important contributor to the growth of the IT industry of India. Some of the important services covered by the ITES sector in India are -

- Customer-interaction services including call-centers
- Revenue accounting
- HR services
- Content development and animation
- Data search
- Market research
- Back-office services
- Data entry and data conversion
- Transcription and translation services
- Remote education,
- GIS
- Network consultancy

Software products

Software products are among the most highly exported products from India. The software industry in India originated in the 1970s and grew at a significant pace in the last ten years.

Hardware

The hardware sector of the IT industry focuses on the manufacturing and assembling of computer hardware. The consumption of computer hardware is high in the domestic market. Due to the rise in the number of IT companies, sales of desktops, laptops, servers, routers, etc have been on the rise in recent years. Many domestic and multi-national companies have invested in the computer hardware market in India.

Another categorization in the structure of India's IT industry is related to the market. There are two major market classifications - the domestic market and the export market. The export market, dominates the IT industry accounting for 75% of the revenue

Changing economic and business conditions, evolving consumer preferences, rapid technological innovation and adoption and globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Companies in this environment are now focusing even more on their core business objectives such as revenue growth, profitability and asset efficiency.

Opportunities and threats

India is widely recognized as the premier destination for offshore technology services. According to the NASSCOM press release issued in February, 2014, IT- BPM services export revenues from India are expected to grow to US \$97- \$99 billion in fiscal year 2015, a growth of 13%-15% over fiscal year 2014. Domestic revenues are estimated to grow to ₹ 1,250 - ₹ 1,280 billion in fiscal year 2015, which is a growth of 9% -12% compared to fiscal year 2014.

Along with ample of opportunities, Company is facing certain risks as well. Business models like cloud computing and other pay-for-use models are beginning to gain traction in most industries, which could result in demand compression for traditional IT services/pricing pressures. Subject matter experts with domain and technology expertise are the key to success of the Company, and the Company could be impacted by the loss of such critical talent. Inability to attract sufficient number of software engineers, IT specialists with critical skills in demand can impact the Company's ability to deliver. Volatility in currency exchange movements resulting in transaction and translation exposure. Increasing salary cost and escalating operation expenses creates pressure on margin. However for mitigating these risks FCS is trying to keep proper mechanisms at place.

Evolution of technology outsourcing

The nature of technology outsourcing is changing. Historically, enterprises either outsourced their technology requirements entirely, or on a standalone, project-by-project basis. In an environment of rapid technology change, globalization and regulatory changes, the complete outsourcing model is often perceived to limit a Company's flexibility and not fully deliver potential cost savings and efficiency benefits. Similarly, project-by-project outsourcing is also perceived to result in increased operational risk and coordination costs and as failing to leverage technology service providers' entire range of capabilities. To mitigate these issues, Companies are looking at outsourcing models that require their technology service providers to develop specialized systems, processes and solutions along with cost-effective delivery capabilities.

Outlook

FCS is striving to strengthen its position as one of the leading company providing technology services. In order to increase our business we will strategize to increase business flow from existing customer and also tap new clients. We seek to provide value-added solutions by leveraging domain expertise and expanding the breadth of services offered to clients beyond those in the initial engagement.

Segment-wise / Product-wise Performance

The company has shown average performance being impacted by the global slowdown and the uncertainty in the domestic economy. The percentage wise revenue contribution of each segment is as below:

1. IT Consulting Services
2. Education/E –Learning Division
3. Infrastructure Management

