MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry Structure and developments

Global trade in services has entered a new era, with the growing and widespread acceptance of the IT based global delivery model. International bandwidth and powerful workflow management IT software and services sector today is more easily penetrating into the fabrics of the society than ever before. IT is now possible to disaggregate any business process, execute the sub-processes in multiple centers around the world, and reassemble it, in near -real time, at another location. India has already registered its mark on the globe in ITES-BPO sector. These developments are driving fundamental changes in the global IT services scenario. Vendors and customers are redefining the levels of value creation in the industry. Keeping pace with the global advances in technology applications, India's. Information Technology (IT) and IT-enabled services (ITES-BPO) continue to chart remarkable growth.

The software and ITES exports from India grew from US$ 12.9 billion in the year 2003-04 to US$ 23.6 billion in 2005-06. It is estimated that total software and ITES exports from India will exceed US$ 31.3 billion during the year 2006-07. Software and services exports are likely to beat forecasts and exceed 32 per cent in dollar terms during the year 2006-07. While the US and the UK remain the dominant markets for software and ITES exports, contributing to 67 per cent and 15 per cent of total exports respectively, firms are also keenly exploring new geographies for business development, and to strengthen their global delivery footprint.

India offers a unique combination of attributes that have established it as the preferred offshore destination for IT-BPO. Over 2001-06, India's share in global sourcing is estimated to have grown from 62 per cent to 65 per cent for IT and 39 per cent to 45 per cent for BPO. The visibly higher preference for India is driven by its unmatched superiority when measured across a range of parameters that determine the attractiveness of a sourcing location. The outlook for Indian IT-BPO remains bright, and the sector well on track to achieve its aspired target of US$ 60 billion in export revenues by 2010. Key factors underlying this optimism include the growing impact of technology-led innovation, leading the increasing demand for global sourcing and the gradually evolving socio-political attitudes.

According to a Fact Sheet on the Indian IT Industry recently published by NASSCOM, the total Indian IT-enabled services export market in fiscal 2005 was nearly $4.6 billion. The 2004 NASSCOM-KPMG report estimates that the Indian IT-enabled services exports market will grow to approximately $21 billion by 2009.

b. Opportunities and Threats / Risks and Concerns / Outlook

Opportunities and Threats

The software segment will continue to show robust growth. There are lots of opportunities in the Market to be taped by the domestic IT Companies. The general trend globally that interest towards off shoring IT services is on an upswing, among all global customers, which is a positive sign for the IT industry. More technology, R & D and testing outsourcing has come to India & will continue to be on the rise in the coming quarters.

The priorities of the industry are changing, concentrating more on re-organization of operations, development of new markets and marketing techniques, giving the organization's vision a global outlook and retaining and building upon customer relationships. The company's business focus is primarily upon the US market. Our service philosophy is based on customized services, which are solely dependent on individual customer requirement, with the use of latest technology. Your Company's business model focuses on entering into strategic relationship with its customers and meeting their business needs by offering value added services through its vast area of operations, expertise, and experience.

We believe our competitive strengths include innovation and leadership, Proven Delivery Model, comprehensive and sophisticated end-to-end solutions, commitment to superior quality and process execution, long-standing client relationships, status as an employer of choice and ability to scale.

We operate in a highly competitive and rapidly changing market, and compete with big consulting firms, divisions of large multinational technology firms, IT outsourcing firms, offshore technology services firms, software firms etc.

We believe that the principal competitive factors in our business include the ability to effectively integrate onsite and offshore execution capabilities to deliver seamless, scalable, cost-effective services; increase scale and breadth of service offerings to provide one-stop solutions, provide industry expertise to clients' business solutions, attract and retain high quality technology professionals; and maintain financial strength to make strategic investments in human resources and physical infrastructure through business cycles.

We believe we compete favorably with respect to these factors.

Risks and Concerns

The fight to garner customer spend, the battle for skills and retaining the differentiation gap remained foremost on our windscreens as we continued to aggressively pursue growth through fiscal 2006. Our business model continues to address the need to aggressively grow while managing risk. A few indicative risks, which are under consideration, are (i) *Business Continuity Management (BCM) risks.* This includes existence of single point of failure (SPOF) arising out of concentration of operations at one location. To cover the risk we are diversifying our locations into different cities, which primarily includes Panchkula, Chandigarh, Gurgaon, Chennai, Dehradun and two extra centres at Noida including one in Noida Special Economic Zone apart from our current location at Noida. (ii) *Information security/data privacy related risks*. This includes risk of data theft, exploitation of IT security vulnerabilities; social engineering attacks etc. (iii) *Process related risks*. This includes inadequate segregation of duties, inappropriate management oversight. In order to better address risk and adopt a more formal and comprehensive approach to risk management, your directors discussed the matter elaborately from time to time. In keeping with program of continuous development and experiential learning, we are enhancing our existing risk framework for implementation in fiscal 2006-07.The Risk treatment options which has been considered & mainly includes Risk Mitigation (implementation of additional controls to bring down the residual risk); Risk Acceptance (management agrees to accept this risk); Risk Elimination (changing the way in which a particular process is being performed to eliminate /circumvent the source of risk; Risk Transfer (outsourcing a part of significantly risky process to a provider which specializes in that process or by other appropriate means).

Our Risk Management Framework addresses the organization's strategy, operations and compliance, and is currently being enhanced to provide a unified and comprehensive perspective. FCS seeks to make the framework simplistic and intuitive to facilitate a speedy and appropriate identification of potential risk events / risks and actual risks, its communication, and thereafter escalation of the risk events identified to the appropriate persons to enable a timely and satisfactory risk response to be initiated. Risk responses are generally along pre-set guidelines. Where guidelines do not exist, matters will be escalated to top most authorities depending on the impact severity of the Risk.

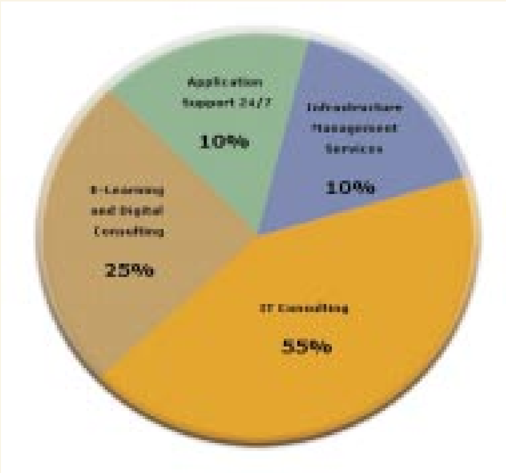
The Company reports its income in Rupees, whereas most of its income is in US Dollars, but their expenses are in Rupees. The exchange fluctuation rate between Rupee and the US Dollar is substantially high and expected to fluctuate substantially in future also. The Company does not provide for any hedging of US Dollar - Rupee exposure, thus, the invoices it raises in US Dollar remain same, but its income in Rupee term changes substantially and may change in future also as it does not have any protection for US Dollar fluctuations against Rupee for its billing to the clients.

Outlook

We seek to further strengthen our position as a leading technology services company by successfully differentiating our service offerings and increasing the scale of our operations. To achieve these goals, we seek to increase business from existing and new clients. Our goal is to build enduring relationships with both existing and new clients. With existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. For new clients, we seek to provide value-added solutions by leveraging our in-depth industry expertise and expanding the breadth of services offered to them beyond those in the initial engagement. We manage engagements by educating clients about the offshore model, taking on smaller projects to minimize client risk and demonstrating our superior execution capabilities. We plan to increase our recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services, which are long-term in nature and require frequent client contact.

c. Segment-wise / Product-wise Performance

The Company is providing customized software solutions to its clients and the revenue is divided into four broad heads viz. IT Consulting, E-learning & Digital Consulting (ELDC), Application Suport and Infrastucture Management Services. We serve our clients in the United States. Your company has performed satisfactorily well in all segments. The percentage wise revenue contribution of each segment is as below:



Software is delivered to clients in different paradigms. The two most used models are Fixed Price Fixed Time Frame model and Time and Material model. In Fixed Price fixed time frame model, a client pays fixed cost for a software project delivery within agreed timetable. Any projects where specifications are fixed and would not change substantially over a period of time fall under this model. The Company delivers technology solutions to help client achieve business results. The Company first analyzes clients' requirements, develop the scope and finally propose a fixed-price solution. Thereafter professional implementation plan is agreed upon. On the other hand, if projects are loosely defined and are done in an adhoc manner or involve client's managers to manage day-to-day work, they are done in Time and Material model. In this, the company provides resources to do a project and they in turn are client managed. More than 70% of the Company's revenue is charged on Time & Material Model as in most of the cases the scope of the work could not be defined and thus the time frame cannot be derived.

The geographical segment wise revenue in % is as follows:

Year	India	USA	Total
2006-07	3.80%	96.20%	100%
2005-06	3.86 %	96.14 %	100 %

d. Internal control systems and their adequacy

The Company has an effective system of accounting and administrative controls which ensures that all assets are safeguarded and protected against loss against unauthorized use or disposition. The Company has a well-defined organization structure with clear functional authority limits for approval of all transactions.

The Company has a strong reporting system, which evaluates and forewarns the management on issue related to compliance. The company has appointed to M/s KRA & Co., Chartered Accountants, H 109, 1st floor, Garg Tower, Netaji Subhas Place, Pitampura, New Delhi -110 034 as their Internal Auditor. The performance of the Company is regularly viewed by the Board of Directors to ensure that it is in keeping with the overall corporate policy and in line with pre-set objectives.

The Company updates its internal control systems from time to time, enabling it to monitor employee adherence to internal procedures and external regulatory guidelines.

e. Financials performance with respect to operational performance

The Company's total income has grown at a CAGR of 33.25 % from Rs. 115.83 Crores in 2006 to 154.35 crores, in 2007 while the net profit has increased at a CAGR of 56 % from Rs. 14.79 Crores in 2006 to Rs.23.09 Crores in 2007. The PBDIT margins over this period have been 17% in 2007, 15 % in 2006 and 13% in 2005. The net profit margin over this period has been 15% in 2007, 13 % in 2006 and 11% in 2005.

f. Material developments in Human Resources / Industrial Relations Front, including number of people employed

The relations with the employees remained cordial during the year. The capacity utilization rate in our Company for years ended 31st March 2005, 2006 and 2007 is 90%, 90 % and 92 % respectively. We have training programmes in order to upgrade our employees. Further to increase the retention rate the Company has planned to come out with the Employee Stock Option Scheme and Employee Stock Purchase Scheme.

The total number of employees in the Company was 825 as on March 31, 2007.

Cautionary Note

The statements in the Directors' and Management Discussion and Analysis Report describing the Company's projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company.

For & on behalf of the Board of Directors

Delhi
June 25, 2007

(Dalip Kumar)
Chairman & Managing Director