Directors' Report

(for the Year 2006-2007)

Dear Shareholder,

Your Directors are pleased to present the 14th Annual Report and Audited Accounts for the financial year ended March 31, 2007.

Financial Results *(Rs. In lacs)*

	Year ended March 31, 2007	2006
Gross Income	15,434.95	11,583.28
Profit/(Loss) before Depreciation, Interest & Tax (PBDIT)	2,608.37	1,697.44
Misc. Income	92.22	56.03
Depreciation	255.66	212.76
Interest	45.96	18.32
Profit/(Loss) before Extra ordinary items	2,398.97	1,522.39
Prior Period Adjustment-Income/(Expenses)	(2.43)	0.47
Profit before tax (PBT)	2,396.54	1,522.86
Provision for tax	66.63	44.00
Deferred tax-Assets/(Liability)	(20.94)	0.46
Profit after tax (PAT)	2,308.97	1,479.32

Appropriation:

	2007	2006
Dividend recommended - Final	214.03	211.09
Interim Dividend Paid	142.69	140.02
Tax on distributed profits	56.39	49.50
Transferred to General Reserve	1,000.00	15.00
Balance with General Reserve	1,021.31	21.31
IPO Expenses Adjustment	0.00	3.03
Previous years Provision Adjustment	0.91	0.00
Balance Brought Forward	4,077.02	3,010.29
Transferred to Balance Sheet	4,973.79	4,077.02

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. 2.43 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.

Company's Affairs / Operations / Material Developments

(i) Company's Affairs

The Statement of Company Affairs, operations, opportunities and threats, performance on the IT front and business developments have been elaborately and explicitly explained and dealt with in the Management Discussion and Analysis Report (which forms part of this report) and accordingly not provided herewith for the sake of brevity.

(ii) Operations

Keeping the pace your Company has again shown a remarkable growth of 33.75% in revenue during the financial year. Revenues for FY '07 stood at Rs 154.35 crores, profit before depreciation, interest, and tax and prior-period items stood at Rs 26.08 crores, and profit after tax was Rs.23.08 crores. The provision for Income Tax is Rs. 87.57 Lacs including Deferred Tax Liabilities of Rs. 20.94 Lacs. The market environment in FY '07 was good and appreciating signs made them felt in the second half of the financial year. The Company continued to strengthen its position in this rapidly growing market.

(iii) Material Developments

After getting the successful listing in 2005, the Company has a full year smoothless trading at both the national bourses i.e. Bombay Stock Exchange Ltd. (BSE) & National Stock Exchange Ltd. (NSE).

Your Company has a yearly trading volume of around 4, 56, 51,245 number of shares. The face value of the shares is Rs.10/-.

New Projects and Expansion Plans

Apart from the existing modular structure of the Noida facility the company has started developing four additional development centers at Chandigarh, Dehradun and two seperate centers at Noida. The construction phases at all these development centers are at lightening pace. The company is also looking for setting up different units in SEZs across the country. The Chennai operations are showing a remarkable upward graph. The existing business development centers at different places, has provided your Company with the flexibility to quickly react to changes in market conditions at lower incremental costs. The Company has further increased its capacity by adding 104 employees on roll during 2006-07. This has not only created a platform to increase our market share, but will also enable us to achieve it more efficiently, resulting in increasing competitiveness and raising returns on deployed capital.

With the global demand for IT Applications rapidly increasing, your Company is increasing its overall capacities by developing world class development centers at Chandigarh, Dehradun and two new centers in Noida at Sector 73 and Noida Special Economic Zone (SEZ). The total deployments of fund in the said projects are around Rs. 471.00 Lacs.

In line of our last correspondences to you in respect of allottement of 1.66 acre land at Rajeev Gandhi Chandigarh Technology Park, Chandigarh (U.T.), we would like to mention that we have taken the possession of land and successfully commenced the construction of building infrastructure. The construction team is keeping its pace to the maximum for the earliest completion of the project. The commencement of construction is also being done at the locations at Dehradun and Noida, Sector 73. The total usage/ occupancy of all these four new places will increase by 1125 employees in first phase of construction.

Market development

The business more particularly IT landscape has changed to manifold, the key factors for the same are the emergence of developing economies, creating new markets and accessible talent pools there under, a global shift in demographics, driving companies to tap young and skilled talent pools outside of industrialized countries, the ongoing adoption of technology which is changing how consumers and companies use technology and the government initiative to promote the transparency. As conveyed earlier we have adopted and practicing stringently multipronged go to market strategy and also streamlined our back end operations putting in best practices for faster & Zero Defect Delivery. We have further revamped our infrastructure for providing more secure environment for our users and redrawn the hiring and retention policy.

We also increased our focus on existing customer and brought vertical focus to repeat our success in particular vertical. This has given us the wider base in US market. We have increased our manpower in all dimensions and brought in best talent with relevant experiences at all levels for betterment of delivery and relationship with client. In order to hire the best of the resources at the young age we are looking forward to work closely with a select list of educational institution. We constantly hold camps, seminars and road shows in order to attract the high caliber resources.

Deployment/Application of Public Issue (IPO) Money

As per the offer document, the Company has deployed the proceeds Rs.1998.71 Lacs in the expansion of the capacity as against the proposed utilization of Rs.1822.77 Lacs (proposed to have been incurred up till 31st March, 2007).

Dividend

Since your company is in highly expansion mode, your directors are pleased to recommend the dividend of only 25 % (Including 10 % Interim Dividend) on the Equity Capital of the Company for the year ended March 31, 2007 to all shareholders whose name appears in the Register of Members as on July 25, 2007. The payout for final divided will be Rs 250.41 lacs inclusive of dividend distribution tax, surcharge and education cess thereon. The payment made for the Interim Dividend paid including dividend distribution tax, surcharge and education cess was Rs.162.70 lacs. The total payout for dividend during the year is Rs. 413.11 lacs inclusive of all related taxes and expenses.

Transfer to reserves

We propose to transfer Rs. 1000 lacs to the general reserve. An amount of Rs. 4973. 79 lacs is proposed to be retained in the profit and loss account.

Subsidiaries

We have one subsidiary called FCS Software Solutions America Limited, incorporated in America on 2nd Oct. 2006. This company was formed to generate more comfort to US clients who are now looking to give us more work in their mission critical business applications and feel more secure in doing legal contracts with a fully US entity.

Particulars under Section 212 of the Companies Act

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet, and profit and loss account of our subsidiaries. Accordingly we had attached the same with this report and fully complied with the provisions of the Act.

Development centers

In the financial year 2007, we incurred capital expenditure aggregating Rs. 709.86 lacs on physical as well as on technological infrastructure. Further, we incurred Rs. 711.34 lacs on technological infrastructure. As of March 31, 2007, in India, we had 32,000 sq.ft of space with 850 seats and additional 45,500 sq. ft. under construction that would provide 1125 seats.

Directors

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

The tenure of Mr. Krishan Kant Arora who was appointed as additional director by the Board of directors vide their Board Meeting held on July 28, 2006 will expire at the ensuing Annual General Meeting. The Board of directors expressed deep appreciation for his outstanding contribution in the growth of the company.

During the year, Mr. Hemant Paliwal, director liable to retires by rotation; have tendered his resignation to the board and the same is being taken note by the board. The Board place on record its deep appreciation of the services rendered by Mr. Hemant Paliwal, during his tenure on Board.

Auditors

M/s SPMG & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received intimation to the effect that their reappointment, if done, would be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

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.

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, 5,90,200 options were granted to eligible employees. Out of which 1, 57,058 shares were exercised in the year 2006-07.

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 'C'*** 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. Consequently, 1,10, 000 number of equity shares were granted out of which 71,000 equity shares were exercised by eligible employees/directors. The balance 39,000 shares were lapsed and with the requisite approvals, it was further granted and exercised by eligible employee.

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 'D' to this report.

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.

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.

Management discussion and analysis

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

Directors' responsibility statement

Your Directors state:

I. that in the preparation of the annual accounts, the applicable accounting standards have been followed;

II. that we have 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 2006-2007 and of the profit of the Company for that year;

III. that we have 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; and

IV. that we have prepared the annual accounts on a going concern basis.

Acknowledgements

Your Company has taken every step to outperform in the industry and to maintain its position in the year to come. Your Board of Directors place on record their appreciation for the overwhelming co-operation and continued assistance received from investors, customers, business associates, bankers and vendors and the contribution made by the employees at all levels. Company's consistent growth was made possible by their hard work, solidarity, cooperation and support.

Your Board of Directors 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

Noida
June 25, 2007

(Dalip Kumar)
Chairman and Managing Director

ANNEXURE TO THE DIRECTOR'S 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 significant measures are taken to reduce energy consumption by using energy efficient computers and by purchasing energy efficient equipments. We constantly evaluate new technologies and invest to make our infrastructure more energy - efficient. We are implementing the use of CFL fixtures and electronic ballasts to reduce the power consumption in the illumination system. A constant check system is in place to control the working of air conditioners and to make them more energy - efficient. In furtherance to company is creating a general awareness in its employees by switching off computers, inter linked systems and the individual units of air conditioning when not in use.

Research and Development (R&D)

The company came up with a policy to allocate 10% 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

During the year 96.20% of revenues were derived from exports. The foreign exchange earned comprising of FOB value of exports, services was Rs.1, 484,926,453 whereas total foreign exchange used (comprising of CIF value of imports and other outgoings) was Rs.1,233,207,688. 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)

	2007	2006
Earnings	148.49	110.94
Outflows	123.32	85.24
Net foreign exchange earnings	25.17	25.70

ANNEXURE "B"

Particulars of employees

During the year ended March 31, 2007, 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.

ANNEXURE "C"

INFORMATION REGARDING THE EMPLOYEE STOCK OPTION SCHEME, 2005
(as on 31-03-2007)

A)	Number of Stock Options granted	5,90,200
B)	Pricing formula	Rs 10 per Option.
C)	Number of Options vested	1,57,058
D)	Number of Options exercised	1,57,058
E)	Number of shares arising as a result of exercise of options	1,57,058
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. However, this clause shall have the prospective effect. 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	15,70,580.00
I)	Number of Options in force	4,71,200
J)	Employee wise details of Options granted to	**Year 2005-06**
	(i) Senior managerial personnel	
	- Mr K K Arora, Executive Director,*	50,000
	- Mr J P Singh, Sr. Vice President, PSG,	50,000
	- Mr Rajeev Ranjan, Sr. Vice President, SAP Consulting,	50,000
	- Mr. H S Chaddha, Sr. V P, Business Development,	25,000
	- Mr. Gopal Sahai, Vice-President, Sales,	10,000
	- Mr Govind Sahu, Vice President (Network),	25,000
	- Mr Anil Sharma, Vice President (Finance),	10,000
	- Mr Abhishek Yash, Associate Vice President,	30,000
	-Mr Gajendra Pratap Singh AVP (Legal) & Co. Secretary,	6,000

(ii)	Employees who were granted Options amounting to 5% or more of the Options granted during the year 2005-06. No grant done in F.Y. 2006-07.	(i) Mr K K Arora, Executive Director (ii) Mr J P Singh, Sr. Vice President (iii) Mr. Rajeev Ranjan, Sr. Vice President (iv) Mr. Abhisek Yash, Associate Vice President
(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 16.18

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

*Mr. K K Arora has left the employment of the company and the share offered to him has been lapsed.

The Vesting Period in respect of the Options granted is as follows: -

Grants	**Vesting Period**
Grant on 13th Dec. 2005	1/3rd of total grant of shares every year from the date of grant over a period of three years.
No fresh grant done during 2006-07	First year vesting happen on 13th Dec. 06.

ANNEXURE "D"

INFORMATION REGARDING THE EMPLOYEE STOCK PURCHASE SCHEME 2005
(as on 31-03-2007)

A)	Number of Share issued	F.Y.2005-06	F.Y. 2006-07
		71,000	39,000
B)	Pricing formula		Rs 10 per Share.
C)	Employee wise details of Options granted to	F.Y. 2005-06	F.Y. 2006-07
	(i) Senior Managerial personnel		
	➢ Mr. K K Arora	55,000	Nil
	➢ Mr. Rajeev Ranjan	10,000	
	➢ Mr. Govind Sahu	3,000	
	➢ Mr. Anil Sharma	2,000	
	➢ Mr. Gajendra P Singh	1,000	
	(ii) Employees who were granted Options amounting to 5% or more of the Options granted		
	➢ During the year 2005-06	Mr. K K Arora, E.D. Mr. Rajeev Ranjan,Sr. VP (SAP Consulting)	
	➢ During the year 2006-07	*Labh Singh, Manager (Admn.)	
	(iii) Employees who were granted Options in any one year equal to or exceeding 1% of the issued capital of the Company.	None	
	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 16.18	
	Consideration received against the issuance of shares during the year 2006-07.	Rs. 3,90,000 /-	

* These 39,000 shares were issued under FCS - ESPS 2005, after getting lapsed and obtaining the requisite approval from the annual general meeting.

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 2007, 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

New Delhi
June 25, 2007