Directors' Report

(for the Year 2007-2008)

Dear Shareholders,

We are delighted to present the Report on our business and operations for the year ended March 31, 2008.

Financial Highlights

(Rs. In Lacs)

	Year ended March 31,	
	2008	**2007**
Gross Income	20,418.42	15,434.95
Profit/(Loss) before Depreciation, Interest & Tax (PBDIT)	4,147.63	2,608.37
Misc. Income	50.11	92.22
Depreciation	680.17	255.66
Interest	55.11	45.96
Profit/(Loss) before Extra ordinary items	3462.47	2,398.97
Prior Period Adjustment-Income/(Expenses)	45.02	(2.43)
Profit before tax (PBT)	3,507.50	2,396.54
Provision for tax	178.08	66.63
Deferred tax-Assets/(Liability)	(88.38)	(20.94)
Profit after tax (PAT)	3241.04	2,308.97
Appropriation:		
Dividend recommended - Final	360.67	214.03
Interim Dividend Paid	—	142.69
Tax on distributed profits	61.30	56.39
Transferred to General Reserve	500.00	1,000.00
Balance with General Reserve	1,521.31	1,021.31
IPO Expenses Adjustment	0.00	0.00
Previous years Provision Adjustment	0.00	0.91
Balance Brought Forward	4,973.79	4,077.02
Transferred to Balance Sheet	7292.86	4,973.79

The principle of complete disclosure continued to be followed for a true and fair picture of the affairs of the Company. Accordingly a sum of Rs. 45.02 lacs is reflected in the attached Profit & Loss Account as "Prior Period Adjustment".

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 has ensured true and fair financial statements of the Company.

Overview

For the financial year ended March 31, 2008, your Company reported a total income of Rs. 20418.42 lacs. Total revenues grew by 32.29% over the previous financial year. The company recorded an operating profit of Rs. 4147.64 lacs, and a net profit of Rs. 3241.04 Lacs, representing a growth of 59.01% and 40.37 % respectively, over the previous financial year.

Dividend

Your directors recommended a final dividend of Rs.2.50 per share for your approval.

Increase in Share Capital

Increase in the share capital during the year under review, the paid-up share capital of the Company increased from Rs. 1426.90 Lacs divided into 1,42,69,085 equity shares of Rs. 10 each to Rs.1442.68 Lacs divided into 1,44,26,815 equity shares of Rs. 10 each, consequent to issue of 1,57,730 equity shares of Rs. 10 each upon exercise of options under the stock option plans of the Company.

Preferential Allotment of Warrants

Pursuant to the special resolution passed at the Extra - Ordinary General Meeting of the Company held on Thursday, June 19, 2008 your company allotted 20, 00,000 numbers of warrants on July 11, 2008 to non promoter on preferential basis at a price of Rs.91.00 per Warrant including a premium of Rs.81each. Warrant is convertible into one equity share within a period of 18 months from the date of allotment.

The Allottee has paid around 20% of the exercise price of the Warrants at the time of subscription. The Warrants can be exercised anytime within 18 months of allotment of the Warrants. The subscription price paid for the Warrants will be adjusted against the exercise price payable at the time of exercise. In the event that any Warrant is not exercised within 18 months of allotment, the subscription price paid will be forfeited.

The exercise of the Warrants shall constitute 12.17% of the post issue paid-up share capital. The shareholding of the Promoters will be 59.65% assuming all the Warrants are converted into equity shares.

The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

Human Resources

The total number of Associates on March 31, 2008 was 1048, against 825 on March 31, 2007. The attrition rate for the year 2007-08 hovered around 12.13%. Your Company believes that today a major HR challenge for any organization is capability building and enhancement and associate engagement. Your Company continued to work toward these three components through various initiatives, such as: Building capability through collaboration with institutions at the national and international levels, and via campus link programs Capability enhancement by realigning leadership competency frameworks to new business realities and the company's future roadmap delighting associates through empowerment, unique organization design and enablement of social participation for better productivity and less attrition . The emergence of knowledge has made learning and leadership critical. FCS Human Resources team makes the Learning World as the enterprise-wide learning ecosystem that captures and delivers the learning and development needs of the entire corporation through a single platform. FCS systems are the learning and development partners of businesses across FCS, each having a well-defined mandate. More than 70% of all learning at FCS is delivered virtually. We have a carefully designed learning and development strategy to meet the entire life cycle of learning and development of our Associates, from entry-level personnel to senior leaders. The FCS vision is to make FCS one of the top five organizations in the world in building global Associates, through effective learning and development.

Infrastructure

During the year under review, your Company continued to create best-in-class infrastructure facilities to support its growth strategies and has added more then 500 spaces, an increase of approximately 40% over the previous year. All of which is being created on the company's own infrastructure. The Company has extended its base in a Tier 2 city, i.e., Chandigarh. We have also established new development centers in Europe, and also coming up in Singapore. During the current year, we will further develop the existing infrastructure in the SEZ campus of Noida. Your Company continuously focuses on upgrading its network & its sophisticated high-speed data, voice & other communicating network, to keep pace with contemporary global trends world. Your directors are happy to state that during the year under review, the Company has successfully undertaken technological upgrades in the wide area networking, security, & business continuity and collaboration tools.

Corporate Governance

We are continuing to implement every norm, which are promulgated by legislation, or any other 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.

Subsidiaries

We have one subsidiary called FCS Software Solutions America Limited, incorporated in America to generate more comfort to US clients who are now looking to give us more work in their mission critical business application and feel more secure in doing legal contracts with a fully US entity.

Social Programs

Since inception FCS believes that corporations must reach out to the society and help by improving the quality of education and healthcare through various community development programs.

Our Corporate Social Responsibility (CSR) activities are mainly carried out with:

- Initiatives to develop human capital by creating sustainable frameworks with educational institutes for training students and faculty;
- The FCS Foundation which has a dedicated team to reach out to the underprivileged and enrich their lives;
- At the Board level, members lead by example by participating in the advisory councils of NGOs and civil bodies, and donating their time, money and effort to various causes;

Fixed Deposits

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

Directors

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Shiv Nandan Sharma (Director), retire at the ensuing Annual General Meeting and, being eligible, have offered himself for reappointment.

Mr. Dhruwa Narain Rai was co-opted as an Additional Director at the meeting of the Board of Directors held on July 31, 2008. In terms of the provisions of Section 260 of the Companies Act, 1956, he holds office up to the date of ensuing Annual General Meeting.

The Company has received a notice under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Dhruwa Narain Rai as Director of the Company, liable to retire by rotation.

Auditors

The statutory auditors M/s SPMG & Company, Chartered Accountants, Delhi, retire at this Annual General Meeting. Your directors recommend their reappointment as auditors.

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.

Particulars of employees

During the year ended March 31, 2008, 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, as amended, and Department of Company Affairs Notification no. GSR 288 (E) dated April 17, 2002 followed by a clarification through circular no. 16/2002 dated June 25, 2002.

Employees' Stock Option Scheme (ESOS)

Your Company had introduced a stock option scheme-the Employee Stock Option Scheme, 2005 ("ESOS 2005")-for its employees and some of its Directors. The shareholders had given their approval, under ESOS 2005, to issue up to a maximum of 7,53,000 options convertible into an equal number of equity shares. Consequently, total options exercised by the eligible employees of the company is 3, 14,788, out of which 1, 57,730 shares were exercised in the year 2007-08.

The information required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per Annexure 'B' to this report.

Employees' Stock Purchase Scheme (ESPS)

In the fiscal 2005, the company has also instituted another stock purchase scheme-the Employee Stock Purchase Scheme, 2005 ("ESPS 2005")-for its employees and some of its Directors. The shareholders had given their approval, under ESPS 2005, to issue up to a maximum of 1,10,000 number of equity shares. The same were granted and exercised by the eligible employees. None of the options are left in this scheme.

Management discussion and analysis

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

Directors' responsibility statement

To the Members,

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

i. The applicable accounting standards had been followed along with proper explanation relating to material departures in the preparation of the annual accounts;

ii. The directors had selected such accounting polices 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;

iii. 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;

iv. The directors had prepared the annual accounts on a going concern basis.

Acknowledgements

Your directors gratefully acknowledge the continued support being received from all investors, customers, vendors, banks, and other service providers as well as regulatory and government authorities in the initiatives of the Company. Your directors specially thank Associates of the Company for their focused contributions in realizing the growth strategies of the Company.

Your directors also places 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 Company Affairs, Office of Registrar of Companies, New Delhi, Board of approval and Development Commissioner of Special Economic Zones particularly of Noida and Chandigarh.

For and on behalf of the Board of Directors

Dalip Kumar

Noida
Sep 04, 2008

(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

As our operations are in the area of software development hence it's not energy intensive. However we have focused strategy to optimize energy consumption by purchasing PCs and laptops that meet environmental standards, replace old hardware with more energy-efficient hardware, and are decreasing the amount of equipment to further reduce our energy consumption. We are also considering a global, socially and environmentally responsible disposal process for our equipment.

We have incorporated new technologies in the air-conditioning system in upcoming facilities to optimize power consumption. We keep identifying and replacing low-efficient machinery (AC) and UPS systems in a phased manner.

Research and Development (R&D)

Keeping our policy in line this year also the company has allocated 10% to 15% of time of senior and more skilled professionals to Research and Development. During this time, the assigned staff is only supposed to work on Research and Development of new methodologies and best practices so that we can reduce time to market for our clients. One other key objective is to develop reusable objects and we are glad to announce that the company has made good progress in this area. This helps us to increase productivity and revenue per person because of saving in effort that would have been needed otherwise.

Technology absorption, adaptation and innovation

It's a proven fact that technology plays a big role in the ability to offer a complete basket of products/ services to its customers/ users. Your Company has partnered with IBM, Microsoft, and Oracle - the technologies that most of our clients use. Senior management of the company has come up with draft technology roadmaps in the areas that anticipate changes based on the evolution of technology partners.

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 95.88% of revenues were derived from exports. The foreign exchange earned comprising of FOB value of exports, services was Rs. 1, 95,78,56,699.00 whereas total foreign exchange used (comprising of CIF value of imports and other outgoings) was Rs. 1,41,29,70,311.00. Over the years, we have established a substantial direct - marketing network in some of the major global markets i.e. US.

Foreign exchange earned and used *(in Rs.crore)*

	2008	2007
Earnings	195.79	148.49
Outflows	141.30	123.32
Net foreign exchange earnings	54.49	25.17

ANNEXURE "B"

INFORMATION REGARDING THE EMPLOYEE STOCK OPTION SCHEME, 2005
(as on 31-03-2008)

A)	Number of Stock Options granted	7,53,000
B)	Pricing formula	
	i. Rs.10/-	
	ii. Rs. 82.65/- (for new options vested in 2008)	
C)	Number of Options vested	1,57,730
D)	Number of Options exercised	1,57,730
E)	Number of shares arising as a result of exercise of options	1,57,730
F)	Number of Options lapsed	1,19,000
G)	Variation of terms of options	The amount payable by the Employee for the exercising the options granted to him in pursuance of ESOS would be as per the fair market price on the date of grant of shares under the Scheme. Explanation: The fair market value means the closing price of the company's shares on the stock exchange where there is the highest trading volume on the date of grant and if the shares are not traded on that day, the closing price on the next trading day."
H)	Money realized by exercise of options	78,46,849.70
	Number of Options in force	3,19,212
J)	Employee wise details of Options granted to	**Year 2007-08**
	(i) Senior managerial personnel	
	- Mr. Govind Sahu, Vice President (Network),	25,000
	- Mr. Anil Sharma, Vice President (Finance),	36,666
	- Mr. Abhishek Anand (Company Secretary)	32,000

(ii) Employees who were granted Options amounting to 5% or more of the Options granted during the year 2007-08.

1. Mr. Anil Sharma
2. Mr. Abhishek Anand
3. Mr. Labh Singh
4. Mr. Mithilesh Kumar
5. Mr.T.K.Thomas
6. Mrs. Durga Devi

	(iii) Employees who were granted Options in any one year equal to or exceeding 1% of the issued capital of the Company.	None
K)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard 20- 'Earnings Per Share'	Rs.22.47

L) The Company has used intrinsic value method for calculating the employee compensation cost with respect to the stock options. If the employee compensation cost for the ESOP had been determined in a manner consistent with the fair value approach, the stock option compensation expense would have been lower by Rs 5.80 Lacs. Consequently, profit after tax would have been higher by Rs 5.80 Lacs and the EPS of the Company would have been Rs10.61 per share (higher by Rs 0.04 per share).

M)	Weighted average exercise price of the options granted during the year	Rs. 10/- per Option due to single grant in the year.
N)	Weighted average fair value of the options granted during the year	Rs 93.0348 per Option due to single grant in the year.
	(i) risk-free interest rate	(i) 5.63 % for 3 years.
	(ii) expected life	(ii) 3 years
	(iii) expected volatility	(iii) 83.77 % (based on 3 years comparable company stock data).
	(iv) expected dividends	(iv) 1.34 % (based on simple average of the dividend history of past 2 financial years)
	(v) the price of the underlying share in market at the time of option grant	(v) Rs. 103 per share

Auditors' Certificate on Corporate Governance to the Members of FCS Software Solutions Limited

We have examined the compliance of conditions of Corporate Governance by FCS Software Solutions Limited ("the Company"), for the year ended on 31 March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for SPMG & Co.
Chartered Accountants

Vinod Gupta
Partner
Membership No. 90687

Delhi
Sep 4, 2008