

FCS SOFTWARE SOLUTIONS LIMITED

(Incorporated as a Private Limited Company at Ambala on 5th May 1993 as "Fateh Computer Services Private Limited" under the Companies Act, 1956, converted into Public Limited Company under the name "Fateh Computer Services Limited" on 29th day of December 1999 and subsequently renamed as "FCS Software Solutions Limited" effective from 19th April, 2000)

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INITIAL PUBLIC OFFERING OF 35,00,000 EQUITY SHARES OF RS. 10/- EACH ISSUED FOR CASH AT A PREMIUM OF RS. 40 PER EQUITY SHARE (PRICE OF RS. 50 PER SHARE) AGGREGATING RS. 17,50,00,000

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of the shares of FCS Software Solutions Limited (the "Company"), there has been no formal market for the shares of the Company. **The face value of the shares of the Company is Rs.10/- per share and the issue price of Rs.50/- per share is 5 times of the face value of the shares of the Company.** The Issue Price (as has been determined and justified by the Lead Manager and the Company as stated herein under the paragraph Basis of Issue Price) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or the price at which the equity shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. Equity Shares offered in the issue have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

Specific attention of investors is invited to the statement of 'Risk Factors' beginning on page no. i

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this documents as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on The Stock Exchange, Mumbai (BSE), Designated Stock Exchange and National Stock Exchange of India Limited (NSE). The in-principle approvals of the BSE and NSE for listing Equity Shares have been received pursuant to letters dated January 28, 2005 and March 29, 2005 respectively. Further, NSE has vide its letter dated June 23, 2005 extended the validity of its in-principle letter dated March 29, 2005.

LEAD MANAGER TO THE ISSUE



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REGISTRARS TO THE ISSUE



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Website : www.intimespectrum.com
Contact Person : Mr. Vishwas Attavar

ISSUE PROGRAMME

| | |
|------------------------|------------------------|
| ISSUE OPENS ON | AUGUST 22, 2005 |
| ISSUE CLOSES ON | AUGUST 26, 2005 |

TABLE OF CONTENTS

| S. No. | Title | Page No. |
|--------|--|----------|
| 1. | Definitions / Abbreviations | a -c |
| 2. | Risk Factors & Management Perceptions thereof / Notes | i to vi |
| | PART I | |
| I. | General Information | 1 |
| II. | Capital Structure of the Company | 7 |
| III. | Terms of the Present Issue | 12 |
| IV | Statement of Tax Benefits | 18 |
| V. | Particulars of the Issue | 20 |
| VI. | History, Main Objects & Present Business | 25 |
| VII. | The Promoters and their background | 39 |
| VIII. | Management And Key Managerial Personnel | 40 |
| IX. | Description of Industry & Business | 44 |
| X. | Stock Market Data | 48 |
| XI. | Management Discussion and Analysis of the Financial Condition and Results of the Operations as reflected in the Financial Statements | 49 |
| XII. | Financial Information of The Group Companies | 54 |
| XIII. | Particulars regarding the Company under the same Management | 55 |
| XIV. | Promise Vs. Performance | 55 |
| XV. | Basis for Issue Price | 56 |
| XVI. | Outstanding Litigations, Defaults and Material Development | 57 |
| XVII. | Disclosure on Investor Grievances and Redressal System | 59 |
| XVIII. | Risk Factors & Management Perceptions thereof | 60 |
| | PART II | |
| A. | General Information | 66 |
| B. | Financial Information | 68 |
| C. | Statutory & Other Information | 76 |
| D. | Main Provisions of the Articles of Association of the Company | 79 |
| E. | Material Contracts & Documents for Inspection | 96 |
| | PART III | |
| I. | Declaration | 97 |

DEFINITION / ABBREVIATIONS

| | |
|----------------------------------|---|
| Act/ The Companies Act | The Companies Act, 1956 |
| Applicant | Any prospective investor who makes an application for Equity Shares in terms of this Prospectus. |
| Application Form | The Form in terms of which the applicants shall apply for the Equity Shares of the Company. |
| Articles | Articles of Association of FCS Software Solutions Limited |
| Bankers | Bankers to the Issue, in this case being ICICI Bank Limited, HDFC Bank Limited & Canara Bank |
| Board/ Board of Directors | Board of Directors of FCS Software Solutions Limited |
| Brokers | Members of all the Stock Exchanges who have been registered with the respective stock exchange to act as Brokers |
| BSE | The Stock Exchange, Mumbai |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services Limited |
| Compliance Officer | Mr. Raj Ratan Pugalia, Chief Financial Officer of the Company |
| Depositories Act | Depositories Act, 1996 as amended from time to time |
| Depository | A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time |
| DP | Depository Participant as defined under the Depositories Act |
| Employee(s) | Permanent Employee(s) of the Company working in India or outside India (if any) including Directors of the Company. |
| EPS | Earning Per Equity Share |
| ERP | Enterprise Resource Planning |
| ESPS | Employees Stock Purchase Scheme |
| ESOS | Employee Stock Option Scheme |
| Equity Shares | 35,00,000 Equity Shares of Rs. 10/- of the Company being offered to the public in terms of this Prospectus. |
| FCS / the Company | FCS Software Solutions Limited |
| FEMA | Foreign Exchange Management Act, 1999 as amended from time to time and the rules and Regulations thereunder |
| FIs | Financial Institutions |
| FIIs | Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI as a Foreign Institutional Investor |
| FY | Financial Year beginning 1 st April and ending 31 st March in the next calendar year. |
| HUF | Hindu Undivided Family |
| Issue | The Issue of 35,00,000 Equity Shares of Rs 10/- each by FCS Software Solutions Limited pursuant to this Prospectus |
| Issuer | FCS Software Solutions Limited |
| IPO | Initial Public Offer |
| Issue Price | The Price of Rs. 50/- per Equity Share as decided by the Company and the Lead Manger for which the Equity Shares shall be issued to the Public under this issue in terms of this Prospectus |
| Issue Opening Date | The date on which the Issue opens for subscription by the public i.e. August 22, 2005 |
| Issue Closing Date | The date on which the Issue closes for subscription by the public i.e. August 26, 2005 |
| IT Act | Income Tax Act, 1961 |
| IT | Information Technology |
| Lead Manager | Lead Managers to the Issue, in this case being Allianz Securities Ltd. |
| MoA/ Memorandum | Memorandum and Articles of Association of FCS Software Solutions Limited |
| NAV | Net Asset Value |
| NRI(s) | Non-Resident Indian(s) as defined in FEMA or a Person of Indian Origin as defined under FEMA (transfer or issue of Security by a Person Resident Outside India) Regulations, 2000 |

| | |
|----------------------------|---|
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange of India Limited |
| OCB(s) | Overseas Corporate Body (ies) |
| PAN | Permanent Account Number |
| PAT | Profit After Tax as per Audited Annual Accounts unless stated otherwise |
| P/E | Price Earning Ratio |
| Prospectus | Refers to this document, (in terms of which the Present Issue of Equity Shares are proposed to be made) to be filed with ROC containing inter alia the Issue Price. |
| R & D | Research & Development |
| RBI | Reserve Bank of India |
| Registrars | Registrars to the Issue, in this case being Intime Spectrum Registry Limited |
| ROC | Registrar of Companies, Delhi and Haryana at Delhi |
| Rs. | Indian Rupees |
| SEBI/The Board | Securities and Exchange Board of India |
| SEBI Act | Securities and Exchange Board of India Act, 1992 as amended from time to time |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time |
| Stock Exchanges | BSE and NSE where Equity Shares of this Company are proposed to be listed. |
| STPI | Software Technology Parks of India |
| U.K. | United Kingdom |
| USA / U.S. / U.S.A. | The United States of America |
| USD | United States Dollar |

TECHNICAL TERMS/ABBREVIATIONS

| | |
|--------------------------------|---|
| AICC | Aviation Industry CBT Committee |
| Brick/mortar training | Classroom based training |
| CBT | Computer Based Tools (CD based learning tool) |
| CRM | Customer Relationship Management |
| Digital Workplace (DW) | The Digital Workplace (DW) is a centralized channel for digitizing of all the projects and activities in FCS. |
| ETVX | Entry Task Verification Exit |
| E-learning | Learning through Computer Based Tools (CBT i.e. CD based learning tool) and Web Based Tools (WBT i.e. Internet based learning tool). E-learning makes training highly efficient, anytime, anywhere and reduces total cost of training, increased return on individuals and ROI. |
| E-learning technologies | Flash with database, Director with Lingo, Dream weaver, Premier, ASP programming, Animation, Java scripting, Adobe Photoshop, Corel Draw, GIF Construction Set, Use of AICC standards for E-learning, Authoring tools, standard LMS like Docent and SABA, XML, Java |
| Instructional Design | The systematic process of creating or adapting instruction, including at least these steps: <ul style="list-style-type: none"> · Defining the problem or knowledge gap that the instruction is meant to address · Defining the audience that the instruction is meant to serve · Developing objectives and assessment strategies · Selecting and sequencing content and learning activities · Evaluating the instruction; revision |
| IDC | International Data Corporation |
| ITES | IT-enabled services |
| IPLC | Integrated Private leased Circuit |
| J2EE | Java 2 Enterprise Edition |
| LMS | Learning Management System - Software that is used to design, deliver and manage an online course. It could be in the form of a Computer Based Tools (CBT i.e. CD based learning tool) and Web Based Tools (WBT i.e. Internet based learning tool). |

| | |
|--|--|
| N-ISDN | Narrowband Integrated Service Digital Network |
| PSTN | Public Switch Telephone Network |
| RFP | Request For Proposal |
| SABA | E-learning LMS |
| SDLC | Software Development Life Cycle |
| SLA | Service Level Agreement |
| SMEs | Subject Matter Experts (Subject Specialist, example specialist in Java). A SME provides the expert knowledge and training to the development team so that the team is able to design and develop a technically correct e-learning course (CBT or WBT). |
| SDLC Or Software Development Life Cycle | FCS follows SDLC phases under ETVX paradigm. Each phase goes through ETVX. This ensures that each phase has the necessary ingredients to complete the required task and has a defined output. Testing of this output is embedded in the process to make sure each intermediate product is of high quality resulting in the most optimum final product. |
| WBT | Web Based Tools (Internet based learning tool) |
| XML | Extended Markup Language |
| Work in Process | Means where the Company has already started production under the Contract for software development but would be paid only after reaching mutually agreed milestones leading to completion of the job. |

RISK FACTORS AND MANAGEMENT'S PERCEPTION THEREOF

Investors should carefully consider the risks described below together with the other information contained in this Prospectus before they make an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and investors may lose all or part of their investment.

A. Internal Risk Factors

1. **Expansion Project not appraised by any Bank or Financial Institution**

The Expansion Project has not been appraised by any Bank or Financial Institution. The deployment of funds in the Expansion Project is entirely at the Company's discretion and is not subject to monitoring by any Independent agency. All the figures included in the Section titled "Objects of the Issue" are based on Company's own estimates.

Management Perception:

The estimates of the costs are based on past experience and the management team has the expertise to estimate the costs. The company is a professionally managed one and has estimated the funds requirement based on plans to be implemented. The Company will utilize the funds judiciously for the objects stated in the Prospectus

2. **Financing of Expansion project from IPO only**

Substantial part of funding of expansion plan is proposed from IPO proceeds. Delay in IPO/unsuccessful IPO will adversely impact the expansion plans of the company in future and its estimated revenue and profitability.

Management Perception:

The company is in profits and already in positive cash flows. Further, the company plans development and marketing through strategic / alliance partners/ local partners in different countries. Delay in IPO would lead to delay in implementation of the expansion project. However to avoid the risk of IPO being unsuccessful, the Company is getting its issue fully underwritten.

3. **Delay in getting possession of land**

The Company has participated in the bid conducted by official Liquidator attached to the Punjab, Haryana & H.P. Courts, for purchase of property situated at A-87, Sector-57, Noida for the purposes of its expansion programme. The Company was the highest bidder and received the order confirming the sale from the High Court of Punjab & Haryana. Now, the Company has been informed by the Official Liquidator that the handover of the said land's possession has been stayed by the said High Court on receipt of higher bid. The Company is, therefore, yet to receive the Possession of the said land and any delay in that may delay the company's expansion project till the company decides on the new site.

Management Perception:

The Company opted to bid for the said Property as this being the adjacent property to its present business location which would have benefited in managing and controlling the implementation of expansion programme. Further, the company does not foresee any difficulty in getting the possession of the said land and also in procuring any other property in NOIDA without any adverse impact on the implementation of the expansion as there are abundant of properties available in NOIDA. Further, in view of the fact that the possession of the said land has not yet been given to the Company, the Company has also applied for an institutional plot to New Okhla Industrial Development Authority situated at Sector-125 at Noida admeasuring 3600 Sqr. Mtr. and has also deposited Rs. 13.32 Lacs towards registration.

4. **The Company have to place orders for assets required under expansion project**

The Company has not placed any orders for the Furniture & Fixtures, Computer Hardware & Software and Other Fixed Assets required in relation to the expansion programme proposed to be financed through this Public Issue. The value of the said assets is Rs. 492.63 Lakhs and it constitute the entire 100% of the assets required for the Project.

Management Perception:

As the Company has not yet received the possession of the Land for the expansion project, the Company has not placed any orders for the Furniture & Fixtures, Computer Hardware & Software and Other Fixed Assts required in relation to the said expansion programme. The orders will be placed as soon as the Company takes the possession of the Land and constructs the building suitable for working. Further, the Company does not foresee any problem in acquiring the said assets as in the Company's expansion programme, it is proposing to provide only the services which it is already into and has been purchasing the said assets from time to time.

5. **First generation entrepreneur**

The Company is promoted by first generation entrepreneur.

Management Perception:

The promoter viz. Mr. Dalip Kumar, is a US based NRI and has 21 years of experience in IT services and is managing this company for the last 12 years. The promoter's educational background is M.S. in Computer Engineering

from Rutgers – The State University of New Jersey, US. The software being relatively newer industry is more likely to be managed by software professionals.

6. *Deferment of Public Issue in 2000*

The Company had filed a Draft Prospectus in the year 2000 for Public Issue of 35,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 50/-per Share for setting up a Call Centre in Gurgaon. However, that Public Issue was deferred and Company could not implement that project.

Management Perception:

The Proposed Public Issue in the year 2000 was deferred due to then prevailing bad market conditions. In July 2000 when the Draft Prospectus was filed with SEBI, NSE Index was 1533 and when the Company received clearance from SEBI on September 7, 2000 Stock Market crashed and reached 1136 by October 2000. At this point the Company in consultation with its Lead Managers to that Issue decided not to come out with the IPO. The company management also decided in the meantime, to remain focused on IT services business and not to set up Call Centre.

7. *Expiry of STPI registration at Gurgaon*

The STPI registration for Gurgaon unit had expired on 30th March, 2001. The Company needs to apply afresh for its registration if the Company decides to commence any IT activity in that premises.

Management Perception:

The Company is not planning to commence any IT activities from its Gurgaon Unit for the time being. However, the Company does not foresee any difficulty in taking any fresh STPI registration for Gurgaon unit, whenever it decides to commence its operations from Gurgaon unit.

8. *Dependence of success upon retention of skilled employees*

The Company's success depends in large part upon its skilled and experienced employees and its ability to attract and retain these personnel.

Management Perception:

The Company has strong recruitment and HR processes. The company also has training programs to upgrade existing employees in new technologies and verticals. The company's work culture, core values, and compensation are attractive enough to keep attrition to industry levels. The Company is also planning to offer ESOS /ESPS under which the Equity Shares of the Company be offered to its employees with objective of enhancing the motivation in the employees.

9. *Legal liabilities & damages to professional reputation in certain cases*

If the IT services, which the company provides to its clients, experience failure or if the company is not able to its contractual obligations, it may face legal liabilities and damage to its professional reputation.

Management Perception:

All software / IT related service Companies enter into such contracts in the normal course of business. The Company attempts to limit its contractual liability for damages and so far has not had any claims against it.

10. *Losses of Group Company*

Enstaserv eServices Limited, a Group Company had incurred a loss of Rs. 1.42 Lakhs during the year 2003-04.

Management Perception:

The said Company was incorporated with an objective of BPO activities. With a view to focus on its current business model of operating in IT services, the Company management decided not to conduct any business transaction in Enstaserv. The operations of Enstaserv does not materially adversely affect the operations of FCS.

11. *Erstwhile subsidiaries applied to Registrar of Companies for striking off their name*

Aberdeen Manpower Resources Ltd., subsidiary of FCS and Ace Comtech Pvt. Ltd., a Promoter Group Company had filed an application with Registrar of Companies for striking off their name u/s 560 of Companies Act, 1956.

Management Perception

Aberdeen Manpower Resources Ltd., erstwhile subsidiary was incorporated with the object of placement & recruitment and Ace Comtech Pvt. Ltd., was incorporated with the object of maintenance of computer systems & associated equipments. But as the entire business environment / model in the IT industry had changed during 2000, these companies applied to Registrar of Companies, Delhi & Haryana for striking off their name u/s 560 of Companies Act, 1956. Now, whatever be the requirement of personnel in the Company for its current operations, the same are met through its own separate division and FCS has developed its own infrastructure for maintaining the computer systems & associated equipments. The closing down of these Companies have not affected and will not be going to have any adverse impact on the operations of FCS.

12. *Venture of Promoter non operational*

FCS America Ltd., a U.S. incorporated Company by the Promoters of FCS is not operational since incorporation and the Company has decided to close its operations.

Management Perception:

FCS America Ltd. was incorporated with an objective to serve those U.S. clients who prefer to work only with U.S. incorporated companies. However, the Company started serving its clients from its Indian incorporated company

which was well accepted by the U.S. clients and the Company didn't find any need to operate that Company. The Company has decided to close its operations and for this purpose, FCS America has initiated the process of closing its operations and has filed the necessary documents with relevant authorities.

13. No standard valuation of Software / IT Industry

The valuations in the Software/ IT industry are presently high, which may not be sustained in future and may also not be reflective of future valuations in the industry. There are no standard valuation methodology or accounting practices in the emerging internet/media and related industries. The financials of the issuer are not strictly comparable with the players in the industry.

14. Highly competitive environment

The Company operates in a highly competitive environment and this competitive pressure on the business of the Company is likely to continue.

Management Perception:

The Company's processes and management abilities have handled competition successfully and shown growth in its last 12 years and is confident of ability to grow in competitive environments.

15. Dependence on technology

The business is highly dependent on the technology and Company's business may suffer if it fails to keep pace with the rapid changes in technology and the service offerings on which it focuses.

Management Perception:

The company has good track record of adapting to new technologies by bringing in new talent and continuous training of existing employees.

16. Promoters' control will continue after the IPO

After the issue, the Promoter will still own 74.99% of the Company's post issue Equity Share Capital and will continue to control the Company.

Management Perception:

The Company is a professionally managed Company and the Promoter himself is a software professional with 21 years of experience in IT. All the major Departments of Company are managed and supervised by professionals.

17. Risk of global operations of Company

The Company's global operations pose complex management, foreign currency, legal, tax and economic risks.

Management Perception:

The company has professional managers and advisors in their respective fields to handle all such issues and had not faced any difficulty in the past to manage these issues.

18. Security risk involved in transmission of data

The Company's operations involve transmission of data through Internet, which involves security risks.

Management Perception:

The Company uses state of art Firewalls, security processes, and security audits along with mirror servers and offsite backup to make operations secure to international standards with inbuilt disaster recovery steps hacking.

19. Change on Company's financials due to ESPS

The company has adopted Employee Share Purchase Scheme (the "ESPS") under which the Company's Equity Shares would be issued to its selected Employees at a price of Rs. 10/- per share i.e. at the Face Value. The charge on the Company's cash flows would be difference between the price at which the Equity Shares would be allotted to the Employees under the said scheme and the market price for the company's equity shares on the date of allotment. At this stage, company cannot indicate the market price and therefore, for indicative purposes only, the charge based on the issue price in the Initial Public Offering, which is Rs. 50/- per Share, and assuming that the Company issue shares representing 0.78% of post-Issue paid-up capital, the charge would be approximately Rs. 44 lakhs. The financial statements would be affected to the said extent.

Management Perception:

The Company has adopted the ESPS with an object of motivating and retaining its professionals in the Company and there are enough cash accruals to bear the said expense.

20. Outstanding litigations & defaults

The Outstanding Litigations of the Company & its Directors / Promoter and its Group Companies are as under:

(A) Against the Company / Promoter / Directors of FCS :

(a) Matters pending before the Labour court, Ghaziabad: Two ex-employees of the Company have filed case numbers 1261/2003 and 83/2001, alleging inter-alia the illegal termination of the employment and recovery of Rs. 1.375 lakhs being amount deducted against under various heads, respectively. Both the matters are presently subjudice before the Labour Court, Ghaziabad for completion of documents.

(b) Arbitration matter: An ex-employee of the Company had filed an arbitration claim against the Company for recovery of Rupees 1,98,230/- incurred due to alleged termination of service without notice. The claim has been

settled by the Arbitrator against the Company and the same has been challenged by the Company in the Court of District Judge, Gautam Buddha Nagar, Uttar Pradesh. The matter at present is subjudice before District Judge.

- (c) **Appeals pending before the Hon'ble National Commission Disputes Redressal Commission:** The Company and Mr. Dalip Kumar, the Promoter and Managing Director of the company have filed two appeals (FA. No. 428 and 429 of 2003) challenging the order of Andhra Pradesh State Consumer Dispute Redressal Commission. The Order of the Commission granted eight persons (who undertook training in the premises of the Company) training fees, loss of earning along with damages, etc, amounting to Rs. 41.45 lakhs with interest at 18% per annum from the date of filing of the complaint till the date of payment against the various respondents including the Company. The matter at present is subjudice before the Hon'ble National Commission Disputes Redressal Commission for further proceedings.
- (d) **Notice received from Assessing Officer under section 143 (2) of the Income Tax Act, 1961:** The Company has received a notice under section 143(2) of the Income Tax Act, for providing further clarifications on the return of income submitted by the Company for the assessment year 2003- 2004. The matter was attended in-person by the authorized representative of the Company before the assessing officer and at present the matter is subjudice before the assessing officer for further proceedings.
- (e) **Matter pending before the Hon'ble High Court of Punjab & Haryana:** The Company has opted to purchase the premises bearing number A-87, Sector 57, Noida, which was available for sale by the order of the Hon'ble High Court through the Official Liquidator. The company emerged as the highest bidder in the process and was ordered by the court to take possession of the premises. However, before taking the possession Company received a letter on May 05, 2005 from the Official Liquidator stating inter alia that the handover of possession has been withdrawn since the Court has received a higher bid of Rs. 155 lakhs. The company has challenged the validity of accepting the higher bid and the matter is subjudice before the court.
- (f) **Dispute relating to company**
The Company entered into an Agreement with Datum America Ltd. ('Datum') wherein Datum transferred its rights to provide services to the Company, which Datum was providing to General Electric Company ('GE'). The agreement was to share gross margin in 30:70 ratio for a period of 24 months and the ratio was to change to 50:50 in case the payments to Datum reach USD 1.3 million or 24 months, whichever is earlier. The company made an advance payment of an amount of USD 215000 to Datum on signing of the Agreement, which was to be adjusted against the consideration due to Datum under this agreement upon Datum's receipt of USD 1085000 or 18 months or whichever is earlier. The company also has the rights under the agreement to adjust this advance amount in the event of any discontinuance of business with GE that is not due to breach of duty or default by FCS. Datum sent a lawyers notice alleging non-payment with regard to monthly obligations ranging upwards to USD 3 million. The Company filed a reply to the notice giving exact gross margin monthly calculations denominating that it is Datum in fact who owes USD 125, 643.41 to the Company. No response has been received from Datum as yet. However, Datum, which was in chapter 11 of the bankruptcy proceedings in US Court, has moved a motion to convert their bankruptcy to chapter 7 for liquidation of its assets & closure of its business.
- (B) **Against Group Company of FCS viz. Enstaserv eServices Ltd.** (earlier known as FCS Technologies Ltd.)
Show Cause Notice issued by Registrar of Companies (ROC): A show cause notice under section 75(4) of the Companies Act, 1956 was issued by the Registrar of Companies Delhi and Haryana to FCS Technologies Limited (FCSTL) and Mr. Dalip Kumar, Promoter and Managing Director of the Company due to late filing of statutory form required under the Companies Act, 1956, reply to the show cause notice was filed by the FCSTL within the requisite time and the matter was referred to Company Law Board ('CLB') for adjudication. The CLB vide its order dated April 29, 2005 has compounded the offences on payment of Rupees 500 by each director. The matter is now decided and no further proceedings are pending before any court or tribunal.

Management Perception:

Keeping in view the amount involved in the above cases, Management feels that these would not materially adversely affect the operations of FCS.

B. External Risk Factors

1. Risk in respect of policies and political situation in India

The Company's performance is linked to the policies and the political situation in India.

Management Perception

Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Any change in the direction of economic policies as also specific policies relating to IT companies could affect the company. Significant changes in India's economic liberalization and deregulation policies could affect business and economic conditions in India and impact company's business.

2. Risk in relation to change in tax incentives

Reduction or termination of Company's tax incentives will increase its tax liability and reduce the company's profitability.

Management Perception

Currently, the company is getting benefit from certain tax incentives under Section 10A of the Income Tax Act for

the IT services that we provide from specially designated “Software Technology Park”. As a result of these incentives, our operations in India have been subject to relatively low tax liabilities. We believe that as a result of recent amendments and clarifications to Section 10A of the Income Tax Act, these tax incentives will continue to be available to us following the Transfer. Under current laws, the tax incentives available to these units terminate on the earlier of the ten year anniversary of the commencement of operations of the unit or March 31, 2009. However, the company cannot assure the shareholders that it will continue to benefit from these incentives after the Transfer. When these tax incentives expire or terminate, the tax expense will materially increase, reducing company’s profitability. Further, the Government of India could enact laws in the future that may adversely impact tax incentives and consequently, company’s tax liabilities and profits.

3. *Dependence on satellite and communication system*

The Company is heavily dependent on satellite and telephone communication systems.

Management Perception

Any significant loss of the Company’s ability to transmit data through satellite and telephone communications could have a material adverse affect on the Company’s results of operations and financial conditions.

4. *Risk in relation to dependence on other countries political scenario*

Political opposition to offshore outsourcing in the United States, and other countries where the company operate could adversely affect the Company’s Business.

Management Perception

Outsourcing is seen as a ‘threat to local jobs’ and this trend has been seen even in pro-market economies like USA. This could be aided by restrictions on work permits; H1B or L1 visas and policy changes that appease the anti-outsourcing lobby in many countries. Any changes in the United States to existing laws or the enactment of new legislation restricting offshore outsourcing, may adversely impact our business and profitability.

5. *Foreign exchange fluctuation risk*

As a significant percentage of the company’s revenues are denominated in U.S. Dollars and other foreign currencies and a significant percentage of its costs are denominated in Indian Rupees, the company faces the risk of fluctuating exchange rates.

Management Perception

Most of the company’s revenues are from exports and in foreign currency. Exchange rates have been fluctuating and in the past Indian Rupee have appreciated against US Dollar leading to the net revenue coming down as also the profit margins. This may fluctuate substantially in future also. The Company currently does not hedge any of its Rupee-US Dollar foreign currency exposures. It expects more growth in revenue from US in the next 2-3 years and thus its revenue and margin will be significantly impacted by exchange fluctuations.

6. *Wage pressures*

Wages pressures in India may prevent the Company from sustaining its competitive advantage and may reduce its profit margins.

Management Perception

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of the Company’s competitive strengths. However, wage increases in India may prevent the Company from sustaining this competitive advantage and may negatively affect the Company’s profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. The Company may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on the Company’s business, results of operation and financial condition.

7. *High Attrition Rate in IT Industries*

The attrition rate in the IT industry is high and low availability of skilled manpower & high rate of employee turnover in the industry will lead to additional cost for investing in employee’s training.

Management Perception

In IT Industry, execution of current and future projects and to obtain new customers depends, in large part, on the Companies ability to attract, train, motivate and retain highly skilled personnel, particularly project managers, project leaders and domain experts. There is significant demand for personnel who possess the skills needed to perform the IT services. The majority of departing employees comprises highly-trained IT personnel, such as software engineers and project managers with three to four years experience, many of whom joined competing companies. Any increase in the Company’s attrition rates, particularly the rate of attrition for experienced software engineers and project managers and leaders, would adversely affect its growth strategy. Accordingly, the Company cannot assure that it will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, it cannot assure that it will be able to re-deploy and re-train its technical personnel to keep pace with continuing changes in IT, evolving technologies and changing customer preferences. This may attract additional cost for investing in employee’s training to the Company. However, the company has been promoting and believes in promoting work culture, core values and compensation attractive enough to motivate its employees and also has plans to offer ESOS/ESPS to its employees for enhancing the motivation levels of its employees.

8. **Post-IPO volatility in the stock market**

After the Issue, the price of the Company's equity shares may be volatile, or an active trading market for the Company's Equity Shares may not develop.

Management Perception

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; the Company's results of operations and performance; performance of the Company's competitors, the Indian information technology industry, information technology enabled services industry and the perception in the market about investments in the information technology sector; adverse media reports on the Company or the Indian information technology enabled services industry; changes in the estimates of the Company's performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal and environmental regulations.

There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

9. **Effects of acts of terror**

Terrorist attacks and other acts of violence or war involving India, the United States and other countries could adversely affect the Company's business, results of operations and financial condition.

Management Perception

Since major part of the company's revenues are from abroad, terrorist attacks or regional conflicts and such acts of violence will significantly hurt its revenues. Such acts impose more restrictions on travel, reduces commitment of customers to grow business relationships, adversely affects the financial markets and all these in turn will adversely affect the company's business.

NOTES TO RISK FACTORS :

1. The investors are advised to refer to the paragraph on "Basis for Issue Price" in page no. 56 before making an investment in this Issue.
2. The average cost of acquisition of Equity Shares of the Promoter is Rs. 10/- each (excluding the Equity Shares issued to them for consideration other than cash).
3. The Book Value per share as on March 31, 2005 was Rs. 38.62 per share.
4. The Net Worth of the company as on March 31, 2005 was Rs. 4054.91 Lakhs.
5. Size of the Present Issue – Public Issue of 35,00,000 Equity Shares of Rs.10/- each for a cash at premium of Rs. 40/- per share aggregating to Rs. 1750 Lakhs.
6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with BSE (The Designated Stock Exchange) as per the prevailing guidelines in this regard.
7. The investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
8. The Company has entered into the following related party transactions. As on March 31, 2005 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

| Name | Relation / Designation in the Company | Amount (Rs. in lakhs) |
|---|--|------------------------------|
| Unsecured Loans | | |
| Promoter viz. Mr. Dalip Kumar | Promoter & Managing Director | 35.29 |
| Loans & Advances to Key Managerial Personnel | | |
| Mr. Anil Sharma | V.P.-Finance | 0.58 |
| Mr. Raj Rattan Pugalia | C.F.O. | 0.33 |
| Mr. Vineet Narang | V.P.-Strategic Planning & Business Development | 0.40 |
| Mr. Anoop Srivastava | Project-Manager | 0.40 |
| Mr. Krishan Kant | Whole Time Director | 1.79 |

9. Besides above, the reimbursement of expenses incurred or normal remuneration or benefits there is no interest of promoters/ventures of promoters/directors/key managerial personnel in FCS.
10. No part of the issue proceeds is to be paid as consideration to the promoter/ directors/ key management personnel or group companies.

**PART I
GENERAL INFORMATION**



FCS SOFTWARE SOLUTIONS LIMITED

(Incorporated as a Private Limited Company at Ambala on 5th May 1993 as "Fateh Computer Services Private Limited" under the Companies Act, 1956, converted into Public Limited Company under the name "Fateh Computer Services Limited" on 29th day of December 1999 and subsequently renamed as "FCS Software Solutions Limited" effective from 19th April, 2000)

Registered Office: 54 EHTP, Sector 34, Gurgaon - 122001, Haryana, India

Tel : (0124) 2372504 **Fax :** (0124) 2372504

Corporate Office: A - 86, Sector 57, Noida - 201301, U.P., India

Tel: (0120) 3061100 **Fax :** (0120) 3061111

Email: investors@fcsltd.com **Website :** www.fcsltd.com

AUTHORITY FOR THE ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of Equity Shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on 10th December, 2004 and a resolution passed by the Board of Directors at its meeting held on 17th December, 2004.

Eligibility for the Issue

The Company is eligible for this Issue as per Clause 2.2.1 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 as explained under:

- We have net tangible assets of atleast Rs. 3 Crores in each of the preceding 3 full years (of 12 months each) of which not more than 50% is held in monetary assets.
- We have a track record of distributable profits as per Section 205 of Companies Act, 1956 for at least three out of immediately preceding five years;
- We have a pre-Issue Net Worth of not less than Rs.100 Lakhs in each of the preceding three years (of 12 months each)
- The proposed Issue size would not exceed five times the pre-Issue networth as per the audited accounts for the year ended March 31, 2005.

(Rs. in Lakhs)

| Financial Year | 2000-2001 | 2001-2002 | 2002-03 | 2003-04 | 2004-05 |
|---|------------------|------------------|----------------|----------------|----------------|
| Net Tangible Assets | 2456.28 | 2502.18 | 2520.02 | 3209.15 | 4150.10 |
| Monetary Assets | 147.82 | 660.27 | 985.75 | 1831.52 | 1039.16 |
| Distributable Profit after tax | 800.40 | 196.63 | 110.80 | 706.05 | 925.89 |
| Adjusted Distributable Profit after tax | 800.40 | 196.63 | 110.80 | 706.05 | 925.89 |
| Net Worth | 2154.24 | 2350.00 | 2436.92 | 3141.76 | 4054.91 |

- (1) Net Tangible Assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and secured as well as unsecured long term liabilities and non trade investments).
- (2) Monetary Assets are defined as the sum of cash on Hand, Non Trade Investments, Balance with Scheduled Bank in Current accounts and Fixed Deposits and balance with Post Office Savings account.
- (3) Net worth includes equity share capital and reserves (*net of miscellaneous expenditure not written off*)
- (4) The above adjusted distributable profits as per Section 205 of the Companies Act have been calculated from the audited financial statements of the respective year / period after making adjustments for restatement of financial statements.

GOVERNMENT APPROVALS

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government authorities required for its present business and no further approvals are required for carrying on the present business as well as proposed business except as mentioned below.

The Company has received the following approvals/licenses/permissions:

1. Approval no. 5(4)/94/52/2669 dated 29th November, 1994 as 100% EOU in Noida under Software Technology Parks of India Scheme issued by Dy. Director, Software Technology Parks of India, Ministry of Communications and

- Information Technology, Department of Information Technology, Govt. of India which is valid upto 31st March 2007.
2. Green Card No. DOE/STPN/2006/1472 under Software Technology Parks of India Scheme issued by Dy. Director, Software Technology Parks of India, Ministry of Communications and Information Technology, Department of Information Technology, Govt. of India valid upto 31st March, 2006.
 3. Permanent Account Number (PAN) issued by the Income Tax, New Delhi, bearing number AAACF 0325-L pursuant to Section 139 A (5) read with Section 272 A (d) of the Income Tax Act, 1961.
 4. Certificate of Importer-Exporter Code (IEC) bearing no. 5196000992 issued by Director, Software Technology Parks of India (Society under Govt. of India, Department of IT) vide file no.51/04/130/0099/AM97/ dated 08.04.2002.
 5. License no. 2/STP/DII/97 for private customs bonded warehouse issued by Assistant Commissioner, Customs & Central Excise, Noida, under Section 58 of Customs Act, 1962 which is valid upto 31st March 2007.
 6. UP Trade Tax Registration bearing number ND0075644 issued under rule 57 of the Uttar Pradesh Trade Tax Rules, 1948 dated July 11 1996 by the Trade Tax Department, Noida, UP.
 7. Certificate of Registration bearing number NJ-1890 (R) dated May 2,1997 issued under UP Trade Tax Act, 1948 issued by the Trade Tax Department, Noida, UP.
 8. Certificate of Registration bearing number ND: 5072287 dated May 15, 1996 issued under Central Sales Tax Regulations, 1957 issued by the Trade Tax Department, Noida, UP.

It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of the Company or for the correctness of any of the Statements or any commitments made or opinions expressed.

PROHIBITION BY SEBI

The Company, its Directors, its Promoters, other companies /entities promoted by its Promoters, and companies/entities with which its Directors are associated with as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. The Listing of any securities of the Issuer has never been refused at any time by any of the Stock Exchanges in India

SEBI DISCLAIMER CLAUSE

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR FOR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGERS, M/S ALLIANZ SECURITIES LTD., HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER M/S ALLIANZ SECURITIES LTD., HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 24th DECEMBER, 2004, IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

- i.) **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;**
- ii.) **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT

- (a) **THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY**

IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

- (c) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- (d) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**
- (e) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITER TO FULFILL THEIR UNDERWRITING COMMITMENTS.**

THE FILING OF OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN OFFER DOCUMENT.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE MUMBAI (The Designated Stock Exchange)

The Stock Exchange, Mumbai ("the Exchange") (the Designated Stock Exchange) has given vide its letter dated January 28, 2005 permission to FCS SOFTWARE SOLUTIONS LIMITED to use the Exchange's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- (a) warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus, or
- (b) warrant that the Company's securities will be listed or will continue to be listed on the respective Exchanges, or
- (c) take any responsibility for the financial or other soundness of this Company or its promoters, its management or any scheme or project of the Company.

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: NSE/LIST/11785-3 dated March, 29, 2005 and further vide its Ref:NSE/LIST/14409-Y dated June 23, 2005 permission to the Company to use the Exchange's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER FROM THE ISSUER

Investors may note that the Company accepts no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at the instance of the Company or the Lead Manager and that anyone placing reliance on any other source of information would be doing so at their own risk.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (Subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and

invest in shares) and to NRIs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation to such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this issue will be subject to the jurisdiction of appropriate court(s) in Haryana only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for its observations and SEBI has given its observations and the final Prospectus has been filed with ROC as per the provisions of Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

FILING OF PROSPECTUS WITH THE BOARD AND ROC

A copy of this Prospectus, alongwith the documents required to be filed under Section 60 of the Companies Act, 1956, having being attached thereto, has been delivered for registration to the Registrar of Companies, Delhi & Haryana.

A copy of the Prospectus has been filed with SEBI at Delhi, BSE & NSE.

LISTING

The initial listings applications have been made to The Stock Exchange, Mumbai (Designated Stock Exchange) and The National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act 1956.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

THE ISSUER ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN IN THIS PROSPECTUS AND CONFIRMS THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKE ANY STATEMENT IN THIS OFFER DOCUMENT MISLEADING AND THEY FURTHER CONFIRM THAT THEY HAVE MADE ALL REASONABLE INQUIRIES TO ASCERTAIN SUCH FACTS. THE ISSUER FURTHER DECLARES THAT THE STOCK EXCHANGES TO WHICH AN APPLICATION FOR OFFICIAL QUOTATION IS PROPOSED TO BE MADE DO NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THIS OFFER OR FOR THE PRICE AT WHICH THE EQUITY SHARES ARE OFFERED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS OFFER DOCUMENT.

THE PROMOTERS/DIRECTORS DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS PROSPECTUS HAS BEEN SUPPRESSED, WITHHELD AND/OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPILING AT ANY POINT OF TIME TILL ALLOTMENT/REFUND, AS THE CASE BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/ WITHHELD AND/OR AMOUNTS TO A MIS-STATEMENT/MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL THE SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

IMPERSONATION

As a matter of abundant caution, attention of applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, 1956 which is reproduced below:

“Any person who -

- a) makes in a fictitious name an application to a company for acquiring, or subscribing for any shares therein,**
or
 - b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name**
- shall be punishable with imprisonment for a term which may extend to five years.”**

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

ISSUE OF REFUND ORDERS

The Company shall give credit to the Beneficiary Account with DPs within two working days of finalisation of the basis of allotment of Equity Shares. The Refund orders shall be despatched within a period of 10 weeks and in case of any delay in refund, interest shall be paid at the prescribed rate under section 73(2) /73(2A) of the Companies Act, 1956. The company shall despatch Refund Orders, if any, of value upto Rs. 1500/- by "Under Certificate of Posting", and will dispatch Refund Orders above Rs. 1500, if any, by registered post or speed post at the sole or first applicant's risk.

In accordance with the Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- The Allotment and the transfer of Equity Shares will be made only in dematerialised form within 30 days from the Issue Closing date.
- Dispatch of Refund Orders will be done within 30 days from the Issue Closing Date.
- The Company shall pay the interest at 15% per annum (for delay beyond 30 days time as mentioned above), if transfer is not made, Refund Orders are not dispatched and/or demat credit are not made to investors with 30 days as prescribed above.

The Company will provide adequate funds to the Registrars to the Issue, required for the dispatch of Refund Orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Bank(s) appointed by the Company, as refund banker(s) and payable at par at places where applications are received. Bank charges, if any, for encashing such cheques or pay orders or demand drafts at other centres will be payable by the applicants.

ISSUE PROGRAMME

The subscription list will open at the commencement of banking hours and will close at the close of banking hours on the dates as mentioned below:

Issue Opens on : August 22, 2005

Issue Closes on : August 26, 2005

| ISSUE MANAGEMENT TEAM | |
|---|---|
| LEAD MANAGERS TO THE ISSUE | REGISTRAR TO THE ISSUE |
| <p>Allianz Securities Limited 2nd Floor, 3 Scindia House, New Delhi-110001 Tel: 91-11 - 51514666 Fax: 91-11 - 51514665 E-mail: fcsipo@aslfinancial.com Website : www.aslfinancial.com Contact Person : Ms. Devinder Pal Kaur</p> | <p>Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400078. Tel.: 91-22 - 5555 5491-94 Fax : 91-22 - 5555 5499 Email: fcssoft@intimespectrum.com Website : www.intimespectrum.com Contact Person : Mr. Vishwas Attavar</p> |
| BANKERS TO THE ISSUE | |
| <p>ICICI Bank Limited 30, Mumbai Samachar Division Fort, Mumbai – 400001 Tel: 91-22 – 2655285/2655206 Fax: 91-22 - 2611138 E-mail: mumbai@icicibank.com</p> <p>HDFC Bank Limited 26A, Naian Properties off Saki Vihar Road, Chandivalli, Andheri (East) Mumbai-400072 Tel: 91-22 - 28569228 Fax: 91-22 - 28569256 E-mail: clayton.mendoca@hdfc.com</p> | <p>Canara Bank Capital Market Services Branch, Jeevan Bharti Building, Sansad Marg, New Delhi - 110 001 Tel: 91-11 - 23356864 Fax: 91-11 -23719542 E-mail: del2471@canbank.co.in</p> |

| LEGAL ADVISORS TO THE ISSUE | BANKERS TO THE COMPANY |
|--|---|
| M/s. Rajinder Narain & Co. Solicitors & Advocates Maulseri House, 7, Kapashera Estate, New Delhi-110037 Tel: 91-11 - 25065000/25069910-15 Fax: 91-11 - 25069919/25063580 E-mail: inbox@mclegal.com | Canara Bank Overseas Branch (Main), Amba Deep Building, 3rd Floor, 14, K.G. Marg, New Delhi - 110 001 Tel: 91-11 – 23322283/233196108 Fax: 91-11 - 23311535 Centurion Bank Limited A-1, Sector-19, Noida-201301 Tel.: 91-120-2542978/2542979 Fax: 91-120-2543114 |
| AUDITORS TO THE COMPANY | COMPLIANCE OFFICER |
| M/s. SPMG & CO. 3322A, 2 nd Floor Bank Street, Karol Bagh, New Delhi-110005 Tel: 91-11-25817385, 25728769 Fax: 91-11-25817385 | Mr. Raj Ratan Pugalia Chief Financial Officer FCS Software Solutions Limited A-86, Sector 57, Noida, India Tel: 91-0120 - 3061100 Fax: 91-0120 - 3061111 Email: investors@fcsLtd.com |

The Investors are requested to contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of share certificate/ refund orders, non-credit in demat account etc.

CREDIT RATING/DEBETURE TRUSTEES

Since the proposed Issue is of equity shares, no credit rating or appointment of debenture trustees is required.

UNDERWRITING OF THE ISSUE

The Issue is proposed to be fully underwritten as mentioned below:-

| S. No. | Name & Address of the Underwriter | Date of Agreement | Amount Underwritten (Rs. In Lakhs) |
|---------------|--|--------------------------|---|
| 1. | Allianz Securities Limited 2 nd Floor, 3 Scindia House, New Delhi-110001 | June 3, 2005 | 437.50 |
| 2. | Enam Financial Consultants Private Limited Khatau Building, 2 nd Floor, Bank Street, Off Saheed Bhagat Singh Marg, Fort, Mumbai – 400 023 | June 3, 2005 | 1312.50 |
| | Total | | 1750.00 |

In the opinion of the Board and the Lead Merchant Banker, on basis of the declaration given by the Underwriters, the assets of the above-mentioned Underwriters are adequate to meet their underwriting obligations in full. The Underwriters referred above have obtained Certificate of Registration from SEBI under the SEBI (Underwriters) Regulations, 1993 or the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992. The above Underwriting Agreements have been accepted by the Board at their meeting held on June 3, 2005.

II. CAPITAL STRUCTURE OF THE COMPANY

| | | Amount (Rs.) | |
|--|---|--------------|--------------|
| | | Face Value | Total Value |
| A. Authorized Share Capital | | | |
| 1,50,00,000 | Equity shares of Rs.10/- each | 15,00,00,000 | 15,00,00,000 |
| B. Issued, Subscribed and paid-up capital | | | |
| 1,05,00,000 | Equity shares of Rs.10/- each | 10,50,00,000 | 10,50,00,000 |
| C. Present Public Issue | | | |
| 35,00,000 | Equity Shares of Rs.10/- each at a premium of Rs. 40/- per Share for cash | 3,50,00,000 | 17,50,00,000 |
| D. Paid up capital after the Issue | | | |
| 1,40,00,000 | Equity shares of Rs.10/- each | 14,00,00,000 | 28,00,00,000 |
| E. Share Premium Account | | | |
| Before the Issue | | | — |
| After the Issue | | | 14,00,00,000 |

1. Details of Increase/ Re-classification in Authorised Capital

| S. No. | Particulars of Increase | Date of Meeting |
|--------|---|--------------------------------|
| 1. | Rs. 75,00,000 | Incorporation |
| 2. | From Rs. 75,00,000 to Rs. 1,25,00,000 | 25 th March 1998 |
| 3. | From Rs. 1,25,00,000 to Rs. 4,00,00,000 | 27 th March 1999 |
| 4. | From Rs. 4,00,00,000 to Rs. 12,00,00,000 | 29 th December 1999 |
| 5. | From Rs. 12,00,00,000 to Rs. 15,00,00,000 | 30 th March 2000 |

NOTES FORMING PART OF THE CAPITAL STRUCTURE:

1. Capital History of FCS Software Solutions Ltd. (Capital build up)

| Date of Allotment | No. of Shares | Face Value per share (Rs.) | Total Paid-up Capital (Rs.) | Issue Price | Consideration | Description |
|-------------------|--------------------|----------------------------|-----------------------------|-------------|------------------|---|
| 05.05.93 | 300 | 100 | 30,000 | 100 | Cash | Subscription of Memorandum of Association |
| 27.03.97 | 74,700 | 100 | 74,70,000 | 100 | Cash | Promoters, Friends & Relatives |
| Sub-Total | 75,000 | 100 | 75,00,000 | - | - | |
| 27.03.1999 | 7,50,000 | 10 | 75,00,000 | - | - | The equity share of the face value Rs.100/- were subdivided into shares with face value of Rs.10/- each vide resolution passed by shareholders of Company on 27 th March 1999. |
| 29.03.99 | 5,00,000 | 10 | 50,00,000 | 10 | Cash | Promoters, Friends & Relatives |
| 29.03.99 | 27,50,000 | 10 | 2,75,00,000 | 10 | Cash | Promoters, Friends & Relatives |
| 29.09.99 | 30,00,000 | 10 | 3,00,00,000 | 10 | Against Reserves | Bonus in the ratio of 3:4 |
| 20.04.00 | 35,00,000 | 10 | 3,50,00,000 | 10 | Against Reserves | Bonus in the ratio of 1:2 |
| TOTAL | 1,05,00,000 | | 10,50,00,000 | | | |

2. Promoters' Contribution and Lock-in Period:

The Promoters' Contribution and lock-in in respect of minimum contribution of atleast 20% and the remaining contribution is as follows:

| Name | Date of Allotment/ transfer and Fully Paid-up | Consideration | No. of Shares | Face Value (Rs.) | Issue Price/ Transfer Price | % of post-Issue Capital | Lock-in Period |
|-----------------|---|---------------|---------------|------------------|-----------------------------|-------------------------|----------------|
| Mr. Dalip Kumar | 20.04.2000 | Bonus | 3496503 | 10 | - | 24.975 | 3 Years |
| | 29.09.1999 | Bonus | 2997000 | 10 | - | 21.41 | 1 Year |
| | 29.03.1999 | Cash | 3249400 | 10 | 10 | 23.21 | 1 Year |
| | 27.03.1999* | Cash | 746600 | 10 | 10 | 5.33 | 1 year |

*On 27th March, 1999, the equity shares of the face value of Rs. 100/- each were subdivided into Equity Shares of Rs. 10/- each.

The lock in period shall commence from the date of allotment of shares in the Public Issue. Other than the above, the entire pre-issue capital of the Company shall be locked-in for a period of one year from the date of allotment of shares in the public issue. The Equity Shares held by the persons other than the Promoters may be transferred to any other person holding shares prior to the issue, subject to the continuation of the lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

The Equity Shares to be held by the Promoters under lock-in period shall not be sold/ hypothecated/transferred during the lock-in period. However, the Equity Shares held by the Promoters, which are locked-in may be transferred to and/or among the Promoter Group or to a new Promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. The Promoter may pledge their Equity Shares with the Banks or Financial Institutions as additional security for loans whenever availed by them from Banks or Financial Institutions.

3. The Promoter viz. Mr. Dalip Kumar and their Associates hold 1,04,98,428 Equity Shares of face value of Rs. 10/- each as on August 9, 2005 which constitutes 99.99 % of the aggregate Equity Share Capital of the Company, the details of which are as under :

| Particulars | No. of Equity Shares | % of Equity Shares |
|---------------|----------------------|--------------------|
| Dalip Kumar | 1,04,89,503 | 99.900 |
| Janak Sharma | 6,300 | 0.060 |
| Neelam Sharma | 2,625 | 0.025 |
| Total | 1,04,98,428 | 99.985% |

4. Shares issued for consideration other than cash

The Company has not issued any shares for consideration other than cash except those mentioned in the above table.

5. Shareholding Pattern of the Company before and after the Issue:

| Shareholder | Before the Issue | | After the Issue | |
|---------------------|------------------|--------|-----------------|--------|
| | No. of Shares | % | No. of Shares | % |
| Promoter Group | 1,04,98,428 | 99.985 | 1,04,98,428 | 74.99 |
| Employees & Friends | 1,572 | 0.015 | 1,572 | 0.001 |
| Public | - | - | 35,00,000 | 25.00 |
| Total | 1,05,00,000 | 100.00 | 1,40,00,000 | 100.00 |

6. The Promoter/ Directors have not purchased and/or sold /financed any shares of the Company during last 6 months.

7. Details regarding Major Shareholders

The details of top 10 shareholders of the Company and the number of shares held by them are as under:

a) As on date of filing of this Prospectus with ROC

| Particulars | No. of Equity Shares | % of Equity Shares |
|-------------------|----------------------|--------------------|
| Dalip Kumar | 1,04,89,503 | 99.900 |
| Janak Sharma | 6,300 | 0.060 |
| Neelam Sharma | 2,625 | 0.025 |
| Geeta Agarwal | 262 | 0.002 |
| Renu Sharma | 262 | 0.002 |
| Kiran Singh | 262 | 0.002 |
| Labh Singh | 262 | 0.002 |
| Gyanendra Agarwal | 262 | 0.002 |
| R.K. Sharma | 262 | 0.002 |
| TOTAL | 1,05,00,000 | 100.000 |

b) 10 days prior to the date of filing of this Prospectus with ROC

| Particulars | No. of Equity Shares | % of Equity Shares |
|-------------------|----------------------|--------------------|
| Dalip Kumar | 1,04,89,503 | 99.900 |
| Janak Sharma | 6,300 | 0.060 |
| Neelam Sharma | 2,625 | 0.025 |
| Geeta Agarwal | 262 | 0.002 |
| Renu Sharma | 262 | 0.002 |
| Kiran Singh | 262 | 0.002 |
| Labh Singh | 262 | 0.002 |
| Gyanendra Agarwal | 262 | 0.002 |
| R.K. Sharma | 262 | 0.002 |
| TOTAL | 1,05,00,000 | 100.000 |

c) Two years prior to the date of filing of this Prospectus with ROC

| Particulars | No. of Equity Shares | % of Equity Shares |
|-------------------|----------------------|--------------------|
| Dalip Kumar | 1,04,89,503 | 99.900 |
| Janak Sharma | 6,300 | 0.060 |
| Neelam Sharma | 2,625 | 0.025 |
| Geeta Agarwal | 262 | 0.002 |
| Renu Sharma | 262 | 0.002 |
| Kiran Singh | 262 | 0.002 |
| Labh Singh | 262 | 0.002 |
| Gyanendra Agarwal | 262 | 0.002 |
| R.K. Sharma | 262 | 0.002 |
| TOTAL | 1,05,00,000 | 100.000 |

8. The Company / Promoters/Directors/ Lead Managers have not entered into any “buy back” or “stand by” or similar arrangement for purchase of Equity Shares issued by the Company through this Prospectus.
9. There are no “bridge loans” from any bank taken by the company for any purpose whatsoever or against the proceeds of the Issue.
10. The Company has not issued any shares out of revaluation reserves. The company has not issued any shares for consideration other than cash except for the bonus shares, which have been issued out of free reserves.
11. The Company undertakes that there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed or all monies have been refunded to all investors.
12. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except for the issue of the shares/security convertible into equity shares under ESPS and ESOS adopted by the company, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.

13. Investors may note that in the event of over-subscription, allotment will be on a proportionate basis as detailed in para on “Basis of Allotment” on page no. 16.
14. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer to a minimum allotment being equal to 100 which is the minimum application size in this Issue, while finalizing the allotment.
15. Equity Shares offered through this public Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of Equity Shares.
16. The Company will not come out with any public or rights issue of equity shares or any security convertible into equity shares at a later date unless the partly paid up shares have been fully paid or forfeited in a manner specified in Clause 8.6.2 of SEBI (DIP) Guidelines, 2000
17. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
18. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.
19. The company has 9 shareholders as on August 9, 2005.
20. The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture or any instrument which would entitle them to acquire further shares of the Company except to the extent of Equity Shares to be issued under ESPS and ESOS adopted by the Company.
21. FCS has vide its Special resolution dated 10th December, 2004 approved the Employees Stock Option Scheme under Section 79A of the Companies Act, 1956, under which it has consented to issue options convertible into Equity Shares to its Employees as defined in the said Scheme. The maximum of 7,53,000 options, as has been approved by the members of the Company, can be granted under the Scheme, after the issue is completed. As per Clause 15.3 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the disclosure required to be made in the Prospectus is as follows:-

| | | |
|-----|--|---|
| (a) | Options granted | Nil |
| (b) | The pricing formula | Rs. 10/- per share (Face Value Rs.10/-) |
| (c) | Options vested | Nil |
| (d) | Options Exercised | Nil |
| (e) | The total number of Shares arising as a result of Exercise of Options | Not applicable |
| (f) | Options lapsed | Not applicable |
| (g) | Variation of terms of options | Not applicable |
| (h) | Money realized by exercise of Option | Not applicable |
| (i) | Total Number of Options in force | 7,53,000 |
| (j) | Employee-wise details of Options Granted to <ul style="list-style-type: none"> • Permanent Employees (Senior Managerial Personnel only) of the Company working in India or out of India (if any) or • Directors of the Company whether Whole Time Director or not; • Any other employee who receive a grant in any one year of Option amounting to 5% or more of Option granted during that year: • Identified employees who were granted Options, during any one-year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | Not Applicable |
| (k) | Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 ‘Earning Per share’. | No options granted |
| (l) | Where the Company has calculated the Employee Compensation cost using the intrinsic value of the Stock Options, the difference between the Employee Compensation Cost so computed and the Employee Compensation Cost that shall have been recognized if it had used the fair value of the options. | Options have been priced at the face Value of Rs. 10/- per share. |
| (m) | Weighted Average Exercise Prices and weighted average fair value of Options | Not applicable |
| (n) | Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average: <ul style="list-style-type: none"> (i) Risk-free interest rate (ii) Expected life (iii) Expected Volatility (iv) Expected Dividends (v) The Price of the underlying shares in the market at the time of option grant | Not applicable |

Disclosures required as per Clause 15.3

| | | |
|-----|---|--|
| (a) | The impact on the profits and on the EPS of the last three years if the company had followed the accounting policies specified in clause 13 in respect of options granted in the last three years. | Not Applicable |
| (b) | The intention of the holders of shares allotted on exercise of option granted under ESOS to sell their shares within three (3) months after the date of listing of shares in such IPO (aggregate number of shares intended to be sold by option holders), if any. | Not applicable as options yet to be granted. |
| (c) | The intention to sell shares arising out of ESOS within three (3) months after the date of listing, by directors, senior managerial personnel and employees having ESOS or ESOS shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions), which inter-alia shall include name, designation and quantum of ESOS or ESOS shares and quantum they intend to sell within three (3) months. | Not applicable as options yet to be granted. |
| (d) | Any disclosure / detail in respect of options/shares issued in last three (3) years (separately for each year) and on a cumulative basis for all the options/shares issued prior to date of the prospectus. | Not Applicable |

22. FCS also intends to grant 1,10,000 Equity Shares at Rs. 10/- per share to select employees of the Company, pursuant to an Employee Stock Purchase Scheme (ESPS) that was adopted at its Extra Ordinary General Meeting held on 10th December, 2004. The Equity shares to be issued and allotted under ESPS constitutes 0.78% of the post-issue paid up capital of the Company.

The Company expects to issue these Equity Shares simultaneously with the allotment of Equity Shares to be issued under this Public Issue subject to compliance with applicable laws and regulations relating to Stock Exchanges, SEBI, or any other authority.

The issue of Equity Shares in connection with the ESPS will result in a charge to the company's income statement equal to the product of such number of Equity Shares issued and the difference between the market price of our Equity Shares as on the date of their issue and the price (of Rs. 10/- per share) at which the employees will purchase the Equity Shares. At this stage, the company cannot indicate the market price and therefore, for indicative purposes only, the charge based on the issue price in the Initial Public Offering, which is Rs. 50/- per Share, and assuming that the Company issue shares representing 0.78% of post-Issue paid-up capital, the charge would be approximately Rs. 44 lakhs.

III. TERMS OF THE ISSUE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The Equity Shares, now being offered, are subject to the terms and conditions of this Prospectus, the Application Form, the Memorandum & Articles of Association of the Company, the guidelines for listing of securities issued by Government of India and guidelines issued by SEBI from time to time, the Depositories Act and the provisions of the Act.

In addition, the Equity Shares shall also be subject to such other terms and conditions as may be incorporated in the Share Certificates, as per guidelines, notifications and other regulations for the issue of capital and listing of securities laid down from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Equity Shares.

Terms of payments:

The application must be for a minimum of 100 equity shares and thereafter in multiples of 100 equity shares. The Offer Price of the equity shares is Rs. 50/- per share, which is five times of the face value. The Offer Price is payable as under:

| | Towards Principal | Towards Premium | Total |
|----------------|--------------------------|------------------------|------------------|
| On Application | Rs. 5.00 | Rs. 20.00 | Rs. 25.00 |
| On Allotment | Rs. 5.00 | Rs. 20.00 | Rs. 25.00 |
| TOTAL | Rs. 10.00 | Rs. 40.00 | Rs. 50.00 |

In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be adjusted against the amount payable on allotment and the balance, if any, shall be refunded by the Company to the applicants.

INTEREST IN CASE OF DELAY IN DISPATCH OF REFUND ORDERS

FCS Software Solutions Limited agrees that, as far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of the issue. FCS Software Solutions Limited further agrees that it shall pay interest @ 15% per annum if refund Orders have not been dispatched to the applicants within 30 days from the aforesaid date. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

MARKET LOTS

In terms of section 68B of the Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of the existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialized mode, the tradable lot is 1 Equity Share.

RANKING OF EQUITY SHARES

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of the Company, rank pari-passu in all respects to the existing Equity Shares of the Company except the lock-in provisions applicable as per SEBI Guidelines in respect of exiting Equity Shares as mentioned in the "Notes to Capital Structure".

RIGHTS OF THE INSTRUMENT HOLDERS (RIGHTS OF MEMBERS)

1. Right to receive dividend, if declared
2. Right to attend general meeting and exercise voting rights unless prohibited by law.
3. Right to vote either personally or by proxy.
4. Right to receive offer for rights shares and be allotted bonus shares.
5. Right to receive surplus on liquidation.
6. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Act, the sole or first applicant, along with other joint applicants may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s) shall in accordance with Section 109A of

the Act, be entitled to the same advantage to which he would be entitled if he/she were the registered holder of the Equity Share(s). Where the nominee is minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company/Registrar.

In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by Board, elect either:

- To be registered himself or herself as holder of Equity Shares or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, Board may at any time give notice requiring any nominee to elect either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with in 90 (ninety) days, Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares until the requirements of the notice have been complied with.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

The Form 2A Memorandum, containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Corporate Office of the Company, Lead Managers to the Issue, Registrar to the Issue and at the collection centers of the Bankers to the Issue, as mentioned on the reverse of the Application Form.

Application may be made by

- (a) Indian Nationals resident of India who are Adult Individuals in single name or joint names (not more than three)
- (b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- (c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
- (d) Indian Mutual Funds registered with SEBI
- (e) Indian Financial Institutions & Banks
- (f) Venture Capital Funds / Foreign Venture Capital investors registered with SEBI.
- (g) State Industrial Development Corporation.
- (h) Insurance Companies registered with Insurance Regulatory and Development Authority.
- (i) Provident Funds with minimum corpus of Rs. 25 Crore.
- (j) Pension Funds with minimum corpus of Rs. 25 Crore.
- (k) Trusts who are registered under the Societies Registration Act, 1860 or any other trust law and are authorized under its constitution to hold and invest in shares
- (l) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- (m) Permanent and Regular employees of the Company
- (n) Non-Resident Indians (NRIs) on a non-repatriation basis
- (o) Foreign Institutional Investors (FIIs) registered with SEBI

Applications not to be made by

- Minors
- Foreign Nationals (except NRIs)
- NRIs on Repatriation basis
- Overseas Corporate Bodies (OCBs)
- Partnership firms or their nominees

SUBSCRIPTION BY NRIs/ FIIs

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. Investments made by NRIs/ FIIs are governed by the regulations contained in FEMA 20/2000-RB dated May 3, 2000 read with AP (DIR Series) Circular No.38 dated December 2, 2003 shall be applicable. It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with SEBI and all NRI and FII registered with SEBI, applicants will be treated on the same basis with other categories for the purpose of allotment.

A. GENERAL INSTRUCTIONS

1. Applications must be made in the prescribed Application Form and completed in Full in BLOCK LETTERS in

English as per the instructions contained herein and in the Application Forms and are liable to be rejected if not so made.

2. The application for Equity Shares should be for a minimum of 100 equity shares and in multiples of 100 shares thereafter.
3. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

4. Bank Account Details of Applicant:

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective space provided in the application form, to enable the Registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order (s). Application Forms without this information will be considered incomplete and will be liable to be rejected.

The name of the Applicant, Depository Participant's Identification (DPID) number and Beneficiary number provided by the Depository participant must be correctly mentioned in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as address, applicant's Bank Account Details and occupation from the depository participants. The refund orders, if any, will be printed with the Bank details as given by the Depository Participant.

5. Applications under Power of Attorney:

In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds, a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the Application Form, indicating the serial number of the Application Form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Application Form subject to such terms and conditions as it may deem fit.

6. PAN/ GIR Number

Where an application is for a total value of Rs. 50,000 or more, the applicant or in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. The copy of the PAN Card or PAN Allotment Letter is required to be submitted with application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

7. Joint Applications in the case of individuals

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the HUF and will be treated at par with individual applications.

9. Multiple Applications

An applicant should submit only one Application Form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same.

The Company reserves the right to accept or reject, in its absolute discretion, any or all multiple applications.

A separate single cheque/draft must accompany each Application Form.

10. Applications by Mutual Funds

In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

11. Stockinvest

Investors will not have facility of applying through stockinvest instrument in the issue as RBI has withdrawn the stockinvest scheme vide notification No.DBOD.NO.FSC.BC.42/24.47.001/2033-04 dated 5.11.2003.

Note:

- Applicants are requested to write their names and serial number of the Application Form, on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
- Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant Bank Certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

B. PAYMENT INSTRUCTIONS (FOR RESIDENT INVESTORS)

1. Payment shall be made only by way of cash or cheque/ demand draft (money/ postal orders will not be accepted) drawn on any Bank, including a co-operative Bank which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the application form is submitted, i.e. at designated collection centers.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form should be payable in the name of "A/c FCS – IPO" and crossed "A/C payee only". For e.g. "HDFC Bank – A/c FCS – IPO"
4. If the amount payable on application is Rs. 20,000 or more, such payment must be effected only by way of an account payee cheque or Bank draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

GROUND FOR TECHNICAL REJECTIONS

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:-

- a. Bank account details are not provided
- b. Age is not mentioned
- c. Application by Minors
- d. PAN or GIR number is not given if the value of the application is for Rs.50,000/- or more.
- e. A copy of PAN Card or PAN Allotment Letter is not submitted alongwith application form having value for Rs. 50,000/- or more.
- f. Multiple applications
- g. In case of applications under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted.
- h. Applications accompanied by Stock invests
- i. Application by OCBs
- j. Applications by NRIs on repatriation basis
- k. Applications not duly signed by the sole/joint applicants
- l. Application forms do not have the applicant's depository account details.
- m. Application not for a minimum of 100 shares or multiples of 100 thereafter.

FOR FURTHER INSTRUCTIONS REGARDING APPLICATIONS FOR THE EQUITY SHARES, INVESTORS ARE REQUESTED TO READ THE APPLICATION FORM CAREFULLY.

SUBMISSION OF COMPLETED APPLICATION FORMS

All applications duly completed and accompanied by cash/ cheques/ demand drafts shall be submitted at any of the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should NOT be sent to the Office of the Company, the Lead Managers to the Issue.

Application Forms alongwith bank Drafts payable at Mumbai can also be send by registered post with acknowledgement due to the Registrar to the Issue, Intime Spectrum Registry Limited so that the same can be received before the closure of the subscription list. **The envelope should be superscribed with the word "FCS" and marked to "the Head – IPO".**

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrars as detailed above and not otherwise.

For further instructions, please read the application form carefully.

ACCEPTANCE OF APPLICATIONS

The Company reserves the rights to accept or reject, any application, in whole or in part, without assigning any reasons thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post, Speed Post or UPC as the case may be, to the applicant. If the Application Form is accepted in part, the excess application money will be refunded to the Applicant. Such refund if any will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

BASIS OF ALLOTMENT

In the event of public issue of equity shares being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. 100 shares as explained below:

1. A minimum 50% of the net Issue to the Indian public including NRIs on non-repatriation basis will be made available for allotment in favour of those individual applicants who have applied for equity shares of or for a value not more than Rs. 50,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines.
2. The balance of the Net Issue to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of equity shares of or for a value of more than Rs. 50,000/-.
3. The unsubscribed portion of the net issue to any of the categories specified in (1) or (2) shall be made available for allotment to applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. All the Application Forms where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - i. Each successful applicant shall be allotted a minimum of 100 Shares; and
 - ii. The successful applicants out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (5) above.
7. If the proportionate allotment to an applicant works out to a number that is more than 100 but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and if that fraction is lower than 0.50, the fraction shall be ignored.
8. All applicants in such categories shall be allotted shares arrived at after such rounding off.
 1. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category.
 2. The balance shares if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
 3. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer to a minimum allotment being equal to 100 which is the minimum application size in this Issue, while finalizing the allotment.

DESPATCH OF REFUND ORDERS

The company shall ensure dispatch of Refund Orders of value up to Rs. 1500/- under certificate of posting and refund order over the value of Rs. 1500/- by Registered Post or speed post Only. The Company would also make available adequate funds to the Registrar to the Issue for this purpose.

EQUITY SHARE IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Share of the Company can be held in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

Successful allottees in this Issue will be compulsorily allotted Equity Shares in dematerialised form. In this context, two tripartite agreements have been signed between the company, the Registrar to the Issue and the Depositories:

1. an agreement dated April 19, 2005 between the Company, NSDL and Intime Spectrum Registry Limited and
2. an agreement dated April 15, 2005 between the Company, CDSL and Intime Spectrum Registry Limited.

All investors can seek allotment only in dematerialised mode. However, an investor will have an option to hold the shares in physical form or Demat form. After the allotment in the proposed issue, allottees may request their respective DPs for re-materialisation of shares, if they wish to hold shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the application form.
3. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
4. Names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
5. Non-transferable allocation letters/ refund orders will be directly sent to the applicant by the Registrar to this issue.
6. If incomplete/incorrect details are given under the heading 'Applicants Depository Account Details' in the application form, it is liable to be rejected.
7. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her DP.
8. It may be noted that Equity Shares in electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. Both the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity shares of the Company would be only in dematerialised form for all investors.

UNDERTAKING BY THE COMPANY

The Company undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities offered are to be listed, are taken within 7 working days of finalisation of basis of allotment
- c. that the funds required for despatch of Refund Orders/Certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- d. that the Certificates of the Equity Shares/Refund Orders to the NRI applicants shall be despatched within specified time.
- e. that no further issue of securities shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, undersubscription etc.

UTILISATION OF ISSUE PROCEEDS

The Board certifies that:

- a. All monies received out of the issue of Equity Shares to the public shall be transferred to a separate Bank Account other than the Bank Account referred to in Sub-section (3) of section 73 of the Act, 1956;
- b. Details of all monies utilized out of this issue referred to in item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such monies had been utilized;
- c. Details of all unutilized monies out of this Issue of shares, if any referred to in item (a) shall be disclosed under an appropriate head in the balance sheet of the Company indicating the manner in which such unutilized monies have been invested.

IV. STATEMENT OF TAX BENEFITS

BENEFITS AVAILABLE UNDER THE INCOME TAX ACT AND OTHER LAWS TO THE COMPANY AND ITS SHAREHOLDERS, (INDIAN RESIDENTS, NRIS, FIIS, ETC.)

The Company has been advised by M/s. SPMG & Co., Auditors of the Company vide their Certificate dated May 20, 2005 that under the Income Tax Act, 1961 and other laws, the following tax benefits inter-alia will be available to the company and shareholders of the Company.

TO THE COMPANY

1. As per provisions of Sec-32 of the Income Tax Act, 1961, the Company is entitled to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant I.T. Rules there under.
2. As per the provisions of Sec-10A of the Income Tax Act, 1961, in respect of 100% of the profits and gains derived by the company from the export of Computer Software shall be exempted from the total income of the company, upto the Assessment year 2007-2008. However, the exemption is further available if the company goes for any expansion by making separate undertaking in STPI. The profits in respect of Domestic turnover and other income are taxable as per Income-tax Act, 1961, in force.
3. The company may be liable to pay Minimum Income Tax (MAT) @7.5% on Book Profits arrived at under 115JB in respect of domestic turnover and other income. However, as per Section 115JAA, such payment of tax shall be allowed to credit against the normal tax payable by the company with effect from the assessment year 2006-07.
4. The Company is liable to pay Income Tax u/s 115 O (1) of the Income Tax Act, in respect of dividend declared, distributed or paid @ 12.5% of Income tax plus 10% surcharge and educational cess @2% of Income tax (incl. Surcharge).
5. As per section 115W, with effect from assessment year 2006-07 the Company shall be liable to pay fringe benefit tax (FBT) as per the prescribed rates as explained in the said section and the relevant I.T. Rules there under.

TO THE MEMBERS OF THE COMPANY

(I) BENEFITS UNDER THE INCOME-TAX ACT,1961:

A. Resident Member

1. As per the new sub-section (38) inserted in section 10, by the Finance Act, 2004, the whole of the long term capital gains arising from the transfer of equity shares by the Assessee after 1st day of October 2004 and held for a period of 12 months or more shall be exempt from Income Tax. Therefore, investment made in this Offer will be eligible for this exemption if the shares are held for a period of not less than one year.
2. Also, further it has been inserted vide section 111A that all the gains arising by transfer of equity shares by the assessee held for less than a period of 12 months shall be taxed @10%.
3. As per the new sub-section (34) inserted in section 10, by the Finance Act, 2003, all dividends referred to in section 115 O, distributed by the Company shall be exempt from tax in the hands of the recipient.

B. Non-Resident Member

1. Non-Resident Indians/ Non-Resident Members Other than FIIs and Foreign venture capital investors

Under section 115-I of the Act, a non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents" which are as follows :

Under section 115E of the Income Tax Act, 1961, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall be concessionaly taxed at the flat rate of 10% (plus applicable Surcharge).

Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Under provisions of section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the Company exempted from the tax.

Under the first proviso to section 48 of the Income Tax Act, 1961 in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains / loss in such a case is computed by converting the cost of acquisition, sales consideration and the expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.

In terms of section 10(38) of the Income Tax Act, 1961, any income from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund which is chargeable to securities transaction tax are exempt from tax.

Explanation. – For the purpose of this clause, “equity oriented fund” means a fund –the funds which are invested by way of equity shares in domestic companies to the extent of more than fifty per cent of the total proceeds of such fund; and which has been set up under a scheme of Mutual Funds specified under clause (23 D):

Provided that the percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

In terms of section 3 of the Income Tax Act 1961, where the total income of an assessee includes any income chargeable under the head “Capital gains”, arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund which is chargeable to securities transaction tax, the tax payable by the assessee shall be at the rate of 10%.

Explanation – for the purpose of this section, the expression “equity oriented fund” shall have the meaning assigned to it in the Explanation to clause (38) of section 10.

2. Foreign Institutional Investors (FIIs)

In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the company is exempted from the tax. The income by way of short term capital gains or long term capital gains realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Income Tax Act, 1961 :Short term capital gains – 10 % (plus applicable surcharge)Long term capital gains – 10 % plus applicable surcharge(Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months)

3. Venture Capital Companies / Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies / funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the Company.

(II) BENEFITS UNDER THE WEALTH TAX ACT, 1957:

Shares of the company held by the shareholder will not be treated as an asset within the meaning of Sec-2(ea) of Wealth Tax Act, 1957, and hence Wealth tax Act will not be applicable.

NOTES : *In view of the individual nature of tax consequence, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.*

V. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

At present, the Company has a Software Development Centre in Noida, registered as 100% EOU with STPI – Noida. The Company is engaged in creating customized software solutions, maintaining software applications and creating digital content solutions for its clients. The business model of the company is to create dedicated software developing teams for its customers. This helps FCS reduce the development cost of its clients, hence making them more efficient. More and more US based organizations are looking up at setting up teams in India to reduce development expenses. FCS has over the years developed strong and validated processes to cater to the growing needs of these customers. FCS believes in creating long term customer relationships to grow its business. Therefore, to cater with the growing needs of clients and to proactively react to the market potential of its services, the company proposes an expansion programme wherein it plans to provide additional 300 software developers.

Main Objects of the Issue :

- To create necessary IT infrastructure for 300 additional software developers.
- To meet working capital requirements
- To meet the Issue expenses
- To get the Equity Shares listed on the Stock Exchange.

The main object clause of the Memorandum of Association of the Company enables the Company to undertake the activities for which the funds are being raised and also for the activities, which the company has been carrying on till date.

COST OF PROJECT & MEANS OF FINANCE

The company proposes to undertake an expansion programme which consists of the above mentioned activities. The total project cost is Rs. 1992.72 Lakhs. The cost of the project, as estimated by the Company is as follows:

COST OF PROJECT

(Rs in Lakhs)

| Project Cost Break-up | Total |
|--|----------------|
| Land & Building | 147.00 |
| Civil Works | 155.64 |
| Computer Hardware & Software | 329.02 |
| Furniture and fixtures | 98.00 |
| Working capital | 704.65 |
| Miscellaneous Fixed Assets | 65.61 |
| Sales, Marketing, Management & General Administration Related Expenses | 230.00 |
| Issue Expenses | 150.00 |
| Contingencies | 112.80 |
| Total Project Cost | 1992.72 |

(Source: Estimate by Company's Management)

PROPOSED DEPLOYMENT OF FUNDS IN THE PROJECT

(Rs in Lac)

| DESCRIPTION | Period | | | | | | TOTAL |
|--|-----------------|-------------------|-----------------|-----------------|-----------------|-------------------|-----------------|
| | 2005-06 | | 2006-07 | | | | |
| | June-Sept. 2005 | October-Dec. 2005 | Jan.-March 2006 | April-June 2006 | July-Sept. 2006 | October-Dec. 2006 | |
| Land & Building | - | - | - | - | - | - | - |
| Civil works | 22.00 | 38.00 | 32.00 | 42.00 | 21.64 | - | 155.64 |
| Computer Hardware & Software | - | 68.00 | 68.00 | - | 148.00 | 45.02 | 329.02 |
| Furniture & Fixture | - | 15.50 | 15.50 | 35.00 | 26.00 | 6.00 | 98.00 |
| Misc. Fixed Assets | - | 13.00 | 24.00 | 15.00 | 13.61 | - | 65.61 |
| Issue Expenses | 127.05 | - | - | - | - | - | 127.05 |
| Production, Sales, Marketing, Management, G&A Related Expenses | - | - | - | - | - | - | - |
| a) Recruitment & Training Cost for programming staff | - | 15.00 | 15.00 | 55.00 | - | - | 85.00 |
| b) Additional Sales & Marketing Cost | - | 15.00 | 15.00 | 45.00 | - | - | 75.00 |
| c) Management Overheads | - | 10.00 | 20.00 | 40.00 | - | - | 70.00 |
| Working Capital | - | 152.00 | 200.30 | - | 352.35 | - | 704.65 |
| Add: Contingencies 6% | - | - | - | - | - | - | 112.80 |
| | 149.05 | 326.50 | 389.80 | 232.00 | 561.60 | 51.02 | 1,822.77 |

(Source: Estimate by Company's Management)

MEANS OF FINANCING

The total project cost of Rs. 1992.72 lakhs proposed to be financed by the present Equity Issue of Rs. 1750 lakhs in addition to Internal Accruals of Rs. 242.72 lakhs, details of which are as under :

(Rs in Lakhs)

| Particulars | Amount |
|---|----------------|
| Equity (Face Value) | 350.00 |
| Premium at Rs 40/- (Issue Price - 50/-) | 1400.00 |
| Internal Accrual | 242.72 |
| TOTAL MEANS | 1992.72 |

DEPLOYMENT OF FUNDS IN THE PROJECT TILL DATE

As per Certificate by M/s. SPMG & Co., Auditors of the Company dated August 9, 2005, the Company has deployed the funds as mentioned hereunder:-

| Expenditure | (Rs./Lac) |
|--|-----------|
| Expansion of facilities: | |
| Advance against purchase of Land and Building situated at A-87, Sector-57, Noida | 147.00 |
| Public Issue Expenses incurred till date | 28.61 |
| Total | 175.61 |
| Means of Finance: | |
| Internal Accruals | 175.61 |

Pending the deployment of funds towards the various objects of the Issue, the funds would be deployed in Liquid instruments. Such investments would be authorised by the Board of Directors or a Committee thereof, duly empowered in this regard.

Any increase in the cost of the project is intended to be funded by internal accruals.

MAJOR COST HEADS

LAND & BUILDING

As the Company's existing facilities are located at A-86, Sector – 57, Noida, U.P. and with a view to take the benefit of management and control of implementation of expansion programme, Company opted to bid for the adjacent property situated at A-87, Sector – 57, Noida, U.P. The total land is admeasuring 1218 sq. meter and building comprising of three floors. The said property was under auction and Official Liquidator attached to the Punjab, Haryana & H.P. Courts, conducted the bid in which the Company was held the highest bidder. As per the terms & conditions of the Advertisement inviting the bids, the sale is subject to the confirmation by the Hon'ble High Court of Punjab & Haryana at Chandigarh. The official liquidator had also informed the Company about the confirmation of sale by the High Court. The total Cost of property is Rs. 147 Lakhs plus registration charges as applicable and the Company has paid the whole of the amount of Rs. 147 Lakhs except the registration charges, which would be paid at the time of possession. Now the Official Liquidator informed the Company that the said High Court stayed the handover of the said land's possession on receipt of higher bid of Rs. 155 Lakhs. The Company has filed an application before the said High Court contesting the said stay and the final decision of the High Court is now awaited.

The Company, however, does not foresee any difficulty in procuring any other property in Noida as there are abundant of properties available in Noida. The Company in the meantime applied for an Institutional plot in Noida admeasuring 3600 sq. meters and deposited a sum of Rs. 13.32 lakhs as registration fee.

On the basis of quotes dated May 4, 2005 received from J.P.S. Civil Engineers & Building Contractors, the expenditure on building and civil works on the said property is Rs. 155.64 Lakhs.

FURNITURE & FIXTURE

The details of furniture and fixtures required to be purchased and installed at the said property is given below. The total cost of Furniture & Fixture is Rs. 98.00 Lakhs.

| Description | Name of Party | Date of Quotation | Quantity | Cost Per Unit | Total (Rs. In Lakhs) |
|---|-------------------------------------|-------------------|-----------|---------------|----------------------|
| Work Station for Software Developer | Nawab Furnitures Interior Decorator | 28.04.2005 | 300 Nos | 7800.00 | 23.40 |
| Executive Workstation | Nawab Furnitures Interior Decorator | 28.04.2005 | 50 Nos | 12000.00 | 6.00 |
| Chairs for developers & Executives | Nawab Furnitures Interior Decorator | 28.04.2005 | 350 Nos | 2500.00 | 8.75 |
| Partition, Carpeting and False ceiling etc. | Nawab Furnitures Interior Decorator | 28.04.2005 | 31500 rft | 190.00 | 59.85 |
| Total | | | | | 98.00 |

(Source : Estimate by Company's management based on quotations of suppliers)

COMPUTER HARDWARE & SOFTWARE

The details of cost involved in Computer Hardware & Software installation is as mentioned below:

| Sr. | Description | Name of Suppliers | Date of Quotation | Qty | Price Per Unit | (Rs in Lac) | | |
|--------------|---|---------------------------------------|-------------------|-----|----------------|-------------|-------|---------------|
| 1. | Servers | Dell Asia Pacific | 15.04.2005 | 6 | 3.53 | | 21.18 | |
| 2. | Laptop | Dell Asia Pacific | 15.04.2005 | 8 | 0.69 | | 5.52 | |
| 3. | Computers with Microsoft windows (OEM) | First Sight Computing India Pvt. Ltd. | 28.05.2005 | 350 | 0.27 | | 94.50 | |
| 4. | Bandwidth 1 Mb (Reliance) | | | 1 | 10 | | 10.00 | |
| 5. | Router –Motorola | Summit Software Group | 24.05.2005 | 1 | 2.09 | | 2.09 | |
| 6. | PIX Firewall | Ingram Micro Components, Singapore | 25.04.2005 | 1 | 2.66 | | 2.66 | |
| 7. | Packetshaper 2500 Enterprise with 8 Shaping, Upgradable upto 10MBPS LAN Extn Module 10/100 MBPS | Teledata International | 20.04.2005 | 1 | 3.97 | | 3.97 | |
| 8. | Structure Cabling/ Rack/Switches | Metro Solutions Pvt. Limited | 28.05.2005 | 350 | 0.08 | | 28.00 | |
| 9. | Server Rack | Cache Digitech | 28.05.2005 | 2 | 0.6 | | 1.20 | |
| 10. | Microsoft Windows Server | Future Soft Solutions Pvt. Ltd. | 16.05.2005 | 10 | 1.02 | | 10.02 | |
| 11. | Microsoft Office | Future Soft Solutions Pvt. Ltd. | 16.05.2005 | 350 | 0.15 | | 52.50 | |
| 12. | Microsoft SQL Server | Future Soft Solutions Pvt. Ltd. | 16.05.2005 | 30 | 1.5 | | 45.00 | |
| 13. | Antivirus Server | Future Soft Solutions Pvt. Ltd. | 16.05.2005 | 1 | 7 | | 7.00 | |
| 14. | Cristal Report | Future Soft Solutions Pvt. Ltd. | 16.05.2005 | 1 | 0.48 | | 0.48 | |
| 15. | Macromedia Studio | Summit Software Group | 24.05.2005 | 50 | 0.49 | | 24.30 | |
| 16. | Projector | Summit Software Group | 24.05.2005 | 2 | 2.15 | | 4.30 | |
| 17. | Video conferencing System | Summit Software Group | 24.05.2005 | 1 | 3.5 | 3.50 | 3.50 | |
| 18. | Printer, Scanners & Photocopier Etc. | Cache Digitech | 28.05.2005 | 2 | 3.6 | 7.20 | | |
| | | | | 1 | 1.8 | 1.80 | | |
| | | | | 1 | 1.2 | 1.20 | | |
| | | | | 4 | 0.65 | 2.60 | | |
| TOTAL | | | | | | | | 329.02 |

(Source : Estimate by Company's management based on quotations of suppliers)

MISCELLANEOUS FIXED ASSETS

The brief about the miscellaneous fixed assets required for the expansion programme are as follows:

| Sr. No. | Description | Name of Suppliers | Date of Quotation | Qty | Price Per Unit | (Rs in Lac) | |
|---------|------------------------------|-------------------------------------|-------------------|-----|----------------|-------------|--------------|
| 1. | UPS 20 KVA | Emerson Network Power (I) Pvt. Ltd. | 20.05.2005 | 4 | 4.94 | | 19.76 |
| 2. | AC (7.5 Ton each) | Carrier Aircon Ltd. | 24.04.2005 | 8 | 0.74 | 5.92 | |
| | AC (5 Ton Each) | Carrier Aircon Ltd. | 24.05.2005 | 12 | 0.59 | 7.08 | |
| | AC fitting, Doucting Charges | Sierra Appliances Pvt. Ltd. | 06.05.2005 | | | 11.85 | 24.85 |
| 3. | DG 285 KVA | Sudhir Gensets Limited | 30.04.2005 | 1 | 8.75 | 8.75 | |
| 4. | DG 125 KVA | Sudhir Gensets Limited | 30.05.2005 | 1 | 4.25 | 4.25 | |
| 5. | Electricity Load 300 KVA | — | | 1 | 8 | 8.00 | 21.00 |
| | TOTAL | | | | | | 65.61 |

(Source : Estimate by Company's management based on quotations of suppliers)

WORKING CAPITAL

The Company intends to raise funds to meet part of its working capital requirements. The Company's working capital requirement arises primarily from sundry debtors, work-in process that includes salaries & other related overheads. The Company estimated an amount of Rs. 704.65 lakhs as total requirement of working capital.

The norms estimated by the Company for the calculation of working capital requirement are :

| Particulars | Basis | Actual 2004-05 | Estimated 2005-06 | Estimated 2006-07 |
|---------------------|---------|----------------|-------------------|-------------------|
| Sundry Debtors | In Days | 75 | 60 | 60 |
| Work-in Process | In Days | 52 | 60 | 60 |
| Current Liabilities | In Days | 31 | 17 | 17 |

The holding period of Sundry Debtors has been 60 days less than last year holding period of 75 days for calculating the additional working capital requirement to be financed by the IPO proceeds. Further, inventory holding period has been taken as 60 days slightly higher as compare to past trends of 52 days, because effects of implementation of project would come partly during the current financial year and partly during next financial year. Accordingly, the company will be utilizing the funds and trends of current liabilities having reduced to 17 days as compared to past trends of 31 days.

The Company's total requirement of working capital has been arrived as under :

(Rs. In lakhs)

| Particulars | Actual 2004-05 | Estimated 2005-06 | Estimated 2006-07 |
|--|----------------|-------------------|-------------------|
| Sundry Debtors | 1678.95 | 1808.22 | 2465.75 |
| Work-in Process* | 966.76 | 1284.99 | 1737.66 |
| Loans and Advances | 253.61 | 313.20 | 412.50 |
| Total Current Assets | 2899.32 | 3406.41 | 4615.91 |
| Less : Current Liabilities | 568.25 | 370.69 | 434.42 |
| Net Current Assets excluding Cash & Bank | 2331.07 | 3035.72 | 4181.48 |
| Increase over last year | | 704.65 | 1145.77 |

*Means where the Company has already started production under the Contract for software development but would be paid only after reaching mutually agreed milestones leading to completion of the job.

Note :

- The Implementation of the Phase – I of project will be completed by February, 2006 and Phase-II by September, 2006 and the working capital projections include the post implementation scenario.
- At present the company enjoys a working capital limit of Rs.400 Lacs from Overseas Branch, New Delhi of

Canara Bank, out of which an amount of Rs. Nil has been utilized as on 31.05.2005 for existing Software Development Unit.

3. The Additional Working Capital requirements have been included in the project cost and will be financed from the issue proceeds. No bank financing is envisaged for the additional requirements. The company proposes to enjoy the existing limit with Canara Bank and will be utilized to the extent required.

Recruitment, Training, Sales, Marketing, Management and General Administration Expenses

The software companies have to build a reserve pool of programming staff to start execution of new orders. The company has estimated that the expenses related to recruitment and training cost before actually becoming productive would be Rs. 85 lakhs. The cost of hiring additional sales team, marketing and sales related expenses would amount to Rs. 75 lakhs. Increased workforce also means hiring additional senior managers to head project teams and an amount of Rs. 70.00 Lakhs is being allocated for expenses against management staffing and overheads. The company estimates to add 300 man years of projects with activities conducted under this head.

ISSUE EXPENSES

The company has estimated that the expenses related to the Issue will be to the extent of Rs. 150.00 Lac. The issue expenses consist of fees to the Lead Managers, Registrars to the Issue, stamp duty, printing & distribution charges, listing fees, legal & professional charges, bank charges, auditor fees, advertisement expenses, brokerage, underwriting commission, and other miscellaneous expenses which are estimated by the Issuer.

CONTINGENCIES

We have provided 6% of the total project cost i.e. Rs. 112.80 Lakhs for contingencies. The cost estimates are based on the quotations for the majority of the capital equipments and no major change in the cost is expected. Contingencies are mainly to provide for fluctuations of prices etc.

PROPOSED IMPLEMENTATION SCHEDULE

As the expansion project is proposed to be financed by IPO proceeds, any delay in getting IPO proceeds affects the schedule of implementation. The Company expects the following schedule of implementation :

| Activity | Commencement Date | Completion Date |
|------------------------------|--------------------------|-----------------------------|
| Land | November, 2004 | August, 2005** |
| Building & Civil Works | August, 2005 | February, 2006 (Phase I)* |
| | February, 2006 | September, 2006 (Phase II)* |
| Computer Hardware & Software | September, 2005 | October, 2006 |
| Furniture & Fixture | September, 2005 | October, 2006 |
| Misc. Fixed assets | September, 2005 | September, 2006 |

* Under the Phase – I, FCS plans to complete civil works relating to basement, ground and first floor whereas in the Phase-II, FCS will build the second floor in the said premises. The Company would hire manpower simultaneously to start processing orders as infrastructure is being built floor by floor.

** For the progress made till date towards purchase of land, please refer to para “Land and Building appearing on page 21 of this Prospectus.

VI. HISTORY, MAIN OBJECTS AND PRESENT BUSINESS OF THE COMPANY

History

FCS Software Solutions Limited was incorporated as a Private Limited Company on 5th May 1993 as “Fateh Computer Services Private Limited” under the Companies Act, 1956 and was later converted into a Public Limited Company under the name “Fateh Computer Services Limited” on 29th day of December 1999 and has been subsequently renamed as “FCS Software Solutions Limited” effective from 19th April, 2000. The business was commenced in Financial Year 1997-98.

FCS Software Solutions Limited has its Registered Office at Gurgaon and its Corporate Office at Noida. The Company has also established Branch Office comprising a Local Development Center and marketing office at San Jose, USA. The offshore development center in India is based at the corporate office at Noida.

Major Events in the history of the Company are given below:

| Year | Event |
|---------|--|
| 1993 | <ul style="list-style-type: none"> · Incorporation of the Company as “Fateh Computer Services Private Limited” on 5th May 1993 with a single point focus to established – FCS as an expert CA MANMAN ERP consulting company which was one of the leading manufacturing ERP at that time. · Company had applied for allotment of land with Noida Authority for setting up software development unit. |
| 1994 | <ul style="list-style-type: none"> · Company had applied for approval as 100% EOU in Noida under Software Technology Parks of India Scheme issued by Dy. Director, Software Technology Parks of India, Ministry of Communications and Information Technology, Department of Information Technology, Govt. of India and same had been approved · Noida Authority allotted Plot A-86, Sector,57 Noida to Company and Company had executed lease deed with Noida Authority on 3rd June,1994 for the same. |
| 1995-96 | <ul style="list-style-type: none"> · Company had started construction of building and completed 1st Phase in 1996. |
| 1997 | <ul style="list-style-type: none"> · Promoter bagged and executed consulting contracts in USA and executed as independent consultant. · Extended ERP focus to start training and servicing consulting projects in SAP and Oracle Applications in US. · Established competent client managed offshore Labs for both SAP and Oracle Applications – Got SAP and Oracle Application servers and software in place and established a team of 30 trained people in each area. |
| 1998 | <ul style="list-style-type: none"> · Strengthened the offshore Development Center and started the Internet Application Development competency. · Got ISO 9001 certification by KPMG. |
| 1999 | <ul style="list-style-type: none"> · Conversion into a Public Limited Company under the name “Fateh Computer Services Limited” w.e.f. 29th December, 1999. · Doubled the offshore teams. Established competence in Business Workflow Applications (Lotus Domino), Digital Consulting (MS and Sun technologies). |
| 2000 | <ul style="list-style-type: none"> · Renamed as “FCS Software Solutions Limited” w.e.f. 19th April, 2000. · Company had executed conveyance deed on 24th Feb.,2000 with HUDA, Gurgaon for Plot 54, Sector-34, Gurgaon. |
| 2001 | <ul style="list-style-type: none"> · Established Dedicated IPLC link between Noida and California office and started aggressive Sales and Marketing for its services. Added 24/7 Technical Support Services to its portfolio. |
| 2002 | <ul style="list-style-type: none"> · Bagged and successfully executed Workflow Automation and Digital Consulting projects from Fortune 500 and other companies in Office Automation, Home Appliances. · Moved up the value chain with respect to our Digital Consulting Competency. Added the E-learning Competence and Usability Engineers to the team. · Started the concept of dedicated labs for PLC Management – Established Strict procedures for Zero Defect deliveries, Co-development, Version release management and Daily Build. |
| 2003 | <ul style="list-style-type: none"> · Got a large product maintenance contract from a Assistive Technology Product Company, Application maintenance contract from Fortune 500 Office Supplies Company, Complete Concept to 24/7 end-user supports for Fortune 100 Retail Organisations. |
| 2004 | <ul style="list-style-type: none"> · Established Center of Excellence to service a large client in India, UK and Asia – Pacific and now providing services to client in all 3 segments – Application Development, E-learning and Technical Support · A total of 92 active customers with 14 Fortune 500 Customers. |

MAIN OBJECTS OF THE COMPANY

The main objects of the Company as per its Memorandum of Association be pursued by the Company on its incorporation are as follows:

1. To carry on the business of selling, buying, trading, import, export, producing, assembling, processing of computers, computer hardware, software and electronics and electronic gadgets, equipments, electronic machines, electronic and other printers typewriters and computer accessories and parts, computers data processors, data processing machines, types, cards, memory equipments and all or any other type of equipment and materials of every kind and description useful and used in connection with computers.
 2. To license otherwise authorise others to engage in the foregoing business and to engage in general and specific research and development in areas related to and involving foregoing business as referred in sub-clause (1) above.
- The main objects enable the Company to carry on the present business.

PRESENT BUSINESS OF THE COMPANY

Business of FCS:

The Company is engaged in creating customized software solutions, maintaining software applications and creating digital content solutions for its clients. The business model of the company is to create, manage and operate dedicated offshore development centers in India for its customers. The company provides strong and transparent project management, technical expertise, dedicated software professionals and a zero defect delivery model to its customers. This helps its customers reduce their total cost of operations, hence making them more efficient. FCS ability to scale up and down according to client needs gives clients the much needed comfort level. More and more US based organizations are looking tying up with development partners in India not only to reduce development expenses but also to take advantage of India's large skilled pool of software professionals. FCS has over the years developed strong and validated processes to cater to the growing needs of these customers. FCS believes in creating long term customer relationships to grow its business.

Our four main core areas of competency are described in detail below:

1. 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.

FCS, develops and manages E-learning solutions that help organizations achieve optimal performance. Our solutions are tailored to meet specific organizational requirements that set in a definite road map for increased return on investment. As a player in custom e-learning solutions, FCS deliver results to companies around the world and helps them to achieve improved business performance through efficient human capital management.

FCS's edge in comprehensive e-learning solutions owes greatly to its instructional design methodology, competent Instructional Design specialists, multimedia specialists, Subject Matter Experts (SMEs), usability engineers, and quality assurance experts, all working at its offshore development center in Noida, India. The Company's turnaround time is speeded up by its ability to quickly ramp up team size and deployment of re-usable objects. FCS offers the twin advantages of lower costs and access to quality talent to its E-learning customers.

The Company offers the following E-learning services:

- **Plan:** Content Architecture, User Navigation, Instructional design, Web strategy for existing brick/mortar companies. Web application visual strategy, building brands on the Internet
- **Build:** CBT, WBT, Integration with standard LMS, Reusable learning Objects, Web sites, Product Demos, Walk through, Document Management Systems
- **Manage:** User Experience with clients, Internet Brands, Learning suites, Learning modules developed by the team, sites created and hosted FCS.
- **Technologies:** Flash with database, Director with Lingo, Dream weaver, Premier, ASP programming, Animation, Java scripting, Adobe Photoshop, Corel Draw, GIF Construction Set, Use of AICC standards for E-learning, Authoring tools, standard LMS like Docent and SABA, XML, Java.

FCS has executed E-learning and Digital Consulting assignments for 72 Clients amounting to Rs. 5228.33 lakhs during last 3 years. The major clients of FCS in this business are Canon, Domino, John Deere, AIG etc. However, the company has no long-term contracts with these clients.

2. 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 multi-tier 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.

Its Application Maintenance services basically consists of the following:

- **Technical Enhancements** : FCS works on client applications to make them more efficient by either technology migration or adding new innovative technology components to make the applications more efficient and tuned to user needs.
- **Functional Enhancements** : FCS business analysts study customer processes and end-user needs. This results in a Functional Specifications / Requirements Document. The FCS development team then writes new objects and components that get integrated with the existing client application.
- **Corrective Adjustments** : FCS provides production support for live customer applications. While the applications are in use, the users want small changes for their day to day working. FCS team writes small pieces of code as corrective adjustments.
- **Emergency Fixes** : FCS team is available round the clock to handle any emergency situations that may occur and to write patches to ensure that the customer applications are always live and running.

IT Consulting Domain Expertise

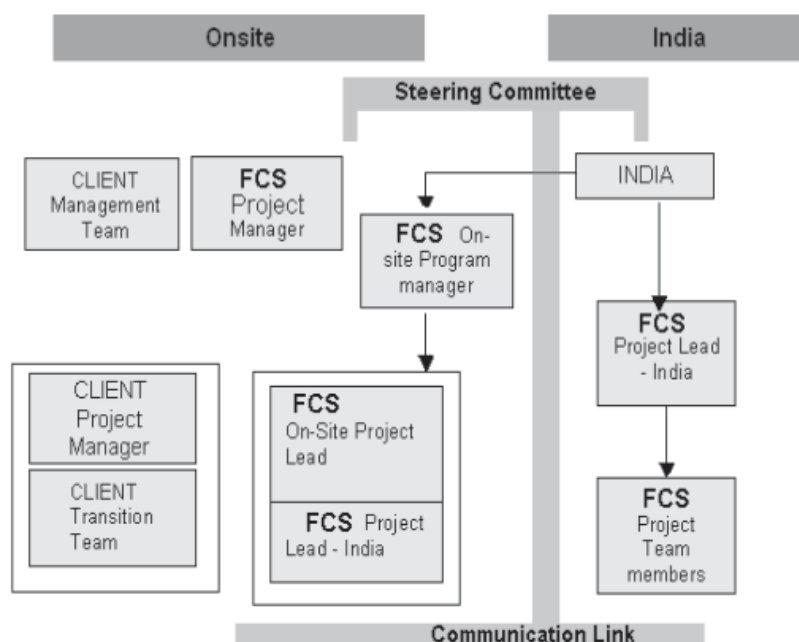
Sales Force Automation, CRM Software, Channel / Retail Management, Portal Development and Management, 24/7 Application Support, 24/7 Desktop support for applications, Web based workflow application. FCS has the capability to conceptualize, create, manage and maintain the above applications. FCS has created multiple indirect and direct sales force management applications. The company provides software components for retail and channel management. FCS has competence in portal creation and management. The company also provides the customer support for all these portals.

IT Consulting Technology Expertise

FCS has strong teams and processes to work in the following technology areas - Microsoft (.NET), Sun (Java, JSP, J2EE), IBM-(Lotus Domino), Oracle Applications.

FCS has a proven IT consulting methodology. The Company follows ETVX, Knowledge Creation & Transfer Process, Creation of Offshore test Environment, Enhancement / Work Unit Management, Onsite / Offshore Blended Production Support and strict SLA and metrics.

As part of its service offering, it also provides its customers 24 / 7 Application Support. This includes Toll Free Number, Email and Chat Support for application users, escalation process to expert teams and final tier escalation to onsite teams.



FCS has executed IT Consulting assignments for 111 Clients amounting to Rs.10394.95 Lakhs during last 3 years. FCS has executed assignments of GE Transportation, Ace Technologies Inc., Savant Consulting, Oxford Global and Bradford & Galt Consulting etc. in its IT Consulting business, however, no long term contracts has been entered into with these clients.

3. 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 and 24/7 Desktop Technical Support.

- **Service Offering:**

FCS provides dedicated team to manage the entire Information Life Cycle of client's Software Product. FCS team can work independently on assigned tasks or co-develop with its US teams. Its approach is to utilize a team of domain experts to work collaboratively to meet the client's product specifications and designs. This enables FCS to ensure that they deliver solutions that actually meet customers' expectations and in the shortest possible time.

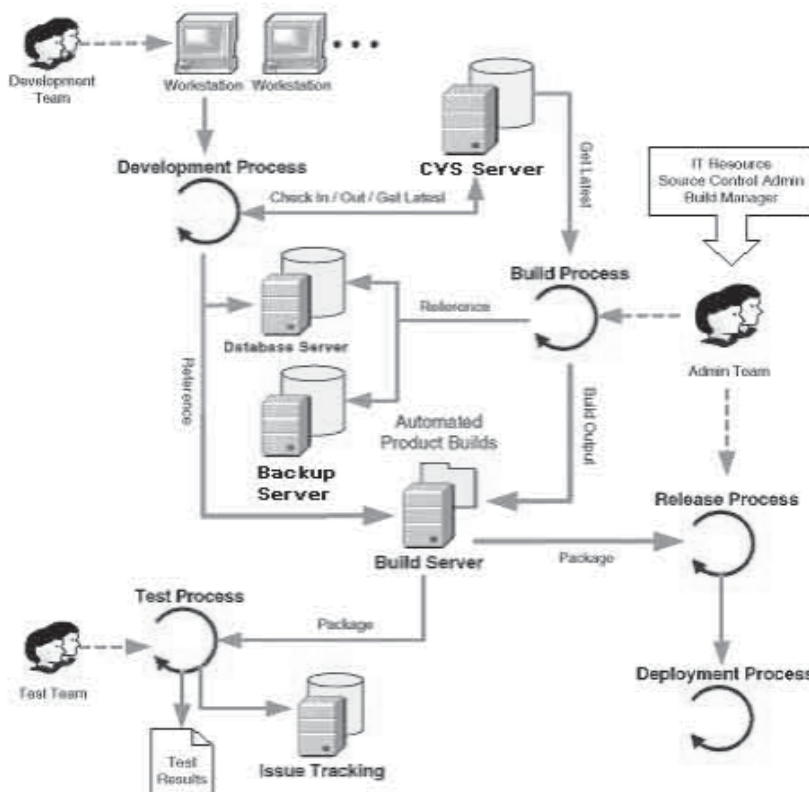
In each of their domain areas, FCS has well-established teams, validated processes and efficient business analysts who have an in-depth understanding of the processes in the specific functional areas. Hence when the client chooses to work with FCS, client can largely leverage on the company's extensive experience and the reusable components.

- **Domain Expertise: FCS has following domain expertise**

- Web based products
- Products written in Microsoft and Sun technologies
- Client / Server products
- Assistive Technology Products
- CRM Products
- .NET and J2EE Framework

- **Technical Support Capability : FCS offers the following technical support to its clients :**

- 24 / 7 Technical Support:- FCS provides 24 hours, 7 days round the clock technical support to its clients.
- 800#, chat and email support in which clients can get online support through Chat or emails.
- Engineers who understand the clients' product will provide desktop based support to the clients customers or users
- Customer Problem Replication
- Remote Troubleshooting for any problems raised by the end-user
- Escalation of Problems to onsite team
- Sophisticated CRM tool to log all customer queries and provide ticket based resolution



FCS has executed Product Engineering assignments for 56 Clients amounting to Rs. 3960.31 lakhs during last 3 years. Major clients for whom, FCS has executed Product Engineering assignments had been Synergy Technology, Knowles Electronics, Digital Intelligence Systems Corp., United Software Consulting Solutions Inc., Eliassen Group Inc. etc. But, the company has no long term contracts with these clients.

4. Application Support – 24 / 7

The company provides toll free voice access, 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. A typical offshore application production support at FCS would cover the following activities:

Production (Level- I) Support activities:

- Call handling and management (end-to-end administration);
- Automated password reset
- Self-help interface
- Dispatch
- Common problem resolution
- Escalation
- Closure
- Reporting

Production (Level- II) Support activities:

- Application Call Management
- End User Support
- Production Processing Support
- Database Processing Support
- Database & Application Monitoring
- Critical Business Period Support
- Corrective Maintenance

Source code (Level- III) Support activities:

- Bug Fixing
- Enhancements
- Testing & User Acceptance
- Release Management
- Roll out Support
- Implementation Management

Source code (Level- IV) Support activities:

- Maintenance Releases
- Point Releases
- Enhancements
- Bug Fixes
- Patch Releases
- Defect Resolution
- Change request handling
- Configuration Management
- Status Reports
- Activities
- Secondary Ownership
- Primary Ownership - Offshore
- Steady State Maintenance

Production Support (24x7) Process



CURRENT REVENUE BREAKUP FROM FCS'S DIFFERENT COMPETENCE AREAS:

| Segment | Revenue (%) |
|---|-------------|
| IT consulting | 55 % |
| E-learning and Digital Consulting | 25 % |
| Product Engineering (including Application support activity which constitutes 3%) | 20% |

FCS DELIVERY MODELS:

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. 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. With increasing trend to outsource software services, a blended model is used where client has onsite resources working under the client and offshore teams working under the company. They are both managed using state of art project management methodologies. Time and Material model is most used and understood model. Under this, a client pays for time billed and supervises the delivery via his own managers. The delivery models are described in detail below:

1. Fixed Price Fixed Timeframe Projects:

FCS 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.

As a solutions provider, FCS specializes in developing context-specific solutions that exactly fit-in clients present requirements as well as their plans for the future. Its Fixed Price Software Development, services are available for the Internet/Intranet, Client/Server and Legacy systems.

The Company's time-proven solid implementation methodologies and technical competence enable clients to undertake, upgrade and implement their project cost-effectively and timely. FCS helps its clients successfully navigate through the lifecycle, from initial planning through deployment and promotion. Its technical professionals can supplement existing staff and help them to build and test the application. Additionally, FCS also help them implement their business solutions while dramatically reducing the risk associated with complex product development and maintenance.

FCS provides clients with resources that they need to:

- Calculate and analyze the gap between a package's capabilities and specific needs
- Understand current and future state environment
- Project the total cost incurred for standard and tailored implementations
- Determine the flexibility associated with a package to be able to meet the rapidly changing technical environment
- Use time-proven methodologies, support tools, and techniques to implement solutions
- Plan software upgrades and migration

2. Lab on Hire Model:

FCS has the capability to ramp up infrastructure and skilled manpower to create a dedicated Lab for its clients at its development center in India.

FCS provides dedicated lab facilities equipped with the required hardware and software, and an excellent development environment. Additionally, manpower with the required skill set and education is provided to the client at start of the

project. In fact, the team works under the supervision of the client's project managers and reports directly to them. FCS also manages the infrastructure and project staffing, while the client manages the team and project delivery. Full access to the team and lab are provided to the client. For instance, our IPLC, set up to California, helps US clients to use this lab as a virtual development center that is connected 24 hours a day, 365 days a year.

Benefits to the Customers :

- Full control over teams and project delivery
- Low cost high quality manpower
- No hassle of hiring or firing
- No overhead cost and no recruitment cost
- No chance of project deadline slippage
- Knowledge accumulated stays within the lab and is owned by the client.
- Would lower client development costs due to huge availability of low-cost skilled manpower in India
- Would help reduce time to market. Bigger size teams can be formed at lower costs, thus ensuring faster development time. Also time zone difference would help create a quicker delivery cycle.

3. Dedicated Offshore Development Center (ODC):

FCS has the capability to ramp up infrastructure and skilled manpower to create an Offshore Development Center in India. FCS can set up a dedicated development center with all facilities to cater to the ongoing needs of our clients. The ODC model of partnership can drastically reduce IT development costs. The model is scalable and the client always has an option to own the complete ODC after a specific lock in period.

Objectives of ODC Model:

- To provide high quality and cost effective software maintenance and development services to Global clients
- To provide clients a strategic opportunity to make the most effective use of remote software resources.
- To reduce cost of development and maintenance while ensuring high quality output
- To help clients avoid the hassle of setting and stabilization of the ODC. Taking care of all recruitment and country based risk factors. Thus making sure its clients manage their business, while FCS manages the IT needs.

Scope of Services offered by ODC:

- Software support
- Operating system software support
- Maintenance Projects.
- Conversion and Migration projects.
- Application Development Projects including testing and documentation, on both Time & Material and Fixed Fee basis.
- Database design, development, migration and support

Benefits to the Customers:

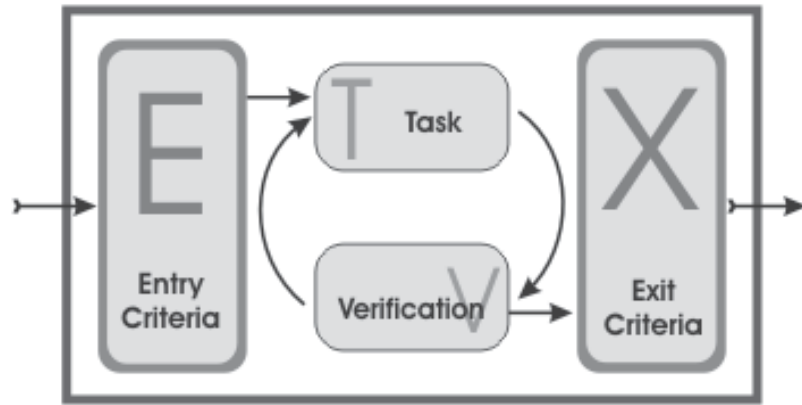
ODC would act as a virtual development center. This would give the following advantages to the Clients :

- Would lower overhead costs without diluting quality or control over projects.
- Would lower development costs due to huge availability of low cost skilled manpower in India
- Would help reduce time to market. Bigger size teams can be formed at lower costs, thus ensuring faster development time. Also time zone difference would help to create a quicker delivery cycle.
- Reduction in cost and time to recruit and manage a huge staff. FCS - ODC would help reassign customer staff to solve business issues and focus on core business needs. This will help to respond to market needs and at the same time reduce software development/maintenance costs.
- Set up and stabilization of operations takes time and energy. This would be taken care by FCS. Once established, customer would have the option of taking over the ODC with full control.

FCS DEVELOPMENT METHODOLOGIES :

1. Software Development Process:

FCS follows Software Development Life Cycle (SDLC) under Entry Task Verification Exit (ETVX) paradigm. Each phase goes through ETVX. This ensures that each phase has the necessary ingredients to complete the required task and has a defined output. Testing of this output is embedded in the process to make sure each intermediate product is of high quality resulting in the most optimum final product.

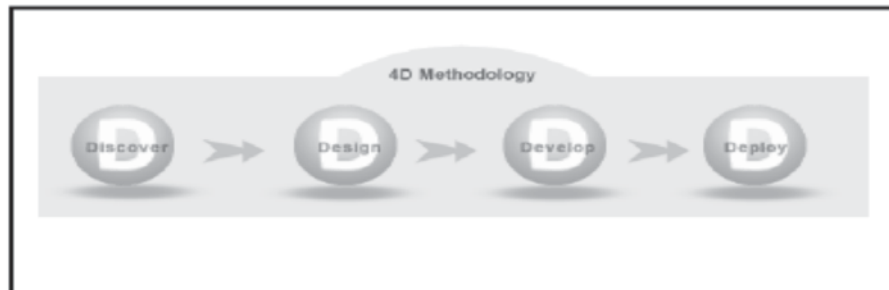


Many software teams around the globe follow the SDLC process and FCS has streamlined its operations with respect to SDLC.

2. E-learning Development Process:

FCS follows 4-D for all Digital Consulting Assignments.

- Discover
- Design
- Develop
- Deploy



Discover:

Understanding Client's vision and aligning to their needs. Each and every team member does research on his / her own to understand the need, competition etc. to first define and then create the best solution for the customer.

Design:

Creating the best visual appeal for the client's solution. The design created is well thought-over and is consistent with the client's identity and requirements. Design is a collaborative process involving graphic designers and editors.

Development:

Superior solutions are employed in a simplified and innovative manner to harness technological breakthroughs. Comprehensive testing is done to ensure seamless integration with client needs

Deployment:

In this phase, the solution goes live and is tested & evaluated viz. technology, user experience, budgetary, and business goals.

- Tested solution implementation / hosting
- Testing and support at user site
- Ensure Seamless deployment
- Release documentation and Product in agreed media

3. Project & Work Place Management

FCS' collaborative engagement model offers a more rigorous specification process that streamlines software development and project management. A process and a methodology govern every service element of the engagement model. Client's thus has *extensive visibility* of the development process and participates in decision-making. In continuation of FCS pursuit to gain and enhance expertise in project management and to be able to cater to the client requirements better, a '*Technology Steering Committee*' has been formed with the single-most aim of leveraging, benchmarking and enhancing our large project management expertise.

4. Online Collaboration:

Since an onsite-offshore model involves geographically spread teams a medium is required that helps the teams involved to coordinate with each other so that there is least amount of inter-dependence, all the information is readily available and minimal amount of time is wasted. FCS has achieved a major milestone in online collaboration with its internally developed project management tool called **Digital Workplace**. This tool enables all the teams involved in a project to coordinate with each other and execute the project successfully. This tool also

enables the client to be in complete control of the project throughout its life cycle. This tool also acts as a central repository for any technical information on the project. The team members have complete access to information like their daily-task allocation, work progress and critical project timelines. The application automatically sends alerts to all members of the team about these timelines. The project-tracking module of the application helps project managers (PMs) in tracking, enhancing, and streamlining workflow. The application contains centralized project management, along with project and resource information repository accessible at all times from anywhere. It makes it possible for even clients to track the exact status of their project on a real-time basis, along with the requisite information on the resources working on their projects.

Visibility in the offshore process is achieved through the collaborative engagement model, a well tested methodology for account management and communication. Further on, FCS puts in methodologies and guidelines that oversee and ensure the transparency of the processes

Digital Work Place:

The Digital Workplace (DW) is a centralized channel for ensuring the smooth functioning and digitizing of all the projects and activities in FCS. It serves as an interface for the clients to monitor the progress of projects. The development team uses it to communicate, view and access projects and reports. It is also used for creating projects schedule, uploading the completed projects and delivering them for client review.

It provides for smart and transparent project management and better client communication by making the development process visible to the client so that they monitor the progress of various projects and give feedback to the development team.

The application provides role-based access to the users. The rights to perform various functions in the application are defined according to the Type of the logged-in user.

The roles of the users of DW are:

- Client
- Business Head
- Global Head
- Development Head
- Project Manager
- Project Leader
- Team Member/Developer
- Instructional Designer
- Visualiser
- Quality Analyst
- Human Resource
- Networking
- Sales
- Training
- Helpdesk

The main sections of the Digital Workplace application are:

- Login
- Home/Dashboard
- Projects
- FCS University
- Sales Management
- Lead management
- Performance Tracker
- FCS Asset Manager
- Knowledge Bank
- Communicate
- Request For Proposal (RFP)
- Time Sheet
- Reports
- Process
- Templates
- Contact Us
- Help
- Live Manage
- Edit Profile
- Logout

FCS: PMP - Microsoft Internet Explorer

Address: http://rajivrai/pmp/dashboard.asp?name=Mr%2E+Surya

FCS The efficiency catalyst

digital workplace

Home | Dashboard | Knowledge Bank | News | Forms | Reports | Calendar | Meet | Communicate | Time Sheet | Logout

Welcome **Mr. Surya**: PM

what would you like to do?

plan

view

meet

review

update

Today's Schedule Thursday, January 15 Add Edit Delete

| Hrs. | |
|------|--|
| 0 | |
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |

My Tasks Tuesday, December 16, 2003 11:20:35 AM

Printer Training -[Design Phase]- Template

Legend:

| | |
|---|-------------------------------------|
| <input checked="" type="checkbox"/> Completed | <input type="checkbox"/> Pending |
| <input type="checkbox"/> Not Started | <input type="checkbox"/> In Process |
| <input checked="" type="checkbox"/> Completed but delayed | |

News..

- WHO steps into e-learning for global public health
- FCS Launches Sarbanes-Oxley Site:
- Working at the Speed of Thought
- Canonized

Thought of the Day...

You cannot avoid the consequences of your own thoughts and actions. And you

Local intranet

Project Implementation Plan - Microsoft Internet Explorer

Address: http://rajivrai/pmp/addProjectPlan.asp?top=plan&Project_Id=32

FCS The efficiency catalyst

digital workplace

Home | Dashboard | Knowledge Bank | News | Forms | Reports | Calendar | Meet | Communicate | Logout

Scope -> | Resources -> | Environment -> | Build -> | Documents -> | Machines & Softwares -> | Implementation Plan +

Project Implementation Plan Add Task Modify Task Delete Task

Project Name: Web Application LMS

| Task | Start Date | End Date | Status | Responsibility |
|-------------------|----------------------|----------------------|--------|-----------------|
| Discover Phase | <input type="text"/> | <input type="text"/> | % | -Select Member- |
| Design Phase | <input type="text"/> | <input type="text"/> | % | -Select Member- |
| Development Phase | <input type="text"/> | <input type="text"/> | % | -Select Member- |
| Deploy Phase | <input type="text"/> | <input type="text"/> | % | -Select Member- |
| Maintenance | <input type="text"/> | <input type="text"/> | % | -Select Member- |

Save Extend

Local intranet

5. Project Staffing:

Optimum project staffing is very critical for successful project delivery. The Company has strict recruitment guidelines wherein there are already defined technical roles as mentioned below. Further, role description forms a part of the offer letter and each new recruit is made to understand his/her role very clearly.

| Title | Role Description | Responsibility |
|------------------------------------|---|--|
| Project Manager | System Study and Scope Definition | Team and Delivery Management, Client Interface |
| Project Leader Development Team | Design Technical Flowcharts Develop Code | Day to Day delivery Management, Change Management Integration |
| Testing Team | Quality Assurance | Module Testing, Unit Testing, Integration testing and Load testing |

FCS, as a rule, maintain a 1:1 ratio of programmers and testers from the project start date to maintain consistency in delivering bug free deliverables to our clients.

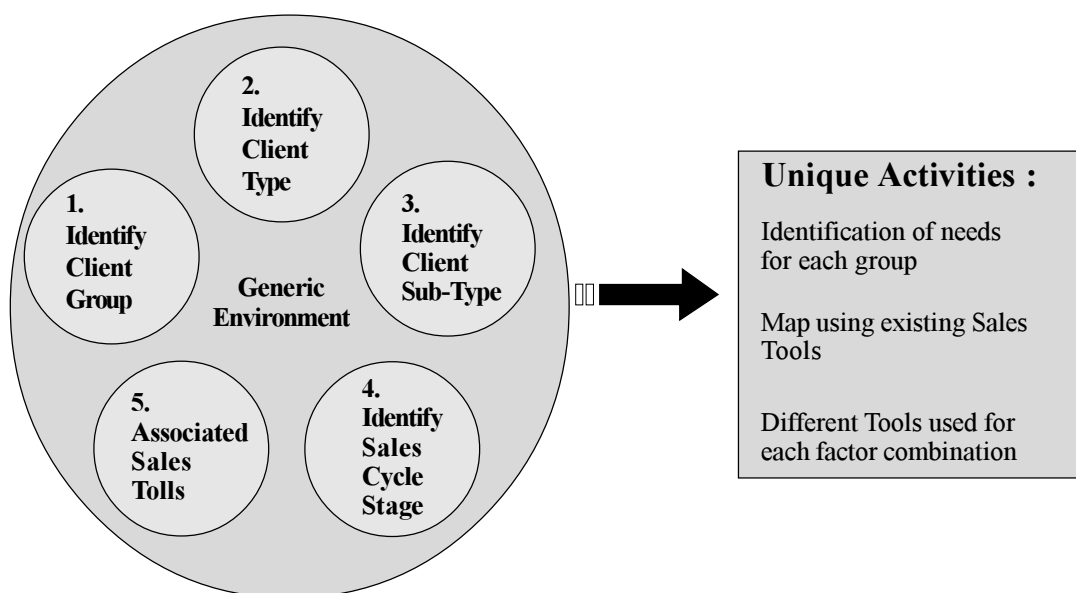
6. Training:

FCS has the infrastructure to continuously train its software professionals to avoid technology obsolescence. FCS provides skill gap training as well as new technology training in-house.

7. Recruitment Capability:

- Strong Recruitment capability
- Mapping of major talent resource towns in India
- Existing manpower database – constantly increasing
- Right recruitment, role clarity and appropriate project allocation has helped keep the attrition rate at around 13% in comparison to attrition rate of 20% for KPIT Cummins Infosystems Ltd.

8. FCS Sales Process:



1. Identify Business Area: This involves identifying, which business segments, FCS wants to cater to. Areas identified by FCS are:

- a. E-learning
- b. IT Consulting
- c. Product Engineering
- d. 24 / 7 Application Support

2. Identify Technology Focus: Identify core technologies, where FCS would develop huge expertise and teams. Technologies identified by FCS are:

- a. IBM Lotus Domino
 - b. Microsoft Technologies
 - c. Sun Technologies
 - d. Macromedia Products
 - e. Oracle Applications and Oracle Database
- 3. Identify Customer Segments:** FCS has identified the following customer segments in each domain:
- a. **E-Learning**
 - i. eCorp: Fortune 1000 customers for their e-learning / training needs, end-to-end e-learning solutions
 - ii. eCatalog: US based content companies for sub-contract or partnership relationships
 - iii. eHealth: Medical / Pharma Associations, Medical / Pharma companies, Chemical Companies, etc.
 - iv. ePublish: US based publishing companies with work on content digitization
 - b. **Product Engineering**
 - i. Fortune 1000: These companies are targeted to be offered System Architecture Design services and application maintenance
 - ii. Software Product Companies: Co-product development services for development work, software product documentation, software product technical support
 - iii. Portal Management: Development, support and content management for portals
- 4. Database Creation:** Creation of database in each of these market segments who would need to be contacted for sales
- 5. Lead Generation:** Generating leads / fixing appointments with the prospective clients to be able to speak to them explaining service offerings, showcase demo, understand their needs in those service areas, RFP generation (verbal/written)
- 6. Pre-Sales:** Responding back to those clients on the RFP, submission of proposal, proto-type (if required), timelines and cost estimates (based on the understanding of the scope of work), proposing a specific business model for project execution:
- a. Fixed Price Project
 - b. Lab on Hire
 - c. Off-shore Development Centre
- 7. Key Account Management:** Remaining in touch with the customer to understand future needs, growing the business and post-sale service

US BRANCH OF THE COMPANY

FCS opened a branch office at 2890, Zanker Road Suite San Jose, CA-95134 USA with the approval of Registered Foreign Exchange Dealers and Bankers viz. Punjab & Sind Bank, Nehru Place Branch, New Delhi on 16th March, 1999. The branch office is situated on a rented property under a lease agreement dated 23rd November, 2001, valid upto 30th November, 2006. The Branch Office was certified as having complied with all the requirements of Department of Treasury for carrying on the business / activities as a Foreign Profit Corporation by the State of New Jersey, dated 29th May, 2001 and has also been assigned an Employer Identification Number. The Branch office is headed by Mr. Dalip Kumar, Managing Director and onsite work is being executed by hiring sub contractors. FCS has leased lines for voice and video conferences which are used along with E-mail and web based project management methodologies.

INFRASTRUCTURE

LAND AND BUILDING

The Company has leased property (90 years lease) from NOIDA comprising of total covered area of 1216.80 square meters (with 21315 sq. ft. covered area) in Noida, U.P. and owns property comprising of 980 square meter (with 9150 sq. ft. covered area) of land at Gurgaon, Haryana. The premises in Noida is used for business activities whereas in Gurgaon premises the company is having its registered office. In case of lease property at Noida, other than payment of upfront premium, the Company has to pay an annual lease rental which is enhanced every ten years. The revised lease rentals has been paid on December 2, 2004. However, a formal supplementary deed for revision of these rentals be executed, if and when required by the Lessor.

POWER

The Company has power supply through transformer of 136 KVA with 3-phase supply, 4 UPS of 20 KVA for desktop and server user, 1 UPS of 5 KVA and the sanctioned load of additional 144 KVA for communication Equipments to meet its total consumption requirement of 280 KVA. Further, the Company has an alternative captive source of power through 2 DGs of 285 KVA and 125 KVA, which are having the capacity to supply uninterrupted electricity for 300 hrs.

COMMUNICATION EQUIPMENTS

Routers - A networking device that is used to extend or segment Networks by forwarding packets from one logical network to another. Routers are most often used in large Internet works that use the TCP/IP protocol suite and for connecting TCP/IP hosts and local area networks (LANs) to the Internet using dedicated leased lines. FCS has 2 Cisco 1751 routers which are having WIC2 serial Interface card on which FCS has terminated the ISP (STPI and Reliance) links.

Voice Multiplexer - A telecommunications device that multiplexes several data channels from different pieces of data terminal equipment (DTE). Multiplexer (MUXes) are frequently used to combine digital lines in order to save cost by eliminating the need for extra line termination devices such as CSU/DSUs (Channel Service Unit/Data Service Units). For example, a T1 MUX might have several V.35 interfaces for accepting incoming data from bridges or routers connected to local area networks (LANs) plus a DSX-1 interface for connecting to a channel bank or private branch exchange (PBX) system. The MUX takes the serial data input and voice input and multiplexes them together into a single data stream using an integrated CSU/DSU for direct transmission over a T1 line, allowing to use the T1 line for voice and data combined. A similar device can be used to multiplex data and voice for transmission over a public frame relay carrier network. At FCS the voice multiplexer is used as a major Communication backbone. It is used to compress the E1 voice channels using CVselp/G.729/G.72721 voice coder and Compression technology. FCS has 2 Motorola 6455 (with Dual E1 Interface) and 1 Motorola 6560 (with Single E1 Interface).

Voice Switch - These can be defined as EPBX (Electronic Personal Brach Exchange) used for the Interoffice as well outbound call distribution. EPBX consists of two major groups FLC (user Ext Side) and Carrier(E1/PSTN/T1/PRI). At FCS there is a Panasonic TD 500 with 512 Ext and 3 E1 which is connected to the Motorola Multiplexer and is used for different group of users. There is also an IRIS IVDX – 2 PRI that can go upto 2500 Extension and is used for the call center Application

IVR - Interactive Voice Recording System is used to handle and distribute the calls by a guided Interactive voice system which can interact with the users and guide them to reach to the desired person/team. FCS is using Alliance Telecom –30 Channel digital IVR system for their Contact Center where the customer can select the desired service field and reach to the related person.

Firewall - Firewalls are usually dedicated machines running at the gateway point between the local network and the outside world, and are used to control who has access to the private corporate network from the outside. For example, over the Internet,more generally, a firewall is any system that controls communication between two networks. In today's networking environment in which corporate networks are connected to the Internet-inviting hackers to attempt unauthorized access to valuable business information-a corporate firewall is essential. FCS is using Cisco Pix 515E firewall to protect the Mail/WEB and Database server by filtering the TCP port and authenticating the users.

Voice Logger - A voice logger is a device or program used to record Audio information from telephones, radios, microphones, and other sources for storage on a computer's hard drive or removable media. There are two basic modes for recording: vox mode, which is voice-activated, and non-vox mode, in which the recording is continuous. Voice loggers are most often used by emergency services, such as the 911 system, and businesses, such as call centers. The recording systems are also used by security organizations and private individuals. In FCS Integrated Voice logger system is use to record the conversation of the Call center Executive and the customer for training and monitoring purpose.

NETWORK INFRASTRUCURE

Servers - Servers are high performance systems that offer strong availability, serviceability, and manageability features. The PowerEdge server utilizes Intel® Pentium® III microprocessors, next-generation chipset and memory technology to provide high performance in both file/print and server application environments. FCS has 1 Dell PowerEdge 2400, 4 Dell PowerEdge 1400 and 13 Dell PowerEdge 2500.

Desktops – Desktop is a personal computer designed to fit a typical workspace. A desktop computer consists of monitor, processor and input devices (typically mouse and keyboard). At FCS, there are 615 Desktops with High-end configurations from the leading brands like HCL, Zenith.

LAN Switches - LAN Switches are fundamental part of networks because they speed things up. Switches allow different nodes (a network connection point, typically a computer) of a network to communicate directly with one another in a smooth and efficient manner. There are 600 ports divided between AVAYA and Cisco switches in FCS.

Bandwidth Manager - Bandwidth Manager is an application-based traffic and bandwidth management system that delivers predictable, efficient performance for applications running over the WAN and Internet. FCS has packteer 2500 series bandwidth manager.

VPN (Virtual Private Network) Server – FCS has Cisco PIX VPN Server. This *network* is constructed by using public wires to connect nodes. VPN server is used for connection of remote endpoints of VPN tunnels and of remote clients using *VPN Client*.

Virus Protection - Protection against viruses and malicious code for desktops and servers. At FCS, there is a Trend Micro Anti-virus Suit Corporate Edition (centralized Antivirus Server) and a Trend Scan-mail to Scan Mails.

Mail Server - A central computer connected to the Internet that provides mail services for mail clients. A server that receives and stores incoming mail. FCS uses Microsoft Exchange Server Linux postfix (Mass mail Server).

CARRIER SERVICE PROVIDERS

FCS has a 1.5 MB IPLC link to the US and a 2 MB leased line infrastructure along with backup dialup ISDN lines. The IPLC link connects to Reliance Network Center and the 2MB leased line is from Reliance for Internet access. The local loop is from DOT.

We have 764 Kbps leased line infrastructure form STPI dedicated to our mailing activities. STPI has installed their RF(Radio Frequency) Tower at FCS premises, on which they are transmitting the signals on 5.8 Ghz ISM band for the data connectivity between their POP and FCS.

FCS has 6 x Analog Public switched telephone network PSTN lines, which is the oldest and hitherto largest telecommunications network in existence. The PSTN's primary characteristics: A analog access, 300-3,400 Hz; Circuit-switched duplex connection Switched bandwidth, 64 kbit/s, or 300-3,400 Hz for analog exchanges; Immobility or, at best, very limited mobility; and some other functions in common with another bearer network like: N-ISDN. BSNL has provided their connection over the Dead Copper (twisted pairs)

INSURANCE DETAILS

| S. No. | Particulars | Policy No. | Sum Insured Value | Validity of the Coverage |
|--------|----------------------------|----------------------|-------------------|--------------------------|
| 1. | Cielo-1757 | 351651/31/04/6101010 | 85000 | 18/08/05 |
| 2. | Building (Sec-34, Gurgaon) | 351651/11/04/3100091 | 4500000 | 1/9/2005 |
| 3. | Building & Equipment | 351500/11/04/3300615 | 51600000 | 28/03/06 |
| 4. | Optra | 010033363100 | 835582 | 25/07/06 |

HUMAN RESOURCE

| S. No. | Department | No. of Persons |
|--------|---|----------------|
| 1. | Finance & Accounting | 12 |
| 2. | Software Development Programmers/Analysts | 501 |
| 3. | Business and System Analysts | 78 |
| 4. | Networking | 14 |
| 5. | Human Resource | 18 |
| 6. | Visa, Legal, Administration | 9 |
| 7. | Training and Documentation Specialists | 25 |
| 8. | Pre-sales, Marketing, and Sales | 39 |
| | TOTAL | 696 |

SUBSIDIARIES OF THE COMPANY

At present, the company does not have any Subsidiaries.

The Company had earlier one Subsidiary viz. Aberdeen Manpower Resources Ltd., which was incorporated with the object of placement & recruitment. But as the entire business environment / model in the IT industry had changed during 2000, the said company applied to Registrar of Companies, Delhi & Haryana for striking off their name u/s 560 of Companies Act, 1956.

VII. PROMOTER AND HIS BACKGROUND

Mr. Dalip Kumar is the main Promoter of the Company.



Voter ID No. : Not Available
Driving Licence No. : B9870237 (Issued by California DMV)
Permanent Account No. / Social Security No. : 152-84-2912 (Issued by Social Security Administration), USA

Dalip Kumar aged 43 years is a US based NRI, who has completed his Master of Science in Computer Engineering from Rutgers University, New Jersey, USA, and had graduated as a Bachelor of Science in Electronics Engineering from Punjab Engineering College, Chandigarh. He has been involved in IT industry for last 21 years. He worked on Construction Management System for K. Hovanion Company, a real estate builder in New Jersey, USA. This project streamlined planning, building, sales and rental property management of apartment complexes. He also worked for the Port Authority of New York and New Jersey on fair collection system for daily and monthly commuters on the trains run between Newark, New Jersey to Penn Station, New York. The system was able to accept passes on kiosks, issue new passes, and provide refunds, reconcile passenger traffic and accounts receivables. He worked on a project to create paperless transaction system for a large bank viz. The Republic National Bank using electronic data interchange.

In FCS, he has been working on Web based projects and ERP centric projects. His expertise area now is to build e-businesses and implement e-services. He has strong project management, design and implementation skills. He has set technology competency goals for FCS and has moved FCS from low value chain tasks to high value chain in IT industry. Now the business focus for FCS has been aligned with core competency in Internet and web applications. His task now is to build FCS in to a professionally managed, technology driven Company.

The Permanent Account Number / Social Security No. issued by US Authorities, Bank Account Number and Passport Number of the above promoter have been submitted to BSE and NSE at the time of filing the Prospectus with them.

VIII. MANAGEMENT AND KEY MANAGERIAL PERSONNEL

BOARD OF DIRECTORS OF THE COMPANY

The Company is managed by a Board of Directors under the leadership of Mr. Dalip Kumar, Managing Director. The Board of Directors comprises of well qualified and experienced professionals in the Software Industry and other key functional areas like Marketing, Communications, etc. The following table sets forth information regarding the Board of Directors, as on date:

| Name, Designation and Address of the Director | Age (years) | Other Directorships |
|---|-------------|---|
| Mr. Dalip Kumar <i>Managing Director</i> 229, Sector 15A, Noida-201301, U.P. | 43 | Enstaserv eServices Ltd. FCS America Ltd.* |
| Mrs. Janak Sharma <i>Director</i> 229, Sector 15A, Noida-201301, U.P. | 60 | Enstaserv eServices Ltd. |
| Mr. Krishan Kant Arora <i>Whole Time Director</i> 381B, Pocket 2, Mayur Vihar Phase I, New Delhi-110091 | 45 | Enstaserv eServices Ltd. |
| Mr. Pradeep Sanan <i>Director</i> 513, Sector 15A, Chandigarh, Punjab-160015 | 44 | Nil |
| Mr. Shyam Sunder Sharma <i>Director</i> 111, Old Arya Nagar, Ghaziabad, U.P. 201001 | 46 | Nil |
| Dr. Balvinder Shukla <i>Director</i> 10, Shivalik, Sector 61, Noida-201301, U.P. | 44 | Nil |
| Mr. Shiv Kumar Lath <i>Director</i> A/72, Prayag Apartments, Vasundhra Enclave, Delhi-110096 | 28 | Nil |

*FCS America is not operational as on date.

The profile of the Directors of the Company other than Promoter is given below:

Mr. Krishan Kant Arora (Whole Time Director): Joined the Board with effect from December 8, 2000. Aged 45 years, done his B.Sc. Engineering (Electronics & Communication) from REC, Kurukshetra in 1981. He has over 23 years of experience in varied capacities. Prior to joining FCS, he had worked with DCM Data Products Ltd. as Sr. Production Engineer for almost 6 years and Modi Olivetti Ltd. as Sr. Manager for 6 years. His major achievements were Technology Transfer for Tandy 1000 from Tandy Inc. USA and setting up state of the art Surface Mount Technology (SMT) for Modi Olivetti Ltd. He has also worked as free-lancer consultants for various reputed companies like Modi Olivetti Ltd., Modi Xerox Ltd. and Microtek etc. At FCS he is responsible for Operations and bringing in new Technologies.

Mr. Pradeep Sanan (Director): Joined the Board with effect from December 8, 2000. Aged 44 years, completed MS in Telecommunications from Roosevelt University, Chicago, and Post Graduate Diploma in Computer Sciences and MS in Space Physics from India. He has over 15 years of varied experience in functions such as Telecom Management, Software Development & Design and project delivery. Prior to joining FCS, he was working in different capacities with companies like Uniscans and Sonix Limited, JCT Electronics etc. His core job responsibility in these Companies was software development. He currently performs consulting assignments in US for various companies. He is a specialist in Telecom and has also worked with companies like Ameritech in the USA to develop large telecom based systems.

Mr. Shyam Sunder Sharma (Director): Joined the Board with effect from December 8, 2000. Aged 46 years and an Engineering Graduate from Roorkee Engineering College, Roorkee. He has 23 years of experience in IT industry and is currently employed with DCM Data Products as a Senior Vice President. He has in-depth knowledge of IT industry and brings his large exposure to FCS Board. He is an expert in the filed of System Administration with focus on AIX and UNIX based systems.

Dr. Balvinder Shukla (Director): Joined the Board with effect from April 19, 2000. Aged 44 years is an M.Tech (Chem. Engg.) from IIT – Kharagpur and Ph.D. from Queen’s University, U.K. Currently, she is Dy. Director General, Amity Corporate Resource Centre & Sr. Vice President, Amity Education Foundation. She is the Founder Director of Centre of Entrepreneurship & Leadership at Amity Business School. With over 17 years of experience in academia and industry,

she has worked with some of the best institutions in the world like Queens University, UK, Bloomington State University, USA, British Petroleum, UK, Delhi University, IIHT Systems, Shimnit Group, Amity Institutions & Interra Software. She is also on advisory board of many companies such as Shimnit Group of Companies, Bombay, IIHT Systems Ltd, New Delhi & Chadha Group of companies, New Delhi and has an experience in the field of retail and education. In 1991, she joined IIHT Systems Ltd. as Regional Head and established a strong networking of 72-franchise and dealers network across the country. Dr. Shukla moved to Shimnit Group in Feb. 1997 as Head Corporate Planning and Zonal Head (North). In Interra Software, a US Multinational, she worked as a Director and established Resources Management Group and Training Department

Mrs. Janak Sharma (Director) : Joined the Board with effect from May 5, 2000. Aged 60 years is a B.Ed and has completed her Masters of Arts in the subjects of Political Science and History. She is an avid reader and provides valuable insights in deciding various strategies for the Company. She has a focused and assertive approach towards her work and she is creative in thought and presentation.

Mr. Shiv Kumar Lath (Director): has been appointed as Director of the company w.e.f. 03/01/05. Mr. Lath is a practicing Chartered Accountant since Nov. 1999 having expertise in the area of Internal Audit & Taxation. In addition to this his business exposure in totality can be mentioned as Management audit, Concurrent Audits, Inspection, Stock- Audit, Revenue audits of Banks, Statutory and Tax Audits, Taxation- Income Tax & Service Tax, Company Matters, Bank Finance, Accounting jobs. He has also handled getting approval of projects (for benefits under Income Tax) under DSIR, Ministry of Science & Technology and National Committee, Ministry of Finance.

Term of office of Directors

Mr. Dalip Kumar – Managing Director of the Company was appointed as per Annual General Meeting resolution dated 20th April 2000 for the period of 5 years w.e.f. 1st April 2000 and has been re-appointed as the Managing Director in the Borad Meeting held on 5th April, 2005 for the further period of 3 years w.e.f. 1st April, 2005 and his appointment has been approved by the shareholders in the Annual General Meeting held on 6th June, 2005. Further, Mr. Krishan Kant Arora – Whole Time Director of the Company was appointed as per Annual General Meeting Resolution dated 19th July 2001 for the period of 5 years w.e.f. 8th December 2000.

In accordance to the Companies Act, 1956, all directors are liable to retire by rotation except the Managing Director and Whole Time Director. Apart from Mr. Krishan Kant Arora-Whole Time Director of the Company, no remuneration is being paid to any other directors except the sitting fees for attending the board meetings and other committee meetings.

KEY MANAGERIAL PERSONNEL

The details of Key Management persons are as follows –

| Name & Designation | Age (years) | Qualification | Past Experience (years) | Date of joining | Previous Employment & Designation | Remuneration during the last Financial year (Rs. in lakhs) |
|--|-------------|--------------------------------|-------------------------|-----------------|--|--|
| Mr. Vineet Narang V.P. Strategic Planning & Businss Development | 31 | MBA | 10 | 01/12/2000 | Brand Dot Com A Times of India Venture Business Head-IT | 9.00 |
| Ms. Sabina Rehman Creative Director | 34 | PGD (Comm. Art) | 12 | 01/12/2000 | Network Programs Sr. Multimedia Designer | 7.41 |
| Mr. Rajeev Ranjan V.P.-H. R. | 36 | MBA, B.Tech | 10 | 24/08/2000 | Progression Services (I)(P) Ltd Head:-Corp. Planning & BD | 8.04 |
| Mr. Jitendra Pal Singh V.P. | 42 | MBA, BE | 16 | 14/06/2004 | Techspan India Ltd. Reg. Sales Mgr-International | 6.96 |
| Mr. Raj Ratan Pugalia CFO | 41 | CA, LLB | 15 | 18/10/2004 | SVUL Projects Ltd. Sr. Manager –Account | 1.68 |
| Mr. Anil Sharma V.P.-Finance | 40 | CA | 15 | 01/05/1998 | Alcozin Alloy Castings (Group of Umang Appliances Pvt. Ltd.) – Accounts Officer | 3.36 |
| Mr. Brajesh Verma Sr. Mgr-Operation | 39 | ICWA | 14 | 07/03/2003 | IRIS Computers Finance Manager | 4.59 |
| Mr. Gopal Sahai Mgr.-International Mkting. | 36 | MBA | 11 | 10/06/2002 | Eastern Soft. Systems Ltd. Territory Manager | 4.56 |
| Mr. Anoop Srivastava Manager-Project | 32 | M.Sc. (Comp. Sc.& Software) | 9 | 01/07/2000 | Thomson Press (India) Ltd. Software-Trainee | 4.50 |
| Mr. Gajendra Pratap Singh Company Secretary | 28 | M. Com., ACS | 2.5 | 09/02/2005 | DCM Financial Services Ltd. Company Secretary | 0.31 |

All the above mentioned Key Managerial Personnel are permanent employees of the Company. None of the Key Managerial Personnel is holding any Equity Shares of the Company till date.

The Company had approved the Employee Stock option Scheme under Section 79A of the Companies Act, 1956, under which it has consented to issue options convertible into Equity Shares to its Employees as defined in the said Scheme. The maximum of 7,53,000 options, as has been approved by the members of the Company, can be granted under the Scheme.

The Company also intends to grant Equity Shares at Rs. 10/- per share (at face value of Rs. 10/- only) to select employees of the Company, pursuant to an Employee Stock Purchase Scheme, (ESPS) that was adopted at a meeting of the shareholders of FCS on 10th December, 2004.

The details of ESOS and ESPS are given under the head “Notes to Capital Structure” appearing on page no. 10 of this Prospectus.

CHANGE IN KEY MANAGERIAL PERSONNEL IN THE LAST 3 YEARS

| Name of The Key Managerial Personnel | Designation | Date of Change | Reason |
|--------------------------------------|------------------------------|----------------|-------------|
| Mr. Jitendra Pal Singh | V.P. | 14/06/2004 | Appointment |
| Mr. Raj Ratan Pugaliala | CFO | 18/10/2004 | Appointment |
| Mr. Brajesh Verma | Sr. Mgr-Operation | 07/03/2003 | Appointment |
| Mr. Gopal Sahai | Mgr.-International Marketing | 10/06/2002 | Appointment |
| Mr. Gajendra Pratap Singh | Company Secretary | 09/02/2005 | Appointment |

SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

| Name | No. of Shares |
|------------------------------------|---------------|
| Mr. Dalip Kumar, Managing Director | 10489503 |
| Mrs. Janak Sharma, Director | 6300 |

CORPORATE GOVERNANCE

The Company at present is complying with the guidelines in respect of Corporate Governance.

The Composition of Board of Directors of our Company, as per Corporate Governance is as under :

The Company currently has 7 Directors on our Board, of which Mr. Dalip Kumar is our Chairman and Managing Director and Mr. K. K. Arora is a Whole time Director. Other Members of the Board, i.e., Mrs. Janak Sharma is a non-Executive Director and Mr. Pradeep Sanan, Mr. Shyam Sunder Sharma, Dr. Balvinder Shukla and Mr. Shiv Kumar Lath are non-Executive and Independent Directors.

The various Committees formed by the Company are as under:

Audit Committee

The Company has constituted an Audit Committee vide its Board resolution dated April 5, 2000 and the same was reconstituted vide the Board Resolution dated November 16, 2004 and again vide the Board Resolution dated January 3, 2005. The Committee presently comprises of Mr. Shiv Kumar Lath, Mr. Shyam Sunder Sharma and Dr. Balvinder Shukla, all are non- executive and independent Directors.

The role of the Audit Committee includes:-

- a. Oversee the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of Auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements.

- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussions with internal auditors, any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussions with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- k. To direct the internal and/or statutory auditor regarding any specific areas that need to be investigated.

Remuneration Committee

The Remuneration Committee has been constituted in a meeting of the Board of Directors held on January 3, 2005 and comprises of Mr. Pradeep Sanan, Mr. Shyam Sunder Sharma and Dr. Balvinder Shukla.

The remuneration committee determines the Company's policy on specific remuneration packages for executive/ non-executive directors including pension rights and any compensation payment and approves the payment of remuneration of managerial personnel in accordance with section 269 read with Schedule XIII of the Companies Act, 1956.

Share Transfer and Investor Grievance Committee

The Investor Grievance Committee has been constituted in a meeting of the Board of Directors held on January 3, 2005. The Investor Grievance Committee consists of Mr. Shiv Kumar Lath, Mr. Shyam Sunder Sharma and Dr. Balvinder Shukla. The function of this committee is to deal with complaints received from the shareholders of the Company and redress the grievances to the satisfaction of the shareholders of the Company.

DIVIDEND POLICY

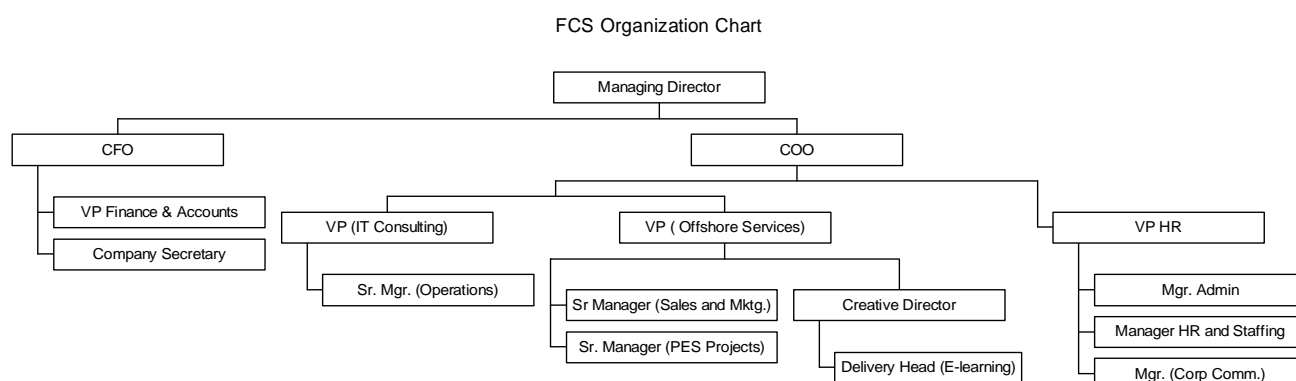
The Board may, in its discretion, recommend dividend to be paid to the members of the Company. The factors that may be considered by the Board before making any recommendations for the dividend includes but are not limited to profits / earnings during the financial year, liquidity of the Company, need for reserving resources for future growth, applicable taxes including taxes on dividend, as well as exemptions under tax laws available to various categories from time to time, etc.

Dividends would be declared at the annual general meeting of the shareholders based on recommendation by the Board of the Company. The Board may also, from time to time, pay to the members interim dividend, as appears to be justified by the profits of the Company.

The Company has declared 0.25% dividend during the last 5 years i.e. from 2000-01 to 2004-05.

ORGANISATION CHART

The Organization chart of the Company is as under –



IX. DESCRIPTION OF INDUSTRY AND BUSINESS (Source : official website of NASSCOM www.nasscom.com)

The Indian IT sector has proved to be the country's fastest growing segment, even in troubled times—in the globally challenging economic environment of 2001-2003. The software and services industry, a major component of India's IT sector, showed significant momentum, higher than that of other industries in the country. India continued to be a compelling investment destination, as leading companies either set up shop here or beefed up their existing infrastructure. Outsourcing of IT requirements by leading global companies to Indian majors also picked up pace during 2002-03, in line with worldwide trends.

The performance of the Indian IT sector was determined by its growth in the following areas:

- IT software and services exports
- IT-enabled services
- The domestic IT market
- Telecom infrastructure
- Venture capital

IT software and services exports

Software and services exports continued to remain on top of the IT industry's revenue table. The export-driven software sector saw major long term projects come to Indian ICT leaders and Indian companies bagging a larger and larger share of the global outsourced business. The software export sector logged in revenue of Rs. 77,400 crores during 2004-05, a jump of around 34 percent, as compared to the previous year. (Source : NASSCOM)

In terms of software services delivery, offshore project revenues grew by a blazing 49% for the year 2003-04 as compared to on-site revenues, growth of which was pegged as 12% during 2002-03. In terms of geographies, Indian ICT companies began tapping regions outside the US market, even though the country remained the largest user of software solutions from India. The revenue contributions by the US market continued to rise on account of the large number of ITES/BPO projects getting outsourced to India.

Some of the key service lines for Indian players continued to be:

- Custom Application development and maintenance
- Applications outsourcing
- IT enabled services
- R&D services

Indian companies also made modest headway in segments such as packaged software support and installation, product development and design services and embedded software solutions.

US E-learning Market:

According to research firm IDC, the training industry overall is estimated to hit \$60 billion worldwide this year, with \$6.6 billion coming from e-learning. The e-learning market is expected to reach \$23.7 billion by 2006.

The U.S. corporate e-learning market is making a comeback and will offer vendors and investors significant opportunities over the next five years. Thousands of organizations have demonstrated short-term returns through cost savings and speed-to-productivity by integrating e-learning content and technologies into training processes.

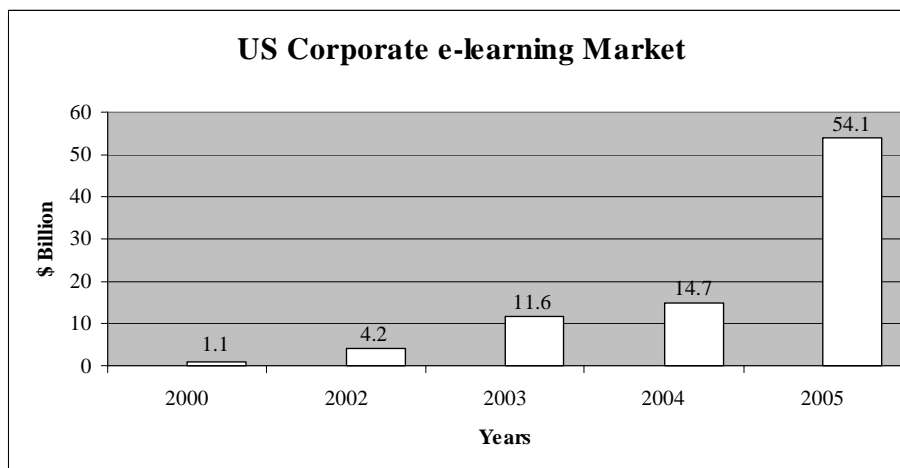
With the market showing signs of promise this year, IDC expects exceptionally strong growth in 2004 through 2007, led by increases in e-learning spending that will continue to outstrip the larger training market.

"The U.S. corporate e-learning market is coming back," said Michael Brennan, program manager for Corporate Learning and Performance research at IDC. "Web-based technology is becoming the game changer we predicted it would. Buyers wish to leverage the Web as a tool to augment classroom delivery, to more tightly integrate learning with other HR processes, and to deliver instruction in a context-sensitive manner."

Off shoring of IT Services:

According to Gartner, by 2008, spending on IT services delivered through "global sourcing" will reach about 7 percent of a \$728 billion total market—or roughly \$50 billion.

NeoIT "foresees a big year for offshore outsourcing growth in 2005" and predicts that more than "80 percent of the Global 2,000 will have an offshore presence by the end of the year."



IT Services Market:

Gartner

- 79% of large U.S. corporations surveyed currently engaged in offshore

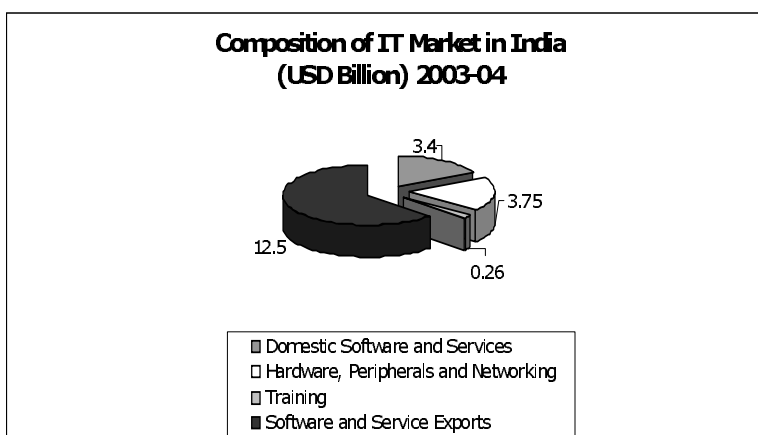
- 95 plan to increase offshore spending in 2003
- 42% plan to increase by more than 40%

(Source: www.nasscom.org) (Official Website of NASSCOM)

Indian IT Industry

The IT industry's contribution to the Indian GDP has increased from approximately 1.4 percent in 1998-99 to more than 3 percent in 2003-04.

The Indian IT industry includes hardware, peripherals, networking, training, domestic and export market for software and services and BPO.



(Source: www.nasscom.org) (Official Website of NASSCOM)

Indian Software and Services Industry

IT software and services market in India continued to be driven by exports, which exhibited growth during the 2004-05 period. The export segment, which had logged in revenues of Rs. 549 billion (US\$12.2 billion) in 2004-05, accounted for around 71 percent of the total revenues of the IT industry that year. Software and services exports meanwhile are

expected to cross Rs. 742 billion mark (US\$16.5 billion) in 2004-05, a jump of 34 percent in rupee terms and 35 percent in dollar terms.

In terms of revenues, the domestic market will cross the Rs. 216 billion (US\$ 4.8 billion) mark, with the packaged software segment logging in Rs. 22 billion (US\$ 490 million) worth of revenues and the software services touching Rs. 171 billion (US\$3.8 billion) levels.

The Indian software and services market continued to build momentum, as an economic upturn began sweeping the global geographies. The sector, which had managed to sustain growth during the challenging 2000-02 period, built up steam once again, reverting gradually to its performance levels prior to the global economic recession.

- Close to 60 percent of the revenues of the overall IT software and services market were accounted for by exports, which jumped from Rs. 461 billion (US\$ 9.55 billion) in 2002-03 to an estimated Rs. 742 billion (US\$ 16.5 billion) in 2004-05.
- The growth of the domestic software and services market grew by 24 percent in 2004-05.
- The ITES/BPO industry grew at a rapid fire 49 percent during 2004-05, accounting for around 30 percent of the overall IT export revenues in this period.
- During 2002-03, the financial services sector accounted for the largest share of Indian software and services exports. IDC studies indicate that IT spending by US banks will touch US\$ 60 billion by 2007.
- India continued to expand its presence in two of the 10 major IT services lines. Custom application development and maintenance and applications outsourcing accounted for nearly 88 percent of total software exports in 2003-04. More recently, Indian companies have begun moving up the value chain and are offering services in IT consulting, systems integration, network consulting and integration processing services and IS outsourcing.
- The Indian software and services industry's global delivery model veered towards offshore outsourcing, which is expected to account for around Rs. 33,010 crore in 2003-04. On-site services will touch Rs. 22,500 crore in the same period.
- The Indian software and services export sector has a pyramid structure, with a handful of companies with revenues exceeding Rs. 10 billion (US\$ 210 million). The number of companies with revenues above Rs. 1 billion (US\$ 21 million) has grown from 52 in 2001-02 to 70 in 2002-03.
- Tier 1 companies within the industry (top five firms) account for about 32 percent of total software exports.

The global scenario

Business intelligence majors such as IDC state that the IT services market will grow at a CAGR of 5.4 percent over the next five years. Some of the other developments defining this segment include the following:

- a high growth IT outsourcing industry which will maintain a momentum of five percent in 2003-04. Application outsourcing will remain the focus within this segment
- a high growth Application Service Providers segment which is forecast to grow at a healthy five year CAGR of 25.3 percent
- a return to moderate growth of the custom applications development segment, which was the worst hit by the offshoring phenomenon
- a mild recovery by the US IT services market which is expected to achieve growth of around two percent during 2003-04 and around six percent by 2005.
- a healthy growth of around 8.6 percent in the IT services market within the Asia Pac region, and a five year CAGR of 12.6 percent
- high growth rates of IT services in the rest of the world (including central and Eastern Europe, Middle East and Africa).
- The rise of offshoring as a mainstream strategy based on overall savings of 30-60 percent for outsourcing companies. According to Morgan Stanley, the percentage of CIOs outsourcing software applications offshore is likely to triple to 28 percent from 8 percent in 2003. IDC expects offshore volumes to double to US\$16 billion in 2004 and jump to US\$ 40 billion by 2007.

Trends in Indian software and services exports

The Indian software and services market continued to remain export oriented, with sales to overseas customers accounting for the bulk of the sector's turnover for 2004-05. While software and services exports grew at a healthy 26 percent, logging in a revenue of Rs. 555.1 billion (US\$ 12.2 billion) during 2003-04, the numbers have estimated to touch Rs. 742 billion (US\$ 16.5 billion) in the 2004-05 period. This represented a jump of around 34 percent in Rupee terms and 35 percent in US dollar terms.

It was seen that:

- the contribution of the software and services export segment to India's overall invisible receipts rose from 59

percent in 2002-03 to around 73 percent in 2003-04.

- the Indian software and services industry continued to focus on North America, which remained the largest market for the sector.
- The other key export destinations for Indian software and services companies were the European and Asia Pac regions. The industry, in fact increased the export contribution from the European geo during 2003-04. The UK, Germany and France together accounted for over 75 percent of Indian exports to Europe.
- Within the Asia Pacific region, Japan, continued to be the largest market for Indian software and services players, followed by China, Hong Kong, Taiwan and South Korea.
- On the verticals front, the Indian software exporting companies focused primarily on the financial services segment, which lead the tally with an overall revenue contribution of around 39 percent during 2002-03. Companies developed banking solutions centered around enterprise integration, security and enterprise portals, knowledge management and CRM (Customer Relationship Management).
- In the area of global service lines, India continued to play in two out of the ten major IT services segments. As in the past, custom application development and maintenance and application outsourcing services accounted for nearly 88 percent of the total software exports from India. However, there were some signs of movement in the higher end of the software services spectrum, with Indian software majors scaling to offer solutions in the areas of IT consulting and systems integration.
- Trends also indicated that the offshore delivery model became the preferred business model for the Indian software and services industry during 2003-04, with offshore revenues, as a proportion of the total revenues jumping by approximately 24.4 percent, as compared with 14.20 percent for onsite revenues over 2002-03.

Future trends and opportunities for the Indian software and services industry

According to leading global business intelligence analysts, the offshore outsourcing market, still in a nascent stage, is expected to witness substantial growth over the next few years.

- Forrester Research estimates that only 3-4 percent of the Fortune 500 companies offshore more than 10 percent of their IT services spending. Considering the mammoth IT budgets of these companies, there is a vast untapped potential that the segment offers Indian software and services vendors.
- Industry watchers are hopeful that industry pricing will remain relatively stable over the near-to-intermediate term and that Indian services firms may even be able to raise prices.
- Supply side factors indicate that India will continue to have a significant pool of “tech-ready” and “tech-trainable” students over the next few years. It was estimated that during 2003 around 375,000 students joined up engineering or other technical programs. This was in addition to the 500,000 non-engineering graduates that passed out of India’s higher education institutions.
- It is expected that over the next few years, Indian software and services companies will adopt a global delivery model based on four components: onshore (same country as client); on-site (at the client site), nearshore (country near to client country) and offshore (based in India)

(Source: www.nasscom.org)(Official Website of NASSCOM)

Competition

In the IT services sector, FCS has the competition from various medium / large size companies but technology expertise and focus on customer delight helps FCS - bag, retain and grow their customers. FCS’s focus on process and protection of customer IPR is strong and give customer the extra comfort factor.

In the E-learning segment, FCS compete with various US based companies and some of the Indian players. The focus is on the corporate sector and whole strategy is to create highly interactive and engaging programs for the corporate sector. Its Content production methodology, edge in user interface engineering, use of re-usable objects and costs helps them ward off competition. The Company is working with large Fortune 500 customers in this segment and has been able to increase these customers every year. FCS adds on an average 2 Fortune 500 customer every year. During the year 2003, the Company was offering services to Deere & Company, Eastman Kodak Company, Maytag Corporation. In the year 2004, it added GE, American International Group (AIG), Best Buy Co Inc. and during 2005, Merck & Co Inc., Bristol Myers Squibb Company and Praxair Inc. were added in its client list.

The major clients of FCS at present are Canon, Domino, John Deere, AIG in E-Learning & Digital Consulting, GE Transportation, Ace Technologies Inc., Savant Consulting, Oxford Global in IT Consulting business and Synergy Technology, Knowles Electronics, Digital Intelligence Systems Corp., United Software Consulting Solutions Inc., Eliassen Group Inc., in Product Engineering assignments.

FCS’s Marketing Strategy & Future Potential:

Over the last many months, FCS has strengthened its position in the E-learning and PES market. FCS is now a

preferred E-learning vendor to 3 large Fortune 500 customers viz. i) GE, ii) Canon, iii) Best Buy. These 3 customers are expected to grow their E-learning outsourcing business with FCS. FCS would be able to garner good business from this market due to their established presence in the market. FCS has a niche focus and proven expertise. Some of their Fortune 500 customers use US based outsourcing of their IT services who need and intend to shift their onshore outsourcing to offshore sourcing and their existing relationships, their track record, and ability to showcase already done work would help them increase their market share.

Our PES unit is focused on Software Development Companies in the US. Current trends show that 80% of US based Software companies are looking to outsource their software development work. Apart from this, even the new start-up companies want to have an offshore partner. US based VCs prefer companies with offshore presence to make their funding decisions. FCS has all the processes, required infrastructure and experience to handle assignments from these software companies.

Capacity & Capacity Utilization

| | 2003 | 2004 | 2005 | 2006* | 2007 | 2008 |
|--|-------|-------|-------|-------|-------|-------|
| Capacity (No. of Software Development Programmers / Analysts) | 298 | 423 | 478 | 678 | 903 | 1033 |
| Capacity Utilisation (%) | 86.07 | 88.03 | 94.01 | 85.84 | 87.89 | 92.20 |

*From September, 2005 as the manpower is inducted in a phased manner, utilization rates decrease for initial 2-3 months. This decreases annualized utilization rates.

Export Obligation

The Company does not have any export obligation as on 31st March, 2005.

X. STOCK MARKET DATA

This being the first public offer of the company, no stock market data is available.

XI. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

You should read the following discussion of financial condition and results of operations together with Company's audited financial statements for last five financial years prepared in accordance with Indian GAAP including the notes thereto and the reports thereon, which appears elsewhere in this Prospectus.

These data have been reclassified in certain respects for the purposes of presentation. The financial year ends on 31st March of each year, so all references to a particular financial year are to the 12-month period ended 31st March of that year.

Overview :

The Company was incorporated in 1993 with a single point focus to establish FCS as an expert CA MANMAN ERP Consulting Company that was one of the leading manufacturing ERP at that time. In the year 1998 it strengthened its offshore Development Center and started the Internet Application Development competency. In the year 1999, the Company doubled the offshore teams and established competence in Work-flow Application (Lotus Domino) and Digital Consulting (MS and Sun Technologies). The Company also opened a branch office at U.S. which started its operations for pre-sales marketing at the U.S. During the year 2001, the Company established dedicated IPLC link between Noida and California office and started aggressive Sales and Marketing for its services and added 24/7 Technical Support Services to its portfolio. The Company bagged and successfully executed Workflow Automation and Digital Consulting projects from Fortune 500 and other companies. The Company added the E- Learning Competence and Usability Engineers to the team. During 2002-03, the Company shifted its U.S. pre-sales and marketing operations to India mainly to centralize its operations. By the end of FY 2003, the client base of the Company reached the figure of 63 and it got an application maintenance contract from Fortune 500 Office Supplies Company viz. Canon. It also got an order from Best Buy, which is Fortune 100 Retail Organisation for Complete Concept to 24/7 end-user support. In Financial Year 2004 saw an increase in client base by 15 and the clientele list reached a figure of 78. The Company established Center of Excellence to service a large client in India, UK and Asia – Pacific and now providing services to client in all 3 segments – Application Development, E-learning and Technical Support. By the end of FY 2005, the Company has increased its client base to 96 an increase of 18 clients during the year.

The revenue is wide spread amongst the clients as during last 3 years the top most client's revenue is 7.40%, 6.30% and 5.50% during the Financial Years 2003, 2004 and 2005 respectively. The Technologies identified by the Company during the period are IBM Lotus Domino, Microsoft Technologies, Sun Technologies, Macromedia Products and Oracle Applications and Oracle Database. The Company's success depends mainly upon its skilled and experienced professionals and its ability to attract and retain these professionals. The company's work culture, core values, and compensation are attractive enough to keep attrition to industry levels. The Company is also planning to offer ESOS /ESPS under which the Equity Shares of the Company be offered to its employees with an objective of enhancing the motivation in the employees.

Now with a view to cater with the growing needs of clients and to proactively react to the market potential of its services, the Company proposes an expansion programme wherein it plans to provide additional 300 software developers. For this purpose, the Company identified one building, which is just adjacent to its existing location to get benefit of better coordination and management of implementation of its expansion. The land & building was available under auction and the company had participated in the same. The possession of the same is still awaited. The details are disclosed on page no. 22. The Company, in the meantime, applied for another institutional plot in Noida, U.P. to cope up with any delay in the getting the possession of the aforesaid land.

Revenues:

The Company is providing customized software solutions to its clients and the revenue is divided into three broad heads viz. IT Consulting, E-learning & Digital Consulting and Product Engineering Services. We primarily serve our clients in the United States.

IT Consulting Services

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. This segment constitutes about 55% of the total revenue. In the Financial Year 2005 the Company has served 43 clients in this segment. The main clients for whom FCS is providing IT Consulting Services are GE Transportation, Ace Technologies, Savant Consulting and Oxford Global.

E-learning & Digital Consulting

FCS develops and manages E-learning solutions that help organizations achieve optimal performance. Our solutions are tailored to meet specific organizational requirements that set a definite road map for increased return on investment. As a player in custom e-learning solutions, FCS deliver results to companies around the world and helps them to achieve improved business performance through efficient human capital management. The number of clients the Company has served in the Financial Year 2005 in this segment is 32. The contribution of this segment is about 25% of the total revenue and the clients in this segment are Canon, Dominos, Dere & Company and AIG.

Product Engineering Services (PES)

FCS provides dedicated team to manage the entire Information Life Cycle of client's Software Product. FCS team can work independently on assigned tasks or co-develop with its US teams. Its approach is to utilize a team of domain experts to work collaboratively to meet the client's product specifications and designs. This enables FCS to ensure that they deliver solutions that actually meet customers' expectations and in the shortest possible time. In this segment the total number of clients is 22. Out of the total revenue, about 20% is generated from this segment and the major clients for whom FCS is providing PES are Synergy Technology, Knowles Electronic, Digital Intelligence System Corp., United Software Consulting Solutions Inc.

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 revenues are derived mainly from small clients, which are large in numbers. These clients constitute 45%, 40% and 36% of the total Revenue in the years ended on 31st March 2003, 2004 and 2005 respectively.

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.

Expenditure :

As the Company provides IT enabled services the most significant expenses are under the head Employee Costs & benefits and Communication Cost.

Employee Costs & Benefits :

Employee Costs and Benefits comprise of salaries, wages and allowances, contribution to Provident & other Funds, Gratuity, Leave Encashment Staff Welfare and Recruitment & Training costs. Employee Costs & Benefits are the highest amongst all the expenses. The capacity utilization rate in our Company for years ended 31st March 2003, 2004 and 2005 is 86%, 88% and 94% respectively. We have training system 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.

Communication Cost :

The Communication Cost mainly comprises of telecommunication and Bandwidth Charges. We are providing services to all our clients from our Noida Office only. This might have increased our Communication Cost, but due to IPLC we have a toll free number through which we are connected with the US for a fixed cost. Due to decrease in telecommunication cost in India, the Community Cost has reduced further.

Other Expenditures :

During the year 2002-2003 our Company invested Rs. 581 lakhs in shifting pre-sales, marketing, branch management and business analysts to offshore development center at India, which reduced the net profit of the Company for that year. This exercise reduced the infrastructure cost in the coming years and helped in enhancing the net profit in subsequent years.

Taxes

Our Company is registered under the Software Technology Park of India scheme as Software Technology Park (STP). As per Income Tax Act, 1961, the STP units are enjoying a tax holiday for ten years. In case of our Company the exemption is up to 2008. Thus the Tax Liability of the Company is limited to the domestic jobs only.

A summary of past financial results for the past three financial years are given below :

(Rs. In lakhs)

| Particulars | 2003 | 2004 | 2005 |
|-------------------------------------|-----------------|-----------------|-----------------|
| INCOME | | | |
| Software Development & Consultancy | 4,386.20 | 6,703.43 | 8,493.96 |
| Other Income | 0.40 | 3.14 | 0.79 |
| TOTAL | 4,386.60 | 6,706.57 | 8,494.75 |
| EXPENDITURE | | | |
| Direct Expenses | 3,094.01 | 5,150.7 | 6,397.72 |
| Indirect Expenses | 1,113.13 | 773.02 | 933.49 |
| TOTAL | 4,207.14 | 5,923.72 | 7,331.21 |
| Extra-Ordinary Items | 2.83 | (0.01) | (90.21) |
| PBDIT | 182.29 | 782.84 | 1,073.33 |
| Depreciation & Preliminary Expenses | 59.76 | 67.72 | 106.84 |
| PBIT | 122.53 | 715.12 | 966.49 |
| Interest | 5.05 | — | 0.81 |
| PBT | 117.48 | 715.12 | 965.68 |
| Tax | 4.57 | 3.67 | 9.08 |
| Deferred Tax | 2.11 | 5.40 | 30.71 |
| PAT | 110.80 | 706.05 | 925.89 |

Till February-March, 2000, number of new Dotcom companies were setup and Capital Markets were moving positively. Subsequently the dotcom burst in March, 2000 coupled with terrorist attack on Sep 11, 2001, U.S. economy slowed down. This showed up in capital expenditure figures for the U.S. economy - during that period. It is noteworthy to mention here that the real capital expenditure is an excellent indicator of performance of U.S. IT stocks. However, the latest reading for this indicator suggests that not only the real capital expenditure has turned up but is also accelerating as of now.

In view of continuous deteriorating market conditions, the company initiated business re-engineering and re-sizing by investing in its communication infrastructure and moving pre-sales, marketing, branch management, and business analysts to its offshore development center from onsite in USA.

The Company's track record :

The Company's total income has grown at a CAGR of 31.22% from Rs. 4,386.60 lakhs in 2003 to Rs.8,494.75 lakhs in 2005 while the net profit has increased at a CAGR of 245.21% from Rs.110.80 Lakhs in 2003 to Rs.925.89 Lakhs in 2005. The PBDIT margins over this period have been 4% in 2003, 12% in 2004 and 13% in 2005. The net profit margin over this period has been 3% in 2003, 11% in 2004 and 11% in 2005.

Comparison of the Financial Year ended March 31, 2005 with Financial Year ended March 31, 2004

In FY 2004-05, company's continuous focus on offshore provided positive results, as PAT in the year is Rs. 925.89 lakhs and EPS is Rs. 8.82 per share compared to PAT of Rs. 706.05 lakhs and EPS was 6.72 per share in FY 2003-04.

Income

Total income of the Company for the year ended March 31, 2005 was Rs. 8,494.75 Lakhs as against Rs. 6,706.57 Lakhs for the year ended March 31, 2004 an increase of 26.66% as our existing clients continued to support us with more work and we are also benefited due to increase in client base from 79 clients in the year 2003-04 to 97 clients in the year 2004-05.

Expenditure

Total Expenditure was Rs.7,331.21 Lakhs are 86.30% of the Total Income for the year ended March 31, 2005 as against Rs.5,923.72 Lakhs, which is 88.32% for the year, ended March 31, 2004. A marginal reduction of 2% is due to our efficient management.

Depreciation & Preliminary expenses

Depreciation & Preliminary expenses for the year ended March 31, 2005 was Rs.106.84 Lakhs as against Rs. 67.72 Lakhs for the year ended March 31, 2004

PBDIT & PAT

PBDIT & PAT were Rs. 1,073.33 lakhs & Rs.925.89 lakhs, which is 12.64% & 10.90% of the total income respectively for the year ended March 31, 2005 as against Rs.782.84 lakhs & Rs.706.05 lakhs which is 11.67% & 10.52% of total income respectively for the year ended March 31, 2004.

Comparison of the Financial Year ended March 31, 2004 with Financial Year ended March 31,2003

In FY 2002-03, company invested Rs. 581 lakhs in shifting pre-sales, marketing, branch management and business analysts to offshore development center. Along with improving market conditions, the Company's strategy and efforts of focusing on offshore worked and showed improvement in FY 2003-04, with PAT of Rs. 706.05 lakhs and EPS of Rs. 6.72 per share compared to PAT of Rs. 110.80 lakhs in FY 2002-03. PAT in year 2002-03 was down majorly because of additional indirect expense of Rs. 581 lakhs.

Income

Total income of the Company for the year ended March 31, 2004 was Rs. 6,706.57 Lakhs showed an increase of 65.41% as against Rs. 4,386.60 Lakhs for the year ended March 31, 2003. This change is mainly due to improvement in the international market conditions and also improvement in the company's clientele from 63 in 2002-03 to 79 in 2003-04.

Expenditure

Total Expenditure was Rs.5,923.72 Lakhs i.e. 88.32% for the year ended March 31, 2004 as against Rs.4,207.14 Lakhs, 95.91% for the year ended March 31, 2003. This is because the infrastructure cost reduced due to shifting the US operations to India, which costed Rs.581 Lakhs during the year 2002-2003.

Depreciation & Preliminary expenses

Depreciation & Preliminary expenses for the year ended March 31, 2004 was Rs.67.72 Lakhs as against Rs.59.76 Lakhs for the year ended March 31, 2003

PBDIT & PAT

Rs.782.84 Lakhs & Rs.706.05 Lakhs, which is 11.67% & 10.52% of total income respectively for the year ended March 31, 2004 as against Rs.182.29 Lakhs & Rs.110.80 Lakhs, which constitutes 4.16% & 2.53% of total income respectively for the year ended March 31, 2003. The reason for the lower rate of PBIT & PAT for the year ended March 31, 2003 is due to the expenses incurred for the shifting the US operations to India.

Comparison of the Financial Year ended March 31, 2003 with Financial Year ended March 31, 2002

In view of continuous deteriorating market conditions and NASDAQ index sliding to 1750 in year 2002, the company initiated business re-engineering and re-sizing by investing in its communication infrastructure and moving pre-sales, marketing, branch management, and business analysts to its offshore development center from onsite in USA. This resulted in one time increase in indirect expenses of Rs. 581 lakhs in FY 2002-03.

INCOME

Total income of the Company for the year ended March 31, 2003 was Rs.4,386.60 Lacs as against Rs.4,766.24 Lacs for the year ended March 31, 2002. The margin decreased of 7.79% in income is mainly due to impact of 9/11 terrorist attacks in 2001 on the financial conditions.

EXPENDITURE

Total Expenditure was Rs.4,207.14 Lacs (including one time indirect expense of Rs. 581 lakhs for shifting its operations as explained above) for the year ended March 31, 2003 as against Rs.4,477.06 Lacs for the year ended March 31, 2002. Depreciation & Preliminary expenses for the year ended March 31, 2003 was Rs.59.76 Lacs as against Rs.63.83 Lacs for the year ended March 31, 2002.

PBDIT & PBIT

PBDIT & PBIT were Rs. 182.29 Lacs & Rs.122.53 Lacs, which constitutes respectively for the year ended March 31, 2003 as against Rs.289.18 Lacs & Rs. 225.35 Lacs respectively for the year ended March 31, 2002.

MANAGEMENT ANALYSIS

The company's business focus is primarily upon the US, market. The US went through economy slowdown from FY 2000 onwards which worsened after 9/11 terrorist attacks in 2001. This has shown an impact on the Financial Conditions during the Financial Years 2002 and 2003. Later in the Financial Year 2004 and in the Financial Year 2005, economy has shown a considerable growth in the market and we have seen corresponding growth in our business.

ESOS & ESPS

The Company had approved the Employees Stock Option Scheme titled under Section 79A of the Companies Act, 1956, under which it has consented to issue options convertible into Equity Shares to its Employees as defined in the said Scheme. The maximum of 7,53,000 options, as has been approved by the members of the Company, can be granted under the Scheme.

The Company also intends to grant Equity Shares at Rs. 10/- per share (at face value of Rs. 10/- only) to selected employees of the Company, pursuant to an Employee Stock Purchase Scheme, (ESPS) which was adopted at a meeting of the shareholders of FCS on 10th December, 2004.

The issue of Equity Shares in connection with the ESPS will result in a charge to the company's income statement equal to the product of such number of Equity Shares issued and the difference between the market price of our Equity Shares as on the date of their issue and the price (of Rs. 10/- per share) at which the employees will purchase the Equity Shares. At this stage, the company cannot indicate the market price and therefore, for indicative purposes only, the charge based on the issue price in the Initial Public Offering, which is Rs. 50/- per Share, and assuming that the Company issue shares representing 0.78% of post-Issue paid-up capital, the charge would be approximately Rs. 44 lakhs.

The details of ESOS and ESPS are given under the head "Notes to Capital Structure" appearing on page no. 10 of this Prospectus.

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that materially affected company's operations or likely to affect company's operations other than described in this Prospectus, which may be called "unusual" or "infrequent".

Significant economic changes that materially affected or are likely to effect income from continuing operation

There are no significant economic changes that materially affected company's operations except for general downturn in economic outlook and business sentiment which may cause downward affect on the income.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

The company operates in technologies that are in demand as of now. The significant new developments in technology can make it difficult to find trained manpower in newer technologies and may impact the company's operations for a short term.

Future Changes in relationship between Costs and Revenues

The company bills its clients in US dollar. The strengthening of Indian Rupee against US dollar can increase the costs while revenues stay stable in US dollar and decrease in INR terms. The current economic situation is where INR has remained strong and small variations would not impact our net margins. However, any large changes can dilute company's earnings.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

The company primarily operates in IT services and works on customized work either on Time and Material basis or Fixed Price Fixed Timeframe basis. The company is now operating in its service offerings for considerable time durations. However, adoption of any yet to be developed technologies can impact sales for short term.

Total turnover of each major industry segment in which the company operated

Total Turnover – E-learning – US \$ 10.3 billion (Source : Brandon Hall)

Total Turnover – IT Services - US \$ 50 Billion (Source : IDC)

Status of any publicly announced new products or business segment

The Company has not announced any new business segment or services. The Company wish to focus and expand on its existing line of operations only.

Extent to which business is seasonal

The business is not seasonal and is not impacted by the seasonal nature of our customer business either.

Any significant dependence on a single of few suppliers or customers.

The company does not depend on any single client to such a level or a small number of clients to such a level that may impact the economic well being of the company.

Competitive conditions.

The company operates in a tough competitive environment. It has its own strengths which enabled it to compete and win business in past. The company is a professional organization and continues to believe that it has inner capabilities to face market challenges and keep its growth path. Also, many US companies work with more than 1 client and of different sizes and technologies to de-risk dependence on a single supplier.

Statement of Directors

There are no material developments after the date of the latest balance sheet that are likely to materially or adversely affect the performance and the prospects of the Company or is likely to affect the profitability of the Company, or the value of its assets, or its ability to pay its liabilities within next twelve months.

XII. FINANCIAL INFORMATION OF GROUP COMPANIES

The Company has no other group company except Enstaserv eServices Ltd. (earlier known as F.C.S. Technologies Limited) and FCS America Limited.

- 1) **Enstaserv eServices Ltd** is company promoted by the Promoter of FCS Software Solutions Limited. Also, FCS Software Solutions Limited holds 20% of its paid up Share Capital.

| | | | |
|--|--------------------------------------|-------------------|-------------------|
| Date of Incorporation | 4 th November 1997 | | |
| Nature of Activity | Business of Software Training | | |
| Financial Information | (Rs. in lakhs except per share data) | | |
| For the year ended | 31/03/2002 | 31/03/2003 | 31/03/2004 |
| Total Income | 16.95 | 7.21 | - |
| Profit/(Loss) after tax | 1.14 | 0.99 | (1.42) |
| Share Capital | 1.00 | 5.00 | 5.00 |
| Reserves (excluding revaluation reserve) | - | - | - |
| Earning per Share (Rs.) | 11.40 | 1.97 | (2.85) |
| Book Value per share (Rs.) | (20.05) | 5.99 | 3.18 |

*Till the year 2003, the company was the subsidiary of the FCS.

The Board of Directors of Enstaserv eServices Ltd. are as under: -

1. Mr. Dalip Kumar
2. Mrs. Janak Sharma
3. Mr. Krishan Kant Arora

Enstaserv eServices Ltd. Is not listed at any Stock Exchange neither it has any subsidiary.

- 2) **FCS America Limited** is a Company promoted by the Promoter of FCS Software Solutions Limited. The Company is foreign company incorporated under New Jersey Business Corporation Act, with an objective to serve that U.S. clients who prefer to work only with U.S. incorporated companies. However, the Company started serving its clients from its Indian incorporated company, which was well accepted by the U.S. clients and the Company didn't find any need to operate that Company. The Company has now decided to close its operations and for this purpose, the necessary documents and procedure for dissolution are to be completed.

XIII. PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

The Company has two companies under the same management namely Enstaserv eServices Ltd. And FCS America Limited which are an unlisted Company.

XIV. PROMISE VIS-À-VIS PERFORMANCE

(A) LAST THREE ISSUES MADE BY FCS SOFTWARE SOLUTIONS LTD.

This is the first Public Issue of the Company. Therefore, no information is required to be given under this head.

(B) LAST ISSUE OF THE LISTED VENTURES OF PROMOTER GROUP

There is no Listed venture of Promoter Group.

XV. BASIS FOR ISSUE PRICE

Qualitative Factors:

1. FCS Software Solutions Limited has been a profit making company since the commencement of its business in the year 1998-99.
2. FCS has a fully operational Software Development center at STPI, Noida, which is in the process of developing further. The said expansion is being funded out the company's internal accruals.
3. The Company has received ISO 9001 accreditation by International Quality Registrar KPMG in respect of its Software Development facility at Noida.
4. Balanced business mix in terms of clients-wise distribution of revenues, with no significant dependence on Client and Functional areas of operation.
5. FCS has an International presence through its marketing office in San Jose, United States.
6. The Company caters to a global clientele with a wide range of product development and software services viz. creating customized software solutions, maintaining software applications and creating digital content solutions for its clients.

Quantitative Factors:

| 1. Adjusted Earnings Per Share | EPS (Rs.) | Weight |
|--------------------------------|-------------|--------|
| a) 2002-03 | 1.06 | 1 |
| b) 2003-04 | 6.72 | 2 |
| c) 2004-05 | 8.82 | 3 |
| Weighted Average EPS | 6.83 | |

2. Price Earning Ratio (P/E) in relation to issue price of Rs. 50 per share

| | |
|---|-------|
| a) Based on 2004-05 EPS of Rs. 8.82 | 5.67 |
| b) Based on weighted average EPS of 6.83 | 7.32 |
| c) Industry P/E* (Computer software – Medium / Small) | |
| i) Highest | 344.3 |
| ii) Lowest | 1.9 |
| iii) Average | 19.2 |

*(Source: Capital Markets Aug 1 – 14, 2005)

The ratios of some of the companies in the same industry group (Computer software – Medium / Small)* are as follows:

| Company | EPS (Rs.) | P/E Ratio | RONW (%) | NAV (Rs.) |
|--------------------------|-----------|-----------|----------|-----------|
| KPIT Commins Inf. | 15.50 | 18.90 | 29.9 | 75.20 |
| Kale Consultants | 0.60 | - | 5.8 | 43.80 |
| KLG System | 5.70 | 28.10 | 6.2 | 97.10 |
| Aztec Software | 3.10 | 32.40 | 13.30 | 28.50 |

*(Source: Capital Markets Aug 1 – 14, 2005)

3. Return on Net Worth

| | RONW (%) | Weight |
|-----------------------|----------|--------|
| a) 2002-03 | 4.55 | 1 |
| b) 2003-04 | 22.47 | 2 |
| c) 2004-05 | 22.83 | 3 |
| Weighted Average RONW | 19.66 | |

4. Minimum Return on Net Worth needed after the issue to maintain pre-issue EPS (FY 05) of Rs. 8.82 is 21.27%.

5. Net Asset Value (NAV) per share (Rs.)

| | |
|-------------------------|-----------|
| a) As on March 31, 2005 | Rs. 38.62 |
| b) After Issue | Rs. 41.46 |
| c) Issue Price | Rs. 50.00 |

6. The face value of the shares of the company is Rs. 10/- per share and the issue price of Rs. 50/- per share is **5 times** of the face value of the shares of the Company.

XVI. OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENTS

There are no pending litigation / disputes / defaults against the Company or its promoters or Promoter Group Companies except the following:

(A) Against the Company / Promoter / Directors of FCS :

- (a) **Matters pending before the Labour court, Ghaziabad:** Two ex-employees of the Company have filed case numbers 1261/2003 and 83/2001, alleging inter-alia the illegal termination of the employment and recovery of Rs. 1.375 lakhs being amount deducted against under various heads, respectively. Both the matters are presently subjudice before the Labour Court, Ghaziabad for completion of documents.
- (b) **Arbitration matter:** An ex-employee of the Company had filed an arbitration claim against the Company for recovery of Rupees 1,98,230/- incurred due to alleged termination of service without notice. The claim has been settled by the Arbitrator against the Company and the same has been challenged by the Company in the Court of District Judge, Gautam Buddh Nagar, Uttar Pradesh. The matter at present is subjudice before District Judge.
- (c) **Appeals pending before the Hon'ble National Commission Disputes Redressal Commission:** The Company and Mr. Dalip Kumar, the Promoter and Managing Director of the company have filed two appeals (FA. No. 428 and 429 of 2003) challenging the order of Andhra Pradesh State Consumer Dispute Redressal Commission. The Order of the Commission granted eight persons (who undertook training in the premises of the Company) training fees, loss of earning along with damages, etc, amounting to Rs. 41.45 lakhs with interest at 18% per annum from the date of filing of the complaint till the date of payment against the various respondents including the Company. The matter at present is subjudice before the Hon'ble National Commission Disputes Redressal Commission for further proceedings.
- (d) **Notice received from Assessing Officer under section 143 (2) of the Income Tax Act, 1961:** The Company has received a notice under section 143(2) of the Income Tax Act, for providing further clarifications on the return of income submitted by the Company for the assessment year 2003- 2004. The matter was attended in-person by the authorized representative of the Company before the assessing officer and at present the matter is subjudice before the assessing officer for further proceedings.
- (e) **Matter pending before the Hon'ble High Court of Punjab & Haryana:** The Company has opted to purchase the premises bearing number A-87, Sector 57, Noida, which was available for sale by the order of the Hon'ble High Court through the Official Liquidator. The company emerged as the highest bidder in the process and was ordered by the court to take possession of the premises. However, before taking the possession Company received a letter on May 05, 2005 from the Official Liquidator stating inter-alia that the handover of possession has been withdrawn since the Court has received a higher bid of Rs. 155 lakhs. The company has challenged the validity of accepting the higher bid and the matter is subjudice before the court.
- (f) **Dispute relating to company**
The Company entered into an Agreement with Datum America Ltd. ('Datum') wherein Datum transferred its rights to provide services to the Company, which Datum was providing to General Electric Company ('GE'). The agreement was to share gross margin in 30:70 ratio for a period of 24 months and the ratio was to change to 50:50 in case the payments to Datum reach USD 1.3 million or 24 months, whichever is earlier. The company made an advance payment of an amount of USD 215000 to Datum on signing of the Agreement, which was to be adjusted against the consideration due to Datum under this agreement upon Datum's receipt of USD 1085000 or 18 months or which ever is earlier. The company also has the rights under the agreement to adjust this advance amount in the event of any discontinuance of business with GE that is not due to breach of duty or default by FCS. Datum sent a lawyers notice alleging non-payment with regard to monthly obligations ranging upwards to USD 3 million. The Company filed a reply to the notice giving exact gross margin monthly calculations denominating that it is Datum in fact who owes USD 125, 643.41 to the Company. No response has been received from Datum as yet. However, Datum, which was in chapter 11 of the bankruptcy proceedings in US Court, has moved a motion to convert their bankruptcy to chapter 7 for liquidation of its assets & closure of its business.

(B) Against Group Company of FCS viz. Enstaserv eServices Ltd. (earlier known as FCS Technologies Ltd.)

Show Cause Notice issued by Registrar of Companies (ROC): A show cause notice under section 75(4) of the Companies Act, 1956 was issued by the Registrar of Companies Delhi and Haryana to FCS Technologies Limited (FCSTL) and Mr. Dalip Kumar, Promoter and Managing Director of the Company due to late filing of statutory form required under the Companies Act, 1956, reply to the show cause notice was filed by the FCSTL within the requisite time and the matter was referred to Company Law Board ('CLB') for adjudication. The CLB vide its order dated April 29, 2005 has compounded the offences on payment of Rupees 500 by each director. The matter is now

decided and no further proceedings are pending before any court or tribunal.

There are no overdues, defaults to the Financial Institutions / Banks, rescheduling of loans to the Banks & Financial Institutions by the Company. There are no pending offences of non-payment of statutory dues by the promoters of the Company.

There are no cases of litigations pending against the Company whose outcome could have materially adversely effect on the positions of the Company.

Except as stated above there are no pending litigation's against Promoters/ directors in their personal capacities and also involving violation of statutory regulations or criminal offences.

There are no pending proceedings initiated for economic offences against the Company its Directors, Promoters or Companies promoted by the promoters of the Company.

There are no outstanding litigation's / disputes pertaining to the matters likely to effect the operations or financials of the Company, including disputed tax liability, prosecution under any enactment in respect of schedule XIII of the Companies Act, 1956.

The Company, its promoters and other companies with which promoters are associated have neither suspended by SEBI nor any disciplinary action has been taken by the SEBI.

Except as stated above, the Company is not involved in any proceedings initiated by Income tax authorities nor has received nay notice with regard to any charge under Income Tax Act, 1961.

XVII. DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company has appointed ***Intime Spectrum Registry Limited*** as the Registrar of the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid and Bank and Branch. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

Investor Grievances Redressal Mechanism

The Registrar to the Issue viz. ***M/s. Intime Spectrum Registry Limited*** will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

| Sr. No. | Nature of Complaint | Time Taken |
|----------------|---|--|
| 1. | Non-receipt of refund | Within 7 days of receipt of complaint, subject to production of satisfactory evidence. |
| 2. | Change of Address notification | Within 7 days of receipt of Information |
| 3. | Any other complaint in relation to Public Issue | Within 7 days of receipt of complaint with all relevant details |

The Company has appointed Mr. Raj Ratan Pugalia, Chief Financial Officer of the Company, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer will be available at the Corporate Office of the Company.

XVIII. RISK FACTORS AND MANAGEMENT'S PERCEPTION THEREOF

Investors should carefully consider the risks described below together with the other information contained in this Prospectus before they make an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and investors may lose all or part of their investment.

A. Internal Risk Factors

1. **Expansion Project not appraised by any Bank or Financial Institution**

The Expansion Project has not been appraised by any Bank or Financial Institution. The deployment of funds in the Expansion Project is entirely at the Company's discretion and is not subject to monitoring by any Independent agency. All the figures included in the Section titled "Objects of the Issue" are based on Company's own estimates.

Management Perception:

The estimates of the costs are based on past experience and the management team has the expertise to estimate the costs. The company is a professionally managed one and has estimated the funds requirement based on plans to be implemented. The Company will utilize the funds judiciously for the objects stated in the Prospectus

2. **Financing of Expansion project from IPO only**

Substantial part of funding of expansion plan is proposed from IPO proceeds. Delay in IPO/unsuccessful IPO will adversely impact the expansion plans of the company in future and its estimated revenue and profitability.

Management Perception:

The company is in profits and already in positive cash flows. Further, the company plans development and marketing through strategic / alliance partners/ local partners in different countries. Delay in IPO would lead to delay in implementation of the expansion project. However to avoid the risk of IPO being unsuccessful, the Company is getting its issue fully underwritten.

3. **Delay in getting possession of land**

The Company has participated in the bid conducted by official Liquidator attached to the Punjab, Haryana & H.P. Courts, for purchase of property situated at A-87, Sector-57, Noida for the purposes of its expansion programme. The Company was the highest bidder and received the order confirming the sale from the High Court of Punjab & Haryana. Now, the Company has been informed by the Official Liquidator that the handover of the said land's possession has been stayed by the said High Court on receipt of higher bid. The Company is, therefore, yet to receive the Possession of the said land and any delay in that may delay the company's expansion project till the company decides on the new site.

Management Perception:

The Company opted to bid for the said Property as this being the adjacent property to its present business location which would have benefited in managing and controlling the implementation of expansion programme. Further, the company does not foresee any difficulty in getting the possession of the said land and also in procuring any other property in NOIDA without any adverse impact on the implementation of the expansion as there are abundant of properties available in NOIDA. Further, in view of the fact that the possession of the said land has not yet been given to the Company, the Company has also applied for an institutional plot to New Okhla Industrial Development Authority situated at Sector-125 at Noida admeasuring 3600 Sqr. Mtr. and has also deposited Rs. 13.32 Lacs towards registration.

4. **The Company have to place orders for assets required under expansion project**

The Company has not placed any orders for the Furniture & Fixtures, Computer Hardware & Software and Other Fixed Assets required in relation to the expansion programme proposed to be financed through this Public Issue. The value of the said assets is Rs. 492.63 Lakhs and it constitute the entire 100% of the assets required for the Project.

Management Perception:

As the Company has not yet received the possession of the Land for the expansion project, the Company has not placed any orders for the Furniture & Fixtures, Computer Hardware & Software and Other Fixed Assts required in relation to the said expansion programme. The orders will be placed as soon as the Company takes the possession of the Land and constructs the building suitable for working. Further, the Company does not foresee any problem in acquiring the said assets as in the Company's expansion programme, it is proposing to provide only the services which it is already into and has been purchasing the said assets from time to time.

5. **First generation entrepreneur**

The Company is promoted by first generation entrepreneur.

Management Perception:

The promoter viz. Mr. Dalip Kumar, is a US based NRI and has 21 years of experience in IT services and is managing this company for the last 12 years. The promoter's educational background is M.S. in Computer Engineering from The State University of New Jersey, US. The software being relatively newer industry is more likely to be managed by software professionals.

6. *Deferment of Public Issue in 2000*

The Company had filed a Draft Prospectus in the year 2000 for Public Issue of 35,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 50/-per Share for setting up a Call Centre in Gurgaon. However, that Public Issue was deferred and Company could not implement that project.

Management Perception:

The Proposed Public Issue in the year 2000 was deferred due to then prevailing bad market conditions. In July 2000 when the Draft Prospectus was filed with SEBI, NSE Index was 1533 and when the Company received clearance from SEBI on September 7, 2000 Stock Market crashed and reached 1136 by October 2000. At this point the Company in consultation with its Lead Managers to that Issue decided not to come out with the IPO. The company management also decided in the meantime, to remain focused on IT services business and not to set up Call Centre.

7. *Expiry of STPI registration at Gurgaon*

The STPI registration for Gurgaon unit had expired on 30th March, 2001. The Company needs to apply afresh for its registration if the Company decides to commence any IT activity in that premises.

Management Perception:

The Company is not planning to commence any IT activities from its Gurgaon Unit for the time being. However, the Company does not foresee any difficulty in taking any fresh STPI registration for Gurgaon unit, whenever it decides to commence its operations from Gurgaon unit.

8. *Dependence of success upon retention of skilled employees*

The Company's success depends in large part upon its skilled and experienced employees and its ability to attract and retain these personnel.

Management Perception:

The Company has strong recruitment and HR processes. The company also has training programs to upgrade existing employees in new technologies and verticals. The company's work culture, core values, and compensation are attractive enough to keep attrition to industry levels. The Company is also planning to offer ESOS /ESPS under which the Equity Shares of the Company be offered to its employees with a objective of enhancing the motivation in the employees.

9. *Legal liabilities & damages to professional reputation in certain cases*

If the IT services, which the company provides to its clients, experience failure or if the company is not able to its contractual obligations, it may face legal liabilities and damage to its professional reputation.

Management Perception:

All software / IT related service Companies enter into such contracts in the normal course of business. The Company attempts to limit its contractual liability for damages and so far has not had any claims against it.

10. *Losses of Group Company*

Enstaserv eServices Limited, a Group Company had incurred a loss of Rs. 1.42 Lakhs during the year 2003-04.

Management Perception:

The said Company was incorporated with an objective of BPO activities. With a view to focus on its current business model of operating in IT services, the Company management decided not to conduct any business transaction in Enstaserv. The operations of Enstaserv does not materially adversely affect the operations of FCS.

11. *Erstwhile subsidiaries applied to Registrar of Companies for striking off their name*

Aberdeen Manpower Resources Ltd., subsidiary of FCS and Ace Comtech Pvt. Ltd., a Promoter Group Company had filed an application with Registrar of Companies for striking off their name u/s 560 of Companies Act, 1956.

Management Perception

Aberdeen Manpower Resources Ltd., erstwhile subsidiary was incorporated with the object of placement & recruitment and Ace Comtech Pvt. Ltd., was incorporated with the object of maintenance of computer systems & associated equipments. But as the entire business environment / model in the IT industry had changed during 2000, these companies applied to Registrar of Companies, Delhi & Haryana for striking off their name u/s 560 of Companies Act, 1956. Now, whatever be the requirement of personnel in the Company for its current operations, the same are met through its own separate division and FCS has developed its own infrastructure for maintaining the computer systems & associated equipments. The closing down of these Companies have not affected and will not be going to have any adverse impact on the operations of FCS.

12. *Venture of Promoter non operational*

FCS America Ltd., a U.S. incorporated Company by the Promoters of FCS is not operational since incorporation and the Company has decided to close its operations.

Management Perception:

FCS America Ltd. was incorporated with an objective to serve those U.S. clients who prefer to work only with U.S. incorporated companies. However, the Company started serving its clients from its Indian incorporated company which was well accepted by the U.S. clients and the Company didn't find any need to operate that Company. The

Company has decided to close its operations and for this purpose, FCS America has initiated the process of closing its operations and has filed the necessary documents with relevant authorities.

13. No standard valuation of Software / IT Industry

The valuations in the Software/ IT industry are presently high, which may not be sustained in future and may also not be reflective of future valuations in the industry. There are no standard valuation methodology or accounting practices in the emerging internet/media and related industries. The financials of the issuer are not strictly comparable with the players in the industry.

14. Highly competitive environment

The Company operates in a highly competitive environment and this competitive pressure on the business of the Company is likely to continue.

Management Perception:

The Company's processes and management abilities have handled competition successfully and shown growth in its last 12 years and is confident of ability to grow in competitive environments.

15. Dependence on technology

The business is highly dependent on the technology and Company's business may suffer if it fails to keep pace with the rapid changes in technology and the service offerings on which it focuses.

Management Perception:

The company has good track record of adapting to new technologies by bringing in new talent and continuous training of existing employees.

16. Promoters' control will continue after the IPO

After the issue, the Promoter will still own 74.99% of the Company's post issue Equity Share Capital and will continue to control the Company.

Management Perception:

The Company is a professionally managed Company and the Promoter himself is a software professional with 21 years of experience in IT. All the major Departments of Company are managed and supervised by professionals.

17. Risk of global operations of Company

The Company's global operations pose complex management, foreign currency, legal, tax and economic risks.

Management Perception:

The company has professional managers and advisors in their respective fields to handle all such issues and had not faced any difficulty in the past to manage these issues.

18. Security risk involved in transmission of data

The Company's operations involve transmission of data through Internet, which involves security risks.

Management Perception:

The Company uses state of art Firewalls, security processes, and security audits along with mirror servers and offsite backup to make operations secure to international standards with inbuilt disaster recovery steps hacking.

19. Change on Company's financials due to ESPS

The company has adopted Employee Share Purchase Scheme (the "ESPS") under which the Company's Equity Shares would be issued to its selected Employees at a price of Rs. 10/- per share i.e. at the Face Value. The charge on the Company's cash flows would be difference between the price at which the Equity Shares would be allotted to the Employees under the said scheme and the market price for the company's equity shares on the date of allotment. At this stage, company cannot indicate the market price and therefore, for indicative purposes only, the charge based on the issue price in the Initial Public Offering, which is Rs. 50/- per Share, and assuming that the Company issue shares representing 0.78% of post-Issue paid-up capital, the charge would be approximately Rs. 44 lakhs. The financial statements would be affected to the said extent.

Management Perception:

The Company has adopted the ESPS with an object of motivating and retaining its professionals in the Company and there are enough cash accruals to bear the said expense.

20. Outstanding litigations & defaults

The Outstanding Litigations of the Company & its Directors / Promoter and its Group Companies are as under: -

(A) Against the Company / Promoter / Directors of FCS :

(a) Matters pending before the Labour court, Ghaziabad: Two ex-employees of the Company have filed case numbers 1261/2003 and 83/2001, alleging inter-alia the illegal termination of the employment and recovery of Rs. 1.375 lakhs being amount deducted against under various heads, respectively. Both the matters are presently subjudice before the Labour Court, Ghaziabad for completion of documents.

(b) Arbitration matter: An ex-employee of the Company had filed an arbitration claim against the Company for

recovery of Rupees 1,98,230/- incurred due to alleged termination of service without notice. The claim has been settled by the Arbitrator against the Company and the same has been challenged by the Company in the Court of District Judge, Gautam Buddh Nagar, Uttar Pradesh. The matter at present is subjudice before District Judge.

- (c) **Appeals pending before the Hon'ble National Commission Disputes Redressal Commission:** The Company and Mr. Dalip Kumar, the Promoter and Managing Director of the company have filed two appeals (FA. No. 428 and 429 of 2003) challenging the order of Andhra Pradesh State Consumer Dispute Redressal Commission. The Order of the Commission granted eight persons (who undertook training in the premises of the Company) training fees, loss of earning along with damages, etc, amounting to Rs. 41.45 lakhs with interest at 18% per annum from the date of filing of the complaint till the date of payment against the various respondents including the Company. The matter at present is subjudice before the Hon'ble National Commission Disputes Redressal Commission for further proceedings.
- (d) **Notice received from Assessing Officer under section 143 (2) of the Income Tax Act, 1961:** The Company has received a notice under section 143(2) of the Income Tax Act, for providing further clarifications on the return of income submitted by the Company for the assessment year 2003- 2004. The matter was attended in-person by the authorized representative of the Company before the assessing officer and at present the matter is subjudice before the assessing officer for further proceedings.
- (e) **Matter pending before the Hon'ble High Court of Punjab & Haryana:** The Company has opted to purchase the premises bearing number A-87, Sector 57, Noida, which was available for sale by the order of the Hon'ble High Court through the Official Liquidator. The company emerged as the highest bidder in the process and was ordered by the court to take possession of the premises. However, before taking the possession Company received a letter on May 05, 2005 from the Official Liquidator stating interalia that the handover of possession has been withdrawn since the Court has received a higher bid of Rs. 155 lakhs. The company has challenged the validity of accepting the higher bid and the matter is subjudice before the court.
- (f) **Dispute relating to company**

The Company entered into an Agreement with Datum America Ltd. ('Datum') wherein Datum transferred its rights to provide services to the Company, which Datum was providing to General Electric Company ('GE'). The agreement was to share gross margin in 30:70 ratio for a period of 24 months and the ratio was to change to 50:50 in case the payments to Datum reach USD 1.3 million or 24 months, whichever is earlier. The company made an advance payment of an amount of USD 215000 to Datum on signing of the Agreement, which was to be adjusted against the consideration due to Datum under this agreement upon Datum's receipt of USD 1085000 or 18 months or which ever is earlier. The company also has the rights under the agreement to adjust this advance amount in the event of any discontinuance of business with GE that is not due to breach of duty or default by FCS. Datum sent a lawyers notice alleging non-payment with regard to monthly obligations ranging upwards to USD 3 million. The Company filed a reply to the notice giving exact gross margin monthly calculations denominating that it is Datum in fact who owes USD 125, 643.41 to the Company. No response has been received from Datum as yet. However, Datum, which was in chapter 11 of the bankruptcy proceedings in US Court, has moved a motion to convert their bankruptcy to chapter 7 for liquidation of its assets & closure of its business.

- (B) **Against Group Company of FCS viz. Enstaserv eServices Ltd.** (earlier known as FCS Technologies Ltd.)

Show Cause Notice issued by Registrar of Companies (ROC): A show cause notice under section 75(4) of the Companies Act, 1956 was issued by the Registrar of Companies Delhi and Haryana to FCS Technologies Limited (FCSTL) and Mr. Dalip Kumar, Promoter and Managing Director of the Company due to late filing of statutory form required under the Companies Act, 1956, reply to the show cause notice was filed by the FCSTL within the requisite time and the matter was referred to Company Law Board ('CLB') for adjudication. The CLB vide its order dated April 29, 2005 has compounded the offences on payment of Rupees 500 by each director. The matter is now decided and no further proceedings are pending before any court or tribunal.

Management Perception:

Keeping in view the amount involved in the above cases, Management feels that these would not materially adversely affect the operations of FCS.

B. External Risk Factors

1. Risk in respect of policies and political situation in India

The Company's performance is linked to the policies and the political situation in India.

Management Perception

Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Any change in the direction of economic policies as also specific policies relating to IT companies could affect the company. Significant changes in India's economic liberalization and deregulation policies could affect business and economic conditions in India and impact company's business.

2. Risk in relation to change in tax incentives

Reduction or termination of Company's tax incentives will increase its tax liability and reduce the company's profitability.

Management Perception

Currently, the company is getting benefit from certain tax incentives under Section 10A of the Income Tax Act for the IT services that we provide from specially designated "Software Technology Park". As a result of these

incentives, our operations in India have been subject to relatively low tax liabilities. We believe that as a result of recent amendments and clarifications to Section 10A of the Income Tax Act, these tax incentives will continue to be available to us following the Transfer. Under current laws, the tax incentives available to these units terminate on the earlier of the ten year anniversary of the commencement of operations of the unit or March 31, 2009. However, the company cannot assure the shareholders that it will continue to benefit from these incentives after the Transfer. When these tax incentives expire or terminate, the tax expense will materially increase, reducing company's profitability. Further, the Government of India could enact laws in the future that may adversely impact tax incentives and consequently, company's tax liabilities and profits.

3. *Dependence on satellite and communication system*

The Company is heavily dependent on satellite and telephone communication systems.

Management Perception

Any significant loss of the Company's ability to transmit data through satellite and telephone communications could have a material adverse affect on the Company's results of operations and financial conditions.

4. *Risk in relation to dependence on other countries political scenario*

Political opposition to offshore outsourcing in the United States, and other countries where the company operate could adversely affect the Company's Business.

Management Perception

Outsourcing is seen as a 'threat to local jobs' and this trend has been seen even in pro-market economies like USA. This could be aided by restrictions on work permits; H1B or L1 visas and policy changes that appease the anti-outsourcing lobby in many countries. Any changes in the United States to existing laws or the enactment of new legislation restricting offshore outsourcing, may adversely impact our business and profitability.

5. *Foreign exchange fluctuation risk*

As a significant percentage of the company's revenues are denominated in U.S. Dollars and other foreign currencies and a significant percentage of its costs are denominated in Indian Rupees, the company faces the risk of fluctuating exchange rates.

Management Perception

Most of the company's revenues are from exports and in foreign currency. Exchange rates have been fluctuating and in the past Indian Rupee have appreciated against US Dollar leading to the net revenue coming down as also the profit margins. This may fluctuate substantially in future also. The Company currently does not hedge any of its Rupee-US Dollar foreign currency exposures. It expects more growth in revenue from US in the next 2-3 years and thus its revenue and margin will be significantly impacted by exchange fluctuations.

6. *Wage pressures*

Wages pressures in India may prevent the Company from sustaining its competitive advantage and may reduce its profit margins.

Management Perception

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of the Company's competitive strengths. However, wage increases in India may prevent the Company from sustaining this competitive advantage and may negatively affect the Company's profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. The Company may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on the Company's business, results of operation and financial condition.

7. *High Attrition Rate in IT Industries*

The attrition rate in the IT industry is high and low availability of skilled manpower & high rate of employee turnover in the industry will lead to additional cost for investing in employee's training.

Management Perception

In IT Industry, execution of current and future projects and to obtain new customers depends, in large part, on the Companies ability to attract, train, motivate and retain highly skilled personnel, particularly project managers, project leaders and domain experts. There is significant demand for personnel who possess the skills needed to perform the IT services. The majority of departing employees comprises highly-trained IT personnel, such as software engineers and project managers with three to four years experience, many of whom joined competing companies. Any increase in the Company's attrition rates, particularly the rate of attrition for experienced software engineers and project managers and leaders, would adversely affect its growth strategy. Accordingly, the Company cannot assure that it will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, it cannot assure that it will be able to re-deploy and re-train its technical personnel to keep pace with continuing changes in IT, evolving technologies and changing customer preferences. This may attract additional cost for investing in employee's training to the Company. However, the company has been promoting and believes in promoting work culture, core values and compensation attractive enough to motivate its employees and also has plans to offer ESOS/ESPS to its employees for enhancing the motivation levels of its employees.

8. **Post-IPO volatility in the stock market**

After the Issue, the price of the Company's equity shares may be volatile, or an active trading market for the Company's Equity Shares may not develop.

Management Perception

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; the Company's results of operations and performance; performance of the Company's competitors, the Indian information technology industry, information technology enabled services industry and the perception in the market about investments in the information technology sector; adverse media reports on the Company or the Indian information technology enabled services industry; changes in the estimates of the Company's performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal and environmental regulations.

There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

9. **Effects of acts of terror**

Terrorist attacks and other acts of violence or war involving India, the United States and other countries could adversely affect the Company's business, results of operations and financial condition.

Management Perception

Since major part of the company's revenues are from abroad, terrorist attacks or regional conflicts and such acts of violence will significantly hurt its revenues. Such acts impose more restrictions on travel, reduces commitment of customers to grow business relationships, adversely affects the financial markets and all these in turn will adversely affect the company's business.

NOTES TO RISK FACTORS:

1. The investors are advised to refer to the paragraph on "Basis for Issue Price" in page no. 56 before making an investment in this Issue.
2. The average cost of acquisition of Equity Shares of the Promoter is Rs. 10/- each (excluding the Equity Shares issued to them for consideration other than cash).
3. The Book Value per share as on March 31, 2005 was Rs. 38.62 per share.
4. The Net Worth of the company as on March 31, 2005 was Rs. 4054.91 Lakhs.
5. Size of the Present Issue – Public Issue of 35,00,000 Equity Shares of Rs.10/- each for a cash at premium of Rs. 40/- per share aggregating to Rs. 1750 Lakhs.
6. Investors may please not that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with BSE (The Designated Stock Exchange) as per the prevailing guidelines in this regard.
7. The investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
8. The Company has entered into the following related party transactions. As on March 31, 2005 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

| Name | Relation / Designation in the Company | Amount (Rs. in lakhs) |
|---|--|------------------------------|
| Unsecured Loans | | |
| Promoter viz. Mr. Dalip Kumar | Promoter & Managing Director | 35.29 |
| Loans & Advances to Key Managerial Personnel | | |
| Mr. Anil Sharma | V.P.-Finance | 0.58 |
| Mr. Raj Rattan Pugaliala | C.F.O. | 0.33 |
| Mr. Vineet Narang | V.P.-Strategic Planning & Business Development | 0.40 |
| Mr. Anoop Srivastava | Project-Manager | 0.40 |
| Mr. Krishan Kant | Whole Time Director | 1.79 |

9. Besides above, the reimbursement of expenses incurred or normal remuneration or benefits there is no interest of promoters/ventures of promoters/directors/key managerial personnel in FCS.
10. No part of the issue proceeds is to be paid as consideration to the promoter/ directors/ key management personnel or group companies

PART II

A. GENERAL INFORMATION

CONSENT

Consents in writing of the Directors, Auditors, Company Secretary, Lead Managers to the Issue, Underwriters to the Issue, Registrars to the Issue, Bankers to the Company, Bankers to the Issue, Compliance Officer, Legal Advisors to the Issue, to act in their respective capacities have been obtained and filed along with a copy of Prospectus with the Registrar of Companies, Delhi and Haryana, as required under Section 60 of the Companies Act, 1956 and none of them have withdrawn their consents upto the time of delivery of a copy of this Prospectus for registration.

M/s SPMG & Co., Chartered Accountants, the Statutory Auditors of FCS Software Solutions Limited, have also given their written consent to their report being included in the form and context in which it appears in this Prospectus and also of the Tax benefits accruing to the company and its members and such consent and report have not been withdrawn upto the time of delivery of a copy of this Prospectus for registration with the Registrar of Companies, Delhi and Haryana at, Delhi

EXPERT OPINION

No opinion of any expert has been obtained by the Company, except that of M/s. Rajinder Narain & Co., as Legal Advisors to the Issue and M/s SPMG & Co., Chartered Accountants, who have given the Tax Benefits Certificate.

CHANGES IN BOARD OF DIRECTORS IN THE LAST THREE YEARS

| Name of Director | Date of Appointment | Date of retirement/ resignation | Reason |
|-------------------------|---------------------|------------------------------------|------------------------------------|
| Mr. Rajneesh Wadhwa | 05.04.2000 | 12.02.2001 | Resigned |
| Mrs. Renu Sharma | 05.04.2000 | 27.09.2002 | Retired |
| Mr. Krishan Kant Arora | 08.12.2000 | - | Appointed as Additional Director |
| Mr. Syam Sunder Sharma | 08.12.2000 | | Appointed as Additional Director |
| Mr. Pradeep Sanan | 08.12.2000 | - | Appointed as Additional Director |
| Mrs. Neelam Sharma | Since Incorporation | 19.04.2004 | Resigned |
| Dr. Kartar Chand Narang | 19.04.2004 | 16.11.2004 | Resigned |
| Dr. Balvinder Shukla | 19.04.2004 | - | Appointed as Additional Director |
| Mr. Shiv Kumar Lath | 03.01.2005 | - | Appointment as Additional Director |

CHANGES IN AUDITORS

There has been no change in the Auditors during the last three years.

AUTHORITY FOR THE ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on 10th December, 2004 and a resolution passed by the Board of Directors at its meeting held on 17th December, 2004.

INTEREST ON REFUND OF EXCESS APPLICATION MONEY

Payment of interest @ 15% per annum on the excess application money, if refund orders are not despatched within 30 days from the Issue Closing Date as per SEBI's Circular SMD/RCG/33/1819/96 dated 15th May, 1996.

ISSUE OF SHARE CERTIFICATES

In terms of Sec 68B of the Companies Act, 1956, the company will not issue any share certificates. Instead, the Company shall give credit to the beneficiary account with Depository participant within 2 working days of finalization of allotment of shares.

APPLICATION OF SECTION 269SS OF THE INCOME TAX ACT, 1961.

In respect of the provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the equity shares should be effected only by an account payee cheque or an account payee draft, if the amount payable is Rs.20,000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

DENOMINATION OF SHARE CERTIFICATES

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall issue the

shares to all applicants who provide their demat account details in dematerialized form only. However, an investor will have an option to hold the shares in physical form or demat form. The Registrar to the Issue will issue to the said allottee a single certificate for all the shares allotted to the said applicant in case an investor requests for rematerialisation of his/her shares.

| ISSUE MANAGEMENT TEAM | |
|--|--|
| LEAD MANAGERS TO THE ISSUE | REGISTRAR TO THE ISSUE |
| Allianz Securities Limited 2 nd Floor, 3 Scindia House, New Delhi-110001 Tel: 91-11 - 51514666 Fax: 91-11 - 51514665 E-mail: fcsipo@aslfincial.com Website : www.aslfincial.com Contact Person : Ms. Devinder Pal Kaur | Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400078. Tel.: 91-22 - 5555 5491-94 Fax : 91-22 - 5555 5499 Email: fcssoft@intimespectrum.com Website : www.intimespectrum.com Contact Person : Mr. Vishwas Attavar |
| BANKERS TO THE ISSUE | LEGAL ADVISORS TO THE ISSUE |
| ICICI Bank Limited 30, Mumbai Samachar Division Fort, Mumbai - 400001 Tel: 91-22 – 2655285/2655206 Fax: 91-22 - 2611138 E-mail: mumbai@icicibank.com HDFC Bank Limited 26A, Naian Properties off Saki Vihar Road, Chandivalli, Andheri (East) Mumbai-400072 Tel: 91-22 - 28569228 Fax: 91-22 - 28569256 E-mail: clayton.mendoca@hdfc.com Canara Bank Capital Market Services Branch, Jeevan Bharti Building, Sansad Marg, New Delhi - 110 001 Tel: 91-11 - 23356864 Fax: 91-11 -23719542 E-mail: del2471@canbank.co.in | M/s. Rajinder Narain & Co. Solicitors & Advocates Maluseri House, 7, Kapserhera Estate, New Delhi-110037 Tel: 91-11 - 2506500/25069910-15 Fax: 91-11 – 25069919/25063580 E-mail: inbox@mclegal.com |
| AUDITORS TO THE COMPANY | BANKERS TO THE COMPANY |
| M/s. SPMG & CO. 3322A, 2 nd Floor Bank Street, Karol Bagh, New Delhi-110005 Tel: 91-11-25817385, 25728769 Fax: 91-11-25817385 | Canara Bank Overseas Branch (Main), Amba Deep Building, 3rd Floor, 14, K.G. Marg, New Delhi - 110 001 Tel: 91-11 – 23322283/233196108 Fax: 91-11 - 23311535 Centurion Bank Limited A-1, Sector-19, Noida-201301 Tel.: 91-120-2542978/2542979 Fax: 91-120-2543114 |
| COMPLIANCE OFFICER | REGISTERED OFFICE OF THE COMPANY |
| Mr. Raj Ratan Pugalia Chief Financial Officer FCS Software Solutions Limited A-86, Sector 57, Noida, India Tel: 91-0120 - 3061100 Fax: 91-0120 - 3061111 Email: investors@fcsltd.com | 54 EHTP, Sector 34, Gurgaon - 122001, Haryana, India Tel : 91-0124 - 2372504 Fax : 91- 0124 - 2372504 |

The Investors can contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of letter of allotment/share certificate/ refund orders, non-credit in demat account etc.

B. FINANCIAL PERFORMANCE OF THE COMPANY FOR THE LAST FIVE YEARS

Auditors' Report

THE BOARD OF DIRECTORS

FCS Software Solutions Limited.

54 EHTP, SECTOR-34, GURGAON

HARYANA

Dear Sirs,

Sub: Proposed Initial Public Issue of the shares of the Company

1. We have examined the accompanying Statement of Adjusted Profits and Losses (Annexure-II) of FCS Software Solutions Limited (the Company) for each of the financial years ending 31st March 2001, 2002, 2003, 2004 and 2005 the accompanying Statement of Adjusted Assets and Liabilities (Annexure-I) of the Company as at those dates and notes to accounts and accounting policies appearing there under. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the profit and loss account and balance sheets for those periods after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 except as indicated in the notes to the statements. The figures appearing in these adjusted financial statements have been given taking into account the accounting policies and notes as are appearing in Annexure-III.
2. The rates of dividend paid by the company during the aforesaid period are as shown in Annexure-IV.
3. We have also examined the following financial information relating to the company and as approved by the Board of directors for the purpose of inclusion in the Offer Document: -
 - a. Accounting Ratios as appearing in Annexure- V.
 - b. Capitalisation Statement as at 31st March, 2005 as appearing in Annexure-VI.
 - c. Statement of tax shelter as appearing in Annexure -VII.
 - d. Details of Other income as appearing in Annexure -VIII.
 - e. Details of sundry debtors as appearing in Annexure-IX.
 - f. Details of loans and advances as appearing in Annexure -X.
 - g. Details of unsecured loans as appearing in Annexure -XI.
 - h. Details of secured loans as appearing in Annexure -XII.
 - i. Details of Transactions with Related Parties as appearing in Annexure -XIII.

In our opinion the above financial information of the company read with Significant Accounting Policies and notes on account attached in Annexure III to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines. This report is intended solely for the information and for inclusion in the Prospectus in connection with the specific Initial Public Offering of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Thanking You,
Yours Faithfully

For **SPMG & Co.**,
Chartered Accountants

(Vinod Gupta)
Partner

Place: N. Delhi
Date: 20th May, 2005

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES
Annexure - I
 (Rs. In Lacs)

| Particulars | As at 31.3.2005 | As at 31.3.2004 | As at 31.3.2003 | As at 31.3.2002 | As at 31.3.2001 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets: | | | | | |
| Gross Block | 1262.39 | 878.06 | 694.31 | 655.07 | 605.60 |
| Less : Depreciation | 482.52 | 444.14 | 381.99 | 323.97 | 261.91 |
| Net Block | 779.87 | 433.92 | 312.32 | 331.10 | 343.69 |
| Capital Work in Progress | - | - | 86.11 | 85.44 | 48.35 |
| Total Fixed Assets | 779.87 | 433.92 | 398.43 | 416.54 | 392.04 |
| Investments | 1.00 | 1.00 | 1.30 | 4.45 | 4.45 |
| Current Assets, Loans & Advances | | | | | |
| Work in Process | 966.76 | 611.90 | 630.68 | 787.13 | 850.00 |
| Sundry Debtors | 1,678.95 | 1,167.90 | 1,182.80 | 1,152.59 | 1,150.41 |
| Cash and Bank Balances | 1,039.16 | 1,831.43 | 985.65 | 652.67 | 143.37 |
| Other Current Assets | - | - | - | - | - |
| Loans and Advances | 253.61 | 51.69 | 81.71 | 95.17 | 94.28 |
| Total Current Assets | 3,938.48 | 3,662.92 | 2,880.84 | 2,687.56 | 2,238.06 |
| Less : Current Liabilities & Provisions | | | | | |
| Current Liabilities | 540.24 | 878.76 | 750.93 | 602.07 | 170.93 |
| Provisions | 28.01 | 8.93 | 8.33 | 3.00 | 2.89 |
| Deferred Tax Provisions | 60.90 | 30.20 | 24.80 | - | - |
| Total | 629.15 | 917.89 | 784.06 | 605.07 | 173.82 |
| Net Current Assets | 3,309.33 | 2,745.03 | 2,096.78 | 2,082.49 | 2,064.24 |
| Total Assets | 4,090.20 | 3,179.95 | 2,496.51 | 2,503.48 | 2,460.73 |
| SOURCES OF FUNDS | | | | | |
| Loan Funds : | | | | | |
| Secured Loans | - | - | 10.00 | 103.79 | 256.97 |
| Unsecured Loans | 35.29 | 38.19 | 49.59 | 49.68 | 49.52 |
| Total Loan Funds | 35.29 | 38.19 | 59.59 | 153.47 | 306.49 |
| Net Worth : | | | | | |
| Share Capital | 1,050.00 | 1,050.00 | 1,050.00 | 1,050.00 | 1,050.00 |
| Reserves and Surplus | 3,017.18 | 2,093.67 | 1,390.58 | 1,305.43 | 1,111.42 |
| Sub - Total | 4,067.18 | 3,143.67 | 2,440.58 | 2,355.43 | 2,161.42 |
| Less : Miscellaeneus Expenditures | 12.27 | 1.91 | 3.66 | 5.42 | 7.18 |
| Net Worth | 4,054.91 | 3,141.76 | 2,436.92 | 2,350.01 | 2,154.24 |
| Capital Employed | 4,090.20 | 3,179.95 | 2,496.51 | 2,503.48 | 2,460.73 |

STATEMENT OF ADJUSTED PROFIT AND LOSSES ACCOUNT

(Rs. In Lakhs)

| Particulars | Year ended 31.3.2005 | Year ended 31.3.2004 | Year ended 31.3.2003 | Year ended 31.3.2002 | Year ended 31.3.2001 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| INCOME | | | | | |
| Sales | | | | | |
| Software Development\Consultancy | 8,493.96 | 6,703.43 | 4,386.20 | 4,765.83 | 4,588.50 |
| Other Income | 0.79 | 3.14 | 0.40 | 0.41 | 0.38 |
| TOTAL INCOME | 8,494.75 | 6,706.57 | 4,386.60 | 4,766.24 | 4,588.88 |
| EXPENDITURES | | | | | |
| Direct Expenses | 6,397.72 | 5,150.70 | 3,094.01 | 3,945.33 | 3,198.89 |
| Indirect Expenses | 933.49 | 773.02 | 1,113.13 | 531.73 | 479.35 |
| Total Expenses | 7,331.21 | 5,923.72 | 4,207.14 | 4,477.06 | 3,678.24 |
| Profit Before Interest, Depreciation and Income Tax | 1,163.54 | 782.85 | 179.46 | 289.18 | 910.64 |
| Extra-ordinary items | (90.21) | (0.01) | 2.83 | - | - |
| Interest | 0.81 | - | 5.05 | 28.35 | 44.18 |
| Depreciation\Preliminary exp. | 106.84 | 67.72 | 59.76 | 63.83 | 66.06 |
| Net Profit before tax and Extra Ordinary items | 956.68 | 715.12 | 117.48 | 197.00 | 800.40 |
| Provision for Taxation | 9.08 | 3.67 | 4.57 | 0.37 | - |
| Provision for Deferred tax | 30.71 | 5.40 | 2.11 | - | - |
| Net Profit before Extra-ordinary items (net of tax) | 925.89 | 706.05 | 110.80 | 196.63 | 800.40 |
| Extra-ordinary items (net of tax) : | - | - | - | - | - |
| Net Profit after Extra-ordinary items | 925.89 | 706.05 | 110.80 | 196.63 | 800.40 |

Annexure – III

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

P.1 Significant Accounting Policies

P.1.1. Basis for preparation of financial statements.

The Financial statements have been prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All Income and expenditure having a material bearing on the financial statements are recognized on the actual Basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts, and useful lives of fixed assets. Actual result could differ from these estimates.

P.1.2. Revenue recognition.

Revenue from software development on a time-and –material basis is recognized based on software developed, and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved, as specified in the contracts, on a percentage of completion basis. Revenue from the sale of software products is recognized when the sale has been completed with the passing of title. Revenue from Actual Technical Services (ATS) is recognized as a pro-rata basis over the period in which such services are rendered. Interest on development of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

P.1.3. Expenditure

Expenses are accounted on the actual basis and provision is made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed-price software development contracts. The cost of software purchased for use in software development is charged to revenue in the same year. Provisions are made towards likely expenses on providing post-sales customer support for fixed-price contracts. No provision for gratuity, leave enhancement has been made, as the same is accounted on cash basis.

P.1.4. Fixed Assets

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Direct costs are capitalized till the assets are ready to be put to use. These costs include financing costs relating to specific borrowing(s) attributable to fixed assets.

P.1.5. Depreciation

Depreciation on fixed assets is provided using the written down value method, as rates specified in schedule XIV of the Companies Act, 1956. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

P.1.6. Work-in-Process

The value of work in process as on the date of Balance Sheet has been considered as valued and certified by the Management.

P.1.7. Foreign Currency Transactions.

In case of sale made to clients outside India, income is accounted on the basis of the exchange rate as on the date of transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. Where realizations are deposited into, and disbursements made out of, a foreign currency bank account, all transactions during the month are reported at a rate which approximates the actual monthly rate.

In the case of current assets and current liabilities expressed in foreign currency, the exchange rate prevalent at the end of the year is taken for the purposes of transaction. Fixed assets purchased at overseas offices are accounted on the basis of actual cost incurred at the exchange rate prevalent at the time of purchase. Depreciation is charged as per company policy. Exchange differences arising on foreign currency transactions are recognized as income or expenses in the year in which they arise. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expenses over the life of the contracts.

P.1.8. Investment

Investments are classified into current investments. Current investments are carried at the lower of cost, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment. The overseas investment is carried at the original rupee cost.

P.1.9 Investment in subsidiary

The company has no subsidiary.

P.1.10 Advances

The advances to the parties comprising an amount of Rs.15,30,000/- which are outstanding for a long period.

P.1.11 Income Tax

- Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions as the case may be.
- In compliance of Accounting Standard-22 on "Accounting for taxes on Income" issued by ICAI, the company has recorded the deferred tax credit of Rs. 30,70,723/- for the year ended March 31,2005, has been provided and the post tax profit has accordingly reduced.

The item-wise details of deferred tax liability are as under: -

| | As on 31-03-2005 | As on 31-03-2004 |
|--|-------------------------|-------------------------|
| Deferred Tax Liability: | | |
| (i) Depreciation | 66,52,518.00 | 31,09,933.00 |
| Less: deferred Tax Assets: | | |
| (ii) Provision for Retirement Benefits | 1,69,046.00 | 90,065.00 |
| Deferred Tax Liability (Net) | 60,90,591.00 | 30,19,868.00 |

P.1.12 Research & Development

Revenue Expenditure incurred on research and development is charged to revenue in the year it is incurred. Assets used for research and development activities are included in fixed assets.

P.1.13 Foreign Branch

All revenue and expenses transactions are during the year reported at average rate. The assets and liabilities both monetary and non-monetary are translated at the rate prevailing on the balance sheet date. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment. However the Balance sheet of branch as on 31st March 2005 has been considered and accounted as certified by the management.

P.1.14 Segment Reporting

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard –17 on “Segment Reporting”, issued by ICAI. The primary segmentation is based on the Geographies in which Company operates and internal reporting system. The Company operates in two main Geographical Segments; India and USA.

The Profit and Loss for reportable primary Segment is setout below: -

For the Year Ended 31st March 2005

(Amount in Rupees)

| Description | India | USA | Others | Total |
|---------------------------------------|-------------|-------------|------------|-------------------|
| Revenue from external customers | 198,638,565 | 628,969,877 | 21,787,952 | 849,396,394 |
| Expenses | 44,697,317 | 586,401,164 | 8,673,703 | 639,772,184 |
| Segment Result | 153,941,248 | 42,568,713 | 13,114,249 | 209,624,210 |
| Unallocated Expenses | | | | 104,046,270 |
| Operating Profit Before Taxation | | | | 105,577,940 |
| Other Income | | | | 79,114 |
| Finance Charges | | | | 80,632 |
| Profit Before Tax & Prior Period Adj. | | | | 105,576,422 |
| Prior Period Adjustment | | | | 9,007,711 |
| Provision for Taxation | | | | 908,034 |
| Provision for Deferred Tax | | | | 3,070,723 |
| Net Profit After Tax | | | | 92,589,954 |

For the Year Ended 31st March 2004

(Amount in Rupees)

| Description | India | USA | Others | Total |
|---------------------------------------|-------------|-------------|-----------|-------------------|
| Revenue from external customers | 166,572,106 | 492,165,887 | 9,052,347 | 667,790,340 |
| Expenses | 46,877,902 | 463,193,889 | 2,445,502 | 512,517,293 |
| Segment Result | 119,694,204 | 28,971,998 | 6,606,845 | 155,273,047 |
| Unallocated Expenses | | | | 84,073,884 |
| Operating Profit Before Taxation | | | | 71,199,163 |
| Other Income | | | | 313,795 |
| Finance Charges | | | | - |
| Profit Before Tax & Prior Period Adj. | | | | 71,512,958 |
| Prior Period Adjustment | | | | 500 |
| Provision for Taxation | | | | 367,351 |
| Provision for Deferred Tax | | | | 540,023 |
| Net Profit After Tax | | | | 70,605,084 |

P.1.15 Employee Benefits

Contributions to defined schemes such as provident Fund, Employees' State Insurance Schemed are charged as incurred on actual basis. The Company also provides for other retirement benefits in the form of gratuity and leave encashment based on valuation made by independent actuaries as at the balance sheet date.

P.1.16 Material Events.

Material events occurring after the Balance Sheet date taken into consideration.

P.2.1 Notes on accounts.

The previous year's figures have been recast/restated wherever necessary to confirm to the current year's classification.

P.2.2 Contingent liabilities

The company has no letters of credit outstanding issued to various vendors as at March 31, 2005. The corresponding figure for the previous year was Rs. Nil.

P.2.3 Unsecured Loans

Company has been taking interest free Loans from the Promoter of the Company viz. Mr. Dalip Kumar for the purpose of making investments in the Company. Accordingly, the Company has issued the equity shares to Mr. Dalip Kumar to the extent of Rs. 325. Lakhs and the balance is being repaid from time to time.

P.2.4 Payment to Auditors.

| | Current Year | Previous Year |
|-------------------|--------------|---------------|
| Audit Fee | 99,180 | 54,000 |
| Tax Audit Fee | 27,550 | 10,800 |
| In other capacity | 5,510 | 64,800 |

P.2.5 Quantitative Details.

The Company is engaged in the development of Computer Software. The production and sale of such software cannot be expressed in any generic unit. Hence it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act 1956.

P.2.6 Imports On CIF basis.

(Amt. in Rs.)

| | 31/03/2005 | 31/03/2004 |
|-------------------|----------------|-------------|
| Capital Goods | 39,61,615.50 | 4,88,721.00 |
| Software Packages | 2,76,34,698.00 | Nil |

P.2.7 Expenditure in Foreign Currency.

| | 31/03/2005 | 31/03/2004 |
|---|-----------------|-----------------|
| Professional Charges & Other expenditure incurred overseas for software development | 63,19,72,932.00 | 50,69,95,780.00 |

P.2.8 Earning in foreign exchange

| | 31/03/2005 | 31/03/2004 |
|--|-----------------|-----------------|
| Income from software development services and production on a receipts basis | 82,76,08,442.00 | 66,12,91,131.00 |

STATEMENT OF DIVIDEND PAID FOR LAST 5 YEARS

Annexure – IV

| S. No. | Year | Dividend % |
|--------|-----------|------------|
| 1 | 2000-2001 | 0.25 |
| 2 | 2001-2002 | 0.25 |
| 3 | 2002-2003 | 0.25 |
| 4 | 2003-2004 | 0.25 |
| 5 | 2004-2005 | 0.25 |

ACCOUNTING RATIOS

Annexure – V

| Ratio | For the financial year ended March, 31 | | | | |
|--|--|-------|-------|-------|-------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| EPS (Rs.) Before Extra-ordinary items | 9.68 | 6.72 | 1.06 | 1.87 | 7.62 |
| EPS (Rs.) (After extra ordinary items) | 8.82 | 6.72 | 1.06 | 1.87 | 7.62 |
| Return on net worth (%) | | | | | |
| (Before extra-ordinary items) | 25.06 | 22.47 | 4.55 | 8.37 | 37.15 |
| RONW (%) After extra ordinary items) | 22.83 | 22.47 | 4.55 | 8.37 | 37.15 |
| Net Asset Value per share (Rs.) | 38.62 | 29.92 | 23.21 | 22.38 | 20.52 |

Notes :

Earnings per share (before extra ordinary items) = Adjusted Profit after Tax but before extra ordinary items (Net of Tax)/ No. of Shares.

Earnings per share (after extra ordinary items) = Adjusted Profit after Tax and extra ordinary items / No. of Shares.

Return on Net Worth (%) (After extra ordinary items) = Adjusted profit after Tax but before extra ordinary items / Average adjusted Net Worth.

Return on Net Worth (%) (After extra ordinary items) = Adjusted profit after Tax and extra Ordinary items / Average adjusted Net Worth.

Net Asset value per share = Adjusted Net Worth / No. of shares outstanding at the year end.

Net Worth = Share Capital + Reserves & Surplus - Miscellaneous expenditure to the extent not written off.

Average adjusted Net Worth = (Adjusted Net Worth at the beginning of the year + Adjusted Net Worth at the end of the year) / 2

Annexure – VI

CAPITALISATION STATEMENT

(Rs.in lakhs)

| | Pre-offer as at 31/03/2005 | After the offer |
|--------------------------------------|----------------------------|-----------------|
| Borrowing | | |
| Short term Debt* | 0.00 | 0.00 |
| Long Term Debt | 35.29 | 35.29 |
| Total Debt | 35.29 | 35.29 |
| Shareholders' Funds | | |
| Share Capital | 1050.00 | 1400.00 |
| Reserves @ | 3017.18 | 4417.18 |
| Total Shareholders funds | 4067.18 | 5817.18 |
| Total Capitalisation | 4102.47 | 5852.47 |
| Long term debt / Equity Ratio | 0.87% | 0.61% |

* Short term debt are debts maturing within the next one year from the date of the above statement.

@ net of miscellaneous expenditure not written off.

Annexure – VII

TAX SHELTER STATEMENT

| | Accounting year | | | | |
|-------------------------------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
| Tax at Notional Rate | 337.99 | 250.29 | 41.12 | 68.95 | 280.14 |
| Less: PERMANENT DIFFERENCES | | | | | |
| 1. Export Benefits u/s 10A | (943.49) | (696.86) | (99.98) | (192.47) | (799.93) |
| 2. Dividend & other exempted income | - | - | - | - | - |
| 3. Profit on sale of investments | - | - | - | - | - |
| 4. 43B Disallowances | - | - | - | - | - |
| 5. Others | - | - | - | - | - |
| Sub-Total | (943.49) | (696.86) | (99.98) | (192.47) | (799.93) |

B. TEMPORARY DIFFERENCES

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Difference in book & tax depreciation | (101.22) | (16.61) | (6.66) | (3.48) | (0.48) |
| 2. Expenses u/s 43B | - | - | - | - | - |
| 3. Profit / Loss on sale of fixed assets | (0.40) | - | - | - | - |
| 4. Other temporary difference | 104.22 | 8.22 | 1.25 | - | - |
| Sub-Total (B) | 2.60 | (8.40) | (5.41) | (3.48) | (0.48) |
| Net Adjustment (A+B) | (940.89) | (705.26) | (105.39) | (195.96) | (800.41) |
| Tax saving thereon | (329.31) | (246.84) | (36.89) | (68.58) | (280.14) |
| Total tax on adjusted profit | 8.68 | 3.45 | 4.23 | 0.37 | - |
| Add : 2% Educational cess | 0.22 | - | - | - | - |
| Add : surcharge on above | 0.18 | 0.09 | 0.07 | 0.01 | - |
| Total tax on adjusted profit (incl.surcharge) | 9.07 | 3.54 | 4.30 | 0.37 | - |

DETAILS OF OTHER INCOME

Annexure - VIII

| Particulars | 2005 | 2004 | 2003 | 2002 | 2001 |
|--------------|------|------|------|------|------|
| Misc. Income | 0.79 | 3.14 | 3.26 | 0.41 | 0.38 |

STATEMENT OF SUNDRY DEBTORS

Annexure - IX

a. Age-wise Analysis of Sundry Debtors

| Period (days) | Balance as at March 31, 2005 (Rs. in lacs) | |
|-----------------------|--|----------------------|
| | Total | From related parties |
| Upto 180 days | 1674.55 | Nil |
| Greater than 180 days | 4.40 | Nil |
| Total | 1678.95 | Nil |

b. Details of the Related Party Debtors

| Companies | Balance as at March 31, 2005 (Rs. in lacs) |
|----------------|--|
| Not Applicable | Not Applicable |

DETAILS OF LOANS AND ADVANCES
Annexure - X
a. Analysis of Loans & Advances

| | Balance as at March 31, 2005 (Rs. In lacs) |
|-------------------------------|--|
| Excise/ PLA Balance | 0.02 |
| Advance to suppliers & others | 153.55 |
| Sundry Security Deposits | 2.98 |
| Staff Imprest/Advances | 8.43 |
| Prepaid expenses | 1.53 |
| Tax Deducted at sources | 9.26 |
| Interest Accrued on FDR | 2.47 |
| Advance to others | 75.37 |
| Total | 253.61 |

There are no loans and advances to related parties.

Analysis of outstanding unsecured loans taken by the Company
Annexure - XI

| Description | Amount outstanding as on March 31, 2005 | Interest Rate (%) p.a. | Repayment Schedule |
|---|---|------------------------|--------------------|
| A. Loans from Promoters | 35.29 | Nil | N.A. |
| B. Interest free loan from government, if any | Nil | Nil | N.A. |
| C. Interest free sales tax loan | Nil | Nil | N.A. |
| D. Deferred payment credit | Nil | Nil | N.A. |
| E. Inter corporate loan | Nil | Nil | N.A. |

Analysis of outstanding SECURED LOANS taken by the Company
Annexure - XII

| Description | Amount outstanding as on March 31, 2005 | Interest Rate (%) p.a. | Repayment Schedule |
|---------------------------------------|---|------------------------|--------------------|
| A. Loans from Promoters | Nil | Nil | N.A. |
| B. Loans from Govt. or Banks , if any | Nil | Nil | N.A. |
| C. sales tax loan | Nil | Nil | N.A. |
| D. Deferred payment credit | Nil | Nil | N.A. |
| E. Inter corporate loan | Nil | Nil | N.A. |

DETAILS OF RELATED PARTY TRANSACTION
Annexure - XIII

The Company has entered into the following related party transactions. As on 31st March, 2005 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

| Name | Relation / Designation in the Company | Amount (Rs. in lakhs) |
|---|--|-----------------------|
| Unsecured Loans | | |
| Promoter viz. Mr. Dalip Kumar | Promoter & Managing Director | 35.29 |
| Loans & Advances to Key Managerial Personnel | | |
| Mr. Anil Sharma | V.P.-Finance | 0.58 |
| Mr. Raj Rattan Pugalia | C.F.O. | 0.33 |
| Mr. Vineet Narang | V.P. – Strategic Planning & Business Development | 0.40 |
| Mr. Anoop Srivastava | Project- Manager | 0.04 |
| Mr. Krishan Kant | Whole Time Director | 1.79 |

C. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Company inclusive of fees payable to the Lead Managers, Fees of Legal Advisors, Stamp Duty, Printing, Publication, Advertising and Distribution expenses, Bank charges, Fees payable to the Registrars to the Issue, Listing Fees, Underwriting Commission, Brokerage and other Miscellaneous Expenses are estimated to be approximately 8.57% of the Issue size, and will be met out of the proceeds of the Issue.

FEES PAYABLE TO THE LEAD MANAGERS TO THE ISSUE

The fees payable to the Lead Managers to the Issue is as per the MoU, a copy of which is available for inspection at the Corporate office of the Company.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable to the Registrar to the Issue are set out in their Memorandum of Understanding, a copy of which is available for inspection at the Corporate office of the Company.

UNDEERWRITING COMMISSION

This Public Issue of Equity share is fully underwritten and an amount @ 2.50% of the issue size be payable to the Underwriters.

BROKERAGE AND SELLING COMMISSION

Brokerage will be paid upto the maximum amount @ 1.50 % on the Issue price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognised Stock Exchanges in India in the brokers column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotment made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

In case of tampering or over-stamping of broker's/agent's codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

PREVIOUS ISSUE OF CAPITAL DURING LAST FIVE YEARS

The Company has not made any Public/Rights issue of equity/ debentures what so ever prior to this issue. The details of issue of capital has been outlined in the paragraph on the build up of the share capital under the capital structure.

COMMISSION AND BROKERAGE OF PREVIOUS ISSUE

Except for the brokerage payable as mentioned in this Prospectus, no sums have been paid since the date of incorporation of the Company till the date of issue of the Prospectus or are payable as commission, brokerage or discount for subscribing or agreeing to subscribe or for procuring or agreeing to procure any subscription for any shares in the Company including the Promoters their associates, relatives and friends.

ISSUE OF SHARE / DEBENTURES FOR CONSIDERATION OTHER THAN CASH

The Company has not issued shares for consideration other than cash, except by way of issue of bonus shares by capitalisation of reserves as mentioned under notes on Capital structure.

OUTSTANDING REDEEMABLE PREFERENCE SHARES AND DEBENTURES

The Company since its incorporation has not issued any Redeemable Preference shares and debentures.

OPTION TO SUBSCRIBE

Except as otherwise stated in this Prospectus, the Company has not entered into, nor does it at present propose to enter into any contract or arrangements whereby any option or preferential right of any kind has been or is proposed to be, given to any person to subscribe for any shares of the Company.

PURCHASE OF PROPERTY

Except as stated in "Objects of the Issue" in this Prospectus and save in respect of the property purchased or acquired

or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of the issue of this Prospectus, other than property in respect of which:

- a) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the Company's business, and the contracts were not entered into in contemplation of the issue nor is the issue contemplated in consequence of the contracts; or
- b) the amount of the purchase, if any, is not material.

Except as elsewhere stated in this Prospectus, the Company has not purchased any property in which the promoter and / or Directors, has or have any direct or indirect interest or in respect of any payment made.

REVALUATION OF ASSETS

There has been no revaluation of the assets of the company within five years preceding the date of this Issue.

CAPITALISATION OF RESERVES AND PROFITS

The Company has issued 30,00,000 and 35,00,000 equity shares of Rs 10 each on 29.9.1999 and 20.04.2000 in the ratio of 3:4 and 1:2 respectively by capitalising the free Reserves and Surplus of the Company.

PAYMENT OR BENEFIT TO THE PROMOTER AND OFFICERS OF THE COMPANY

Save as stated elsewhere in this Prospectus, no amount or benefit has been paid or given to the company's Promoter or officers since the incorporation of the Company nor is intended to be paid or given to promoter or any officer of the Company except their normal remuneration and /or reimbursement for services as Directors, Officers or Employees of the Company or otherwise in accordance with Law.

INTEREST OF PROMOTERS AND DIRECTORS

All the Directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Promoters and Directors may also be deemed to be interested to the extent of:

- a) The shares, if any, held by them or by the relatives or by firms or Companies of which any of them is a partner and a Director/Member respectively.
- b) The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors/Members of to firms in which they are partners.
- c) Transactions with entities disclosed as related party in Auditors Report.

Except as stated above, in paragraph regarding related party transactions and elsewhere, if any, in this Prospectus, the Company has not entered into any contracts, agreements or arrangement in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangement or are proposed to be made.

REMUNERATION OF MANAGING DIRECTOR AND WHOLE TIME DIRECTOR

Mr. Dalip Kumar has been re-appointed as Managing Director of the Company w.e.f. 1st April 2000 for a period of 5 years. The necessary consent under Section 269 of the Companies Act, 1956 and other provision was obtained in Annual General Meeting held on 20th April 2000. His term as Managing Director expired on 31st March , 2005 and he has been re-appointed as for the further period of 3 years w.e.f. 1st April, 2005 in the Board Meeting held on 5th April, 2005 and his appointment has been approved by the shareholders in the Annual General Meeting held on 6th June, 2005

SALARY: Rs. 1,00,000/- per month

Commission: 3% of the net profit calculated in the manner laid down under section 198 and 309 of the companies Act 1956.

CATEGORY (A)

I. HOUSING

- a) In case of furnished accommodation hired by the Company such expenditure 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 entitled to House Rent Allowance @ 50% of basic Salary 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 month salary in a year or 3 months over a period of 3 years inclusive of medical insurance premium if any taken by the company on him & his family.

III. LEAVE TRAVEL CONCESSION

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

IV. CLUB FEES

Fees of the clubs subject to a maximum of 2 clubs. This will not include admission and life membership fees.

V. PERSONAL ACCIDENT INSURANCE

Personal accident insurance of an amount not exceeding Rs. 10000/-.

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 telephones at his residence. Personal long distance calls and use for private purposes shall be billed by the Company to him. All official calls made by him from his Call phone will also be reimbursed by the Company.

Mr. Krishan Kant Arora has been appointed as Whole time Director of the Company w.e.f. 8th December 2000 a the period of 5 years. The pay allowances, perquisites and benefits payable to Mr. Krishan Kant Arora are as under:-

SALARY: Rs.40000/- per month

CATEGORY (A)

I. HOUSING

- a) In case of furnished accommodation hired by the Company such expenditure 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 entitled to House Rent Allowance @ 50% of basic Salary 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 month salary in a year or 3 months over a period of 3 years inclusive of medical insurance premium if any taken by the company on him & his family.

III. LEAVE TRAVEL CONCESSION

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

IV. CLUB FEES

Fees of a club excluding admission and life membership fees.

V. PERSONAL ACCIDENT INSURANCE

Personal accident insurance of an amount not exceeding Rs. 10000/-.

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 telephones at his residence. Personal long distance calls and use for private purposes shall be billed by the Company to him. All official calls made by him from his Call phone will also be reimbursed by the Company.

D. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

“Table “A” Shall Apply

2 Save as provided herein, the Regulations contained in Table “A” in Schedule I of the Act shall apply to the Company.

SHARES

Share Capital

3. The Authorised Share Capital of the Company shall be such as given in the Clause V of the Memorandum of Association or altered, from time to time, thereat payable in the manner as may be determined by the Directors, with power to increase, reduce, sub-divide or to repay the same or to divide the same into several classes and to attach thereto any rights and to consolidate or subdivide or re-organise the shares and subject to the provisions of the Act, to vary such rights as may be determined in accordance with the regulations of the Company.

Redeemable Preference Shares

4. The Company shall have power to issue Preference shares carrying right of redemption out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the company, and the Board may subject to the provisions of Section 80 of the Act, exercise such power in such manner as it thinks fit.

Allotment of Shares

5. Subject to the provisions of these Articles, the shares shall be under the control of the Board of Directors who may allot or otherwise dispose off the same on such terms and conditions, and at such time as the Directors think fit and with power to issue any shares as fully paid-up in consideration of services rendered to the Company in its formation or otherwise, provided that where the Directors decide to increase the issued capital of the Company by the issue of further shares, the provisions of Section 81 of the Act will be complied with, provided further that the option or right to call of shares shall not be given to any person except with the sanction of the Company in general meeting.

5A The Company may exercise the powers of issuing sweat equity shares conferred by section 79A of the Act of a class of shares already issued subject to the following conditions:

- (i) the issue of sweat equity share is authorised by a special resolution passed by the company in general meeting.
- (ii) the resolution specifies the number of shares, their value and the class or classes of directors or employees to whom such equity shares are to be issued.
- (iii) Not less than one year has at the date of the issue elapsed since the date on which the Company was entitled to commence business;
- (iv) The sweat equity share issued in accordance with the regulations made by the SEBI in this behalf.

Issue of shares at a discount

6. Subject to the provisions of the Act, it shall be lawful for the Company to issue at a discount, shares of a class already issued.

Commission for placing shares

7. The Company may, subject to compliance with the provisions of Section 76 of the Act, exercise the powers of paying commission on the issue of shares and debentures. The commission may be paid or satisfied in cash or shares, debentures or debenture stock of the Company

Brokerage

8. The Company may pay a reasonable sum of brokerage, subject to the ceiling prescribed under the Act.

Trusts not recognized

9. Subject to Section 187 C of the Act, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognize any trust, benami or equitable or other claim to or interest in such shares or any fractional part of a share whether or not it shall have express or other notice thereof.

CERTIFICATE

Certificate

10. The certificate of title to shares shall be issued under the Seal of the Company.

Member's right to certificate

11. Every member shall be entitled free of charge to certificates in marketable lot for all the shares of each class registered in his name or, if any member so wishes, to several certificate each for one or more of such shares. Unless the Conditions of issue of any shares otherwise provide, the Company shall either within two months after the date of allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons

of requisite value (save in the case of issue against letters of acceptance or of renunciation or in case of issue of bonus shares) or within one month of receipt of the application for registration of the transfer, sub-division, consolidation, renewal or exchange of any of its shares, as the case may be, complete, and have ready for delivery the certificates of such shares. Every certificate of shares, shall specify the name of the person in whose favour the certificate is issued, the shares to which it relates and the amount paid up thereon. Particulars of every certificate issued shall be entered in the Register maintained in the form set out in the Companies (Issue of Share Certificates) Rules, 1960.

As to issue of new certificate

- 12.(1) If any certificate of any share or shares be surrendered to the Company for sub-division or consolidation or if any certificate be defaced, torn or old, decrepit, worn-out or where the pages on the reverse for recording transfer have been duly utilized, then upon surrender thereof to the Company, the Board, may order the same to be cancelled and may issued a new certificate in lieu thereof, and if any certificate be lost or destroyed, then upon proof thereof to the satisfaction of the Board, and on such indemnity as the Board thinks fit being given a new certificate in lieu thereof, shall be given to party entitled to the shares to which such lost or destroyed certificate relate. Where as new certificate has been issued as aforesaid, it shall state on the face of it and against the stub or counterfoil that it is issued in lieu of a share certificate or is a duplicate issued for the one so replaced and, in the case certificate issued in place of one which has been lost or destroyed, the word “duplicate “ shall be stamped or punched in bold letters across the face thereof. For every certificate issued under this Article, there shall be paid to the Company such out of pocket expenses incurred by the Company in investigating evidence as the Board may determine.
- (2) No fee shall be charged for sub-division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations, corresponding to the market units of trading, for sub-division of renounceable letters of rights; for issue of new certificate in replacement of those which are old, decrepit or worn out, or where the pages on the reverse for recording transfers have been fully utilized. Provided that the Company may charge such fees as may be agreed by it with the Stock Exchange with which its shares may be enlisted for the time being for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, and for sub-division and consolidation of share and debenture certificates and for sub-division of letter of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.

“DEMATERIALIZATION OF SECURITIES”.

“12A(I) Definitions

| | |
|-------------------------|--|
| Beneficial Owner | “Beneficial Owner” shall have the same meaning assigned thereto in Section 2 of the Depositories Act, 1996. |
| SEBI | “SEBI” means the Securities & Exchange Board of India. |
| Depositories Act | “Depositories Act” shall mean the Depositories Act, 1996 And includes any statutory modification or re-enactment Thereof for the time being in force. |
| Depository | “Depository” shall mean a Depository as defined in the Depositories Act, 1996 |
| Member | “Member” means a duly registered holder from time to time of the shares of the Company and also one whose name is entered as beneficial owner in the records of a Depository in the case of shares held in Depository. |
| Security | “Securities” means shares, debentures or other securities as may be specified by the Central Govt., SEBI or any other concerned authorities from time to time. |

- 12A(II)**
- (1) Notwithstanding anything to the contrary contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to Depositories Act, 1996 and rematerialise the securities held in depositories.
 - (2) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to receive and hold the same in the dematerialised form with the Depository. Such a person who is the beneficial owner of the securities can any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of security, and on receipt of the information, the depository shall enter its record the name of the allottee as the beneficial owner.
 - (3) All securities held by a depository shall be dematerialized and be Depositories in fungible form. Nothing contained in Section 153, 153A, 153B, 187C and 372 of the Act shall apply to

a depository in respect of the securities held by it on behalf of the beneficial owner.

- (4) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
(c) Every person holding securities of the Company and whose name is entered as beneficial owner in records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
- (5) Notwithstanding anything in the Act or these articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (6) Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferee both of whom are entered as beneficial owners in the records of a depository.
- (7) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details of the depository immediately on allotment of such securities.
- (8) Nothing contained in the Act or these Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
- (9) The Register of index of beneficial owners maintained by a depository under the Depositories Act 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles.

JOINT - HOLDERS OF SHARES

Fee on sub-division of shares, issue of new certificates etc

13. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefit of survivorship subject to the following provisions and to the other provisions of these Articles relating to joint-holders:-

Maximum number

- (a) The company shall not be bound to register more than three persons as the joint-holder of any share.

Liability several as well as joint

- (b) The joint-holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares.

Survivor of joint holders only recognized

- (c) On the death of any one of such joint -holders the survivor or survivors shall be the only person recognized by the company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit.

Delivery of certificates

- (d) Only the person whose name stands first in the register as one of the joint-holders of any share shall be entitled to deliver of the certificate relating to such share.

CALLS

Calls

14. The Directors may, from time to time, subject to the terms on which any shares, may have been issued, make such calls as they fit upon the members in respect of all moneys unpaid on the shares held by the respectively ,and not by the conditions of allotment thereto made payable at fix times ,and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by instalments.

When call deemed to have been made

15. That the option right to call of share shall be given to any person except with the sanction of the company in general meeting.

Amount payable

17. If by the terms of issue of any share or otherwise , the whole or part of the amount of issue price thereof is made

payable at any fixed time or by instalments at fixed times, every such amount of issue price or installment thereof shall be payable as if it were a call duly made by the directors and of which due notice had been given and all the provisions here in contained in respect of calls shall apply to such amount or issue price or instalments accordingly.

Interest to be charged on non payment of calls

18. If the sum payable in respect of any call or any instalment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or instalment shall be due, shall pay interest for the same at the rate of 12 (Twelve) percent per annum, from the day appointed for the payment thereof to the actual payment or at such other rate as the director may determine but the shall have power to waive the payment thereof wholly or in part.

Evidence in action by Company against shareholders

19. On the trial or hearing of any action or suit brought by the company against any member or his respective to recover any debt or money claimed to be due to the company in respect of his shares, it shall be sufficient to prove that the name of the defendant is, or was, when the claim arose, on the register of the company as a holder, or one of the holders of the number of shares in respect of which such claim is made, that the resolution making the call is duly recorded in the minute book and that the amount claimed is not entered as paid in the books of the company, and it shall made any call nor that a quorum of directors was present at the meeting in which any call was made nor that such meeting was duly contended or constituted, nor any other matter but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment of calls in advance

20. The Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the money due open the shares held by him beyond the sums actually called for, and upon the money so paid or satisfied in advance has been made, upon the share in respect of which such advance has been made, the company may pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, Nine (9%) per cent annum on the member paying such sum as advance and the call shall not rank for dividends or confer a right to participate in profits. The Board may at any time repaid the amount so advanced upon giving such member not less than three months notice in writing.

FORFEITURE AND LIEN

Notice may be given for calls or instalment not paid.

21. If any member fails to pay any call or instalment on or before the day appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or instalment remains unpaid, serve notice on such member requiring him to pay the same together with any interest that may have accrued and expenses, that may have been incurred by the company by reasons of such non-payment.

Form of notice

22. The notice shall name a day (not being less than 30 (thirty) days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also that in the event of non-payment at or before the time, and at the place or places appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.

If notice not compelled with shares may be forfeited

23. If the requirement of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of all calls or instalments, interest and expenses due in respect thereof, be forfeited share not actually paid before the forfeiture. Neither the receipt by the company of the a portion of any money which shall, from time to time, be due from any member of the company in respect of his shares, either by way of principal or interest, nor any indulgency granted by the company in respect of the payment of any such money shall preclude the company from thereafter proceedings to enforce a forfeiture of such share herein provided.

Notice of forfeiture

24. When any shares shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof, shall forthwith be made in the register but no forfeiture shall be in any manner invalidated by any omission or neglect to gives such notice or to make such entry as aforesaid.

Forfeited to be paid become property of the company

25. Any share so forfeited shall forthwith be deemed to be the property of the Company, and the Directors may sell, re-allot or otherwise dispose off the same in such manner as they think fit.

Power to annual forfeiture

26. The Directors may, at any time before any share so forfeited shall be sold, re-allotted or otherwise disposed off,

annual the forfeiture thereof upon such conditions as they think fit.

Arrears to be paid notwithstanding forfeiture

27. Any member whose shares have been forfeited shall notwithstanding such forfeiture, be liable to pay shall forthwith pay to the Company all calls , instalments , interest and expenses ,owing upon or in respect of shares , at the time of all instalments interest on the forfeiture together with interest thereupon, form the time of the forfeiture until payment , at 12 (Twelve) per cent annum or such other rate as directors may determine and the Directors may enforce the payment thereof without any deduction of allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.

Effect of forfeiture

28. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the company in respect of the share , and all other rights incidental to the share except only such of those Articles are expressly saved.

Evidence of forfeiture

29. A duly verified declaration in writing that the declaring is a Director of the Company and that certain shares in the company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and the receipt of the Company for the consideration thereof ,shall constitute a written title to such shares.

Company's lien on shares

30. That fully paid shares be free from all lien, and that in the case of partly paid shares, the company's lien shall be restricted to money called or payable at a fixed time in respect of such shares.

- 30a. That a common form of transfer shall be used.

Intention as to enforcing lien by sale

31. For the purpose of enforcing such lien , the Directors may sell the shares subject thereof in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have been served on such member, his committee, curator bonis or other person recognized by the company as entitled to represent such member and default shall have been made by him or them in the payment of the sum payable as aforesaid for thirty days after such notice . The net proceeds of any such sale shall be applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable by such member, and the residual (if any) be paid to such member, his executors, administrators or other representatives or persons so recognized as aforesaid.

Validity of Shares

32. Upon any after forfeiture or for enforcing a lien in purported exercise of the powers by these presents given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of such shares his title to such shares shall not affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition, nor impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and company exclusively.

Power to Issue new certificate

33. Where any shares under the powers in that behalf herein contained are sold by the Directors and the certificate thereof has not been delivered to the Directors and the certificate thereof has not been delivered to the company by the former holders of the said shares the Directors may issue new certificate in lieu of certificate not so delivered.

TRANSFER AND TRANSMISSION OF SHARES

Execution of transfer, etc

34. Subject to the provisions of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been delivered to the Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instrument of transfer of any shares shall be signed both by or on behalf of the transferor and by or on behalf of transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof.

Application for transfer

35. Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the company gives notice of the application to the transferee in the manners prescribed by the Act, and subject to the provisions of Articles hereof, the company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

Notice of transfer to registered holder

36. Before registering any transfer tendered for registration, the company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that, unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the company within two weeks from the posting of such notice to him he shall be deemed to have admitted the validity of the said transfer.

Register of transfer

37. The company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer of any share.

In what case to decline to register transfer of shares

38. Subject to the provisions of section 111 of the Act, sec 22A of the securities contract (Regulations) Act, 1956 the Board, of Directors without assigning any reason for such refusal, may within one month from the date on which the instrument of transfer was delivered to the company, refuse to register any transfer of a share upon which the company has a lien and, in the case of a share not fully paid up, may refuse to register a transfer to a transferee of whom the Board does not approve.

Provided that the registration of a transfer of share shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company or any account whatsoever.

NO transfer to person of unsound mind

- 39 (1) No transfer shall be made to a minor or a person of unsound mind

No fee for registration for transfer, etc.

(2) No fee shall be charged for registration of transfer, probate, letter of administration, certificate of death or marriage, Power of Attorney or similar other instruments.

When Instrument of transfer to be retained

40. All instruments of transfer duly approved shall be retained by the company and in case of refusal, instruments of transfer shall be returned to the person who lodges the transfer deeds.

Notice of refusal to register transfer

41. If the Directors refuse to register the transfer of any shares, the company shall, within one month from the date on which the instrument of transfer was lodged with the company or intimation given, send to the transferor and the transferee or the person giving intimation of such transfer, notice of such refusal.

Power to close transfer books and register

42. On giving seven days notice by advertisement in a newspaper circulating in the district in which the office of the company is situated, the register of members may be closed during such time as the directors think fit not exceeding in the whole forty-five days in each year but not exceeding thirty days at a time.

Transmission of registered shares

43. The executors or administrators or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only person to whom the company shall recognize as having any title to the shares registered in the name of such member and, in case of the death of any one or more of the joint-holders of any registered shares the survivors shall be only persons recognized by the company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognizing any legal representative or heir or a person otherwise claiming title to the shares the company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be from a competent court, provided nevertheless that in any case where the Board in its absolute discretion think fit it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

As to transfer of shares of deceased or insolvent members

44. Any person becoming entitled to or to transfer shares in consequence of the death or insolvency of any member, upon producing such evidence that he sustains the character in respect of which he proposes to act under this article, or of his title as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares or may, subject to the regulations as to transfer hereinbefore contained, transfer such shares. This article is hereinafter referred to as "The Transmission Article". Subject to any other provisions of these Articles if the person so becoming entitled to shares under this or the last preceding Article shall elect to be registered as a member in respect of the share himself he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If he

shall elect to transfer to some other person he shall execute an instrument of transfer in accordance with the provisions of these articles relating to transfer of shares. All the limitations, restrictions and provisions of these articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid.

Rights of executors and trustees

45. Subject to any other provisions of these Articles if the Directors in their sole discretion are satisfied in regard thereof, a person becoming entitled to a share in consequences of the death or insolvency of a member may receive and give a discharge for any dividends or other money payable in respect of the share.

Provisions of Articles relating to transfer application

46. The instrument of transfer shall be in writing and all the provision of Section 108 of the Companies Act, 1956 and of any statutory.

Writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a Separate Meeting of the holders of the shares of that class. To every such Separate Meeting of the provisions of these Articles, relating to general meeting shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-tenth of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each shares of the class of which he is the holder. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar of Companies.

BORROWING POWERS

Power to borrow

52. The Board may, from time to time and at its discretion, subject to the provisions of Section 58A, 292 and 293 of the Act, and Regulations made there under and Directions issued by RBI to raise or borrow, either from the Directors of from elsewhere and secure the payment of any sums or sum of money for the purpose of the Company.

Condition on which money may be borrowed

53. The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it think fit, and in particular, by the issue of bonds, perpetual or redeemable debenture or debenture-stock, or any mortgage, or other security on the undertaking of the whole or part of the property of the Company (both present and future), including it uncalled capital for the time being, provided that debentures with the rights to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting and subject to the provisions of the Act.

Issue at discount etc. or with special privileges

54. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges, as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise, Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Instrument of transfer

55. Save as provided in Section 108 of the Act, no transfer of debenture shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of debentures.
56. If the Board refuses to register the transfer of any debentures, the company shall, within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and to the transferor notice of the refusal.

RESERVES

Reserves

57. Subject to the provisions of the Act, the Board shall in accordance with Section 205 (2A) of the Act, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may at its discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit). The Board may also carry forward any profit which it may think prudent not to divide without setting them aside as a reserve.

Capitalization

58. Any General Meeting may resolve that the whole or any part of the undivided profits of the Company (which

expression shall include any premiums received on the issue of shares and any profits or other sums which have been set aside as a reserve or reserves or have been carried forward without being divided) be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend) be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized amount be applied on behalf of such members in paying up in full any unissued shares of the Company which shall be distributed accordingly in or towards payment of the uncalled liability on any issued shares and that such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalized amount. Provided that any sum standing to the credit of a shares premium account or a capital redemption reserve account may, for the purposes of this Article only be applied in the paying up of unissued shares to be issued to members of the company as fully-paid bonus shares.

Fractional certificates

59. For the purpose of giving effect to any resolution under two last preceding Articles the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificate.

GENERAL MEETING

Extra-Ordinary General Meeting

60. The Directors may, whenever they think fit, call an Extraordinary General Meeting provided however if at any time these are not in India, Directors capable of acting who are sufficient in number to form a quorum, any Director present in India may call an Extra-ordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.

Calling of extra ordinary general meeting on requisition

61. The Board of Directors of the Company shall on the requisition of such member or members of the company as is specified in sub-section (4) of section 169 of the Act forthwith proceed to call an extra-ordinary general meeting of the company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the provisions of section 169 of the Act and of any statutory modification thereof for the time being shall apply.

Quorum

62. The quorum for a General Meeting shall be at least five members present in person.

Chairman

63. At every General Meeting, the chair shall be taken by the Chairman of the Board of Directors. If at any meeting, the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or, though present be unwilling to act as Chairman, the members present shall choose one of the directors present to be chairman or if no director shall be present or though present shall be unwilling to take the chair then the members present shall choose one of their members, being a member entitled to vote, to be the Chairman.

Sufficiency of ordinary resolutions

64. Any act or resolution which, under the provision of this Article or of the Act, is permitted shall be sufficiently so done or passed if effected by an ordinary resolution unless either the Act or the Articles specifically require such act to be done or resolution passed by a special resolution.
65. If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if converted upon a requisition of share-holders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at same time and place, unless the same shall be public holiday when the meeting shall stand adjourned to the next day not being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half an hour from the time appointed for the meeting, those members who are present and not being less than two persons shall be a quorum and may transact the business for which the meeting was called.

How question of resolutions to be decided at meeting

66. In the case of an equality of votes the chairman shall both on a show of hands and a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member

Power to adjourn General Meeting

67. The chairman of a General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. It shall not be necessary to give notice to the members of such adjournment or of the time, date and place appointed for the holding of the adjourned meeting.

Business may proceed notwithstanding demand of poll

68. If a poll be demanded, the demand of a poll shall not prevent the continuance of a meeting or the transaction of any

business other than the question on which a poll has been demanded.

VOTES OF MEMBERS

Votes of members

- 69 (1) On a show of hands every members present in person and being a holder of equity shares shall have one vote and every person present either as a proxy on behalf of a holder of equity shares or as a duly authorized representative of a body corporate being a holder of equity shares, if he is not entitled to vote in his own rights, shall have one vote.
- (2) On a poll the voting rights of a holder of equity shares shall be as specified in section 87 of the act.
- (3) The voting rights of the holders of a Preference shares including the redeemable cumulative preferences shares shall be in accordance with the provisions of section 87 of the Act.
- (4) No company or body corporate shall vote by proxy so long as a resolution of Board of Directors under section 187 of the act is in force and the representative named in such resolution is present at the general meeting at which the vote by proxy is tendered.

Votes in respect of deceased, insolvent and insane members

70. A person becoming entitled to a share shall not, before being registered as member in respect of the share, be entitled to exercise in respect thereof any right conferred by membership in relation to the meeting of the Company.
- 70A. If any member be a lunatic or idiot, he may vote whether on a show of hands or at a poll by his committee or other legal curator and such last mentioned persons may give their votes by proxy provided that at least twenty-four hours before the time of holding the meeting or adjourned meeting as the case may be at which any such person proposes to vote, he shall satisfy the Board of his rights under this Article unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Join-holders

71. Where there are joint-holders of any share, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executor or administrators of deceased member in whose name any shares stands, shall for the purpose of this Article, be deemed joint-holders thereof.

Instrument appointing proxy to be made in writing

72. The instrument appointing a proxy shall be in writing under the hand of the appointed or of his Attorney duly authorized in writing of if such appo0inter is a Corporation under its common seal or the hands of its Attorney.

Instrument appointing proxy to be deposited at the office

73. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of authority shall be deposited at the office not less than forty- eight hours before the time for holding the meeting at which the person named in the instrument proposes t vote and in default the instrument of proxy shall not be treated as valid.

When vote by proxy valid though authority revoked

74. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal of revocation of the instrument of transfer of the share in respect of which the vote is given, Provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office or by the Chairman of the Meeting before the vote is given. Provided nevertheless that the chairman of any meeting shall be entitled to require such evidence as he may in his discretion thing fit of the due execution of an instrument of proxy and that the same has not been revoked.

Form or instrument appointing proxy

75. Every instrument appointing a proxy shall as nearly as circumstances will admit, be in the form set out in Schedule IX to the Act.

Validity of vote

- 75A. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes.

Restrictions on voting

76. "Before or on the declaration of the result of the voting on any resolution on a show of hands; a poll be ordered to be taken by the chairman of the meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and fulfilling the requirements as laid

down in section 179, of the Act , for the time being in force”.

77. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has and has exercised any right or lien.

DIRECTORS GENERAL PROVISIONS

Number of Directors

78. The number of Directors shall not be less than three and not more than twelve.

First Directors

79. The following shall be the First Directors of the Company :

1. Mr. Dalip Kumar
2. Ms. Janak Sharma
3. Ms. Neelam Sharma

Power of Directors to add its number

80. The Directors shall have power, at any time and from time to time, to appoint any person as Additional Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall be eligible for re-election.

Share qualification of Directors

81. A Director shall not be required to hold any qualification shares.

Remuneration of Directors

82. The Directors shall be entitled to receive in each year a Commission @ 1% (one per cent) in the net profits of the company, such commission to be calculated on the net profits of the company to be computed in accordance with the provisions of the Companies Act 1956 and Rules made there under and such commission shall be divided among the Directors in such proportion and manner as may be determined by them. The Director may allow and pay to any director who for the time being is resident out of the place at which any meeting of the directors may be held who shall come to that place for the purpose of attending such meeting such sum as the directors may consider fair and reasonable for his expenses in connection with his attending at the meeting in addition to his remuneration as above specified. If any director being willing is appointed to an executive office either whole time or part time to be called upon to perform extra services or to make any special exertions for any of the purposes of the company then, subject to Section 198, 309, 310 and 314 of the Act and rules made thereunder the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled to.

- 82a. The sitting fees payable to a Director for attending a meeting of the Board or a Committee of the Board or a General Meeting shall be decided by the Board of Directors, from time to time, within the maximum limits of such fees prescribed under the provisions of section 310 of the Act, and schedule XIIth, XIIIth thereof.

Continuing Directors may act

83. The continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number fixed above, the Directors shall not except for the purpose of filling vacancies or of summoning a General Meeting, act so long as the number is below the minimum.

Directors may contract with Company

84. Subject to the provisions of section 297, 299, 300 and 314 of the Act, the Directors (including Managing Director) shall not be disqualified by reason of his or their office as such, from holding office under the Company or from contracting with the company either as vendor, purchaser, lender, agent, broker, lessor or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the company with a relative of such Directors or the Managing director or with any firm in which any director or a relative shall be a partner or with any other partner or with a private company in which such director is a member or director interested be avoided, nor shall any Director or otherwise so contracting or being such members so interested be liable to account to the company for any profit realized by such contract or arrangement by reason only of such director holding that office or of the fiduciary relation thereby established.

APPOINTMENT OF DIRECTORS

Appointment of Directors

85. The Company is General Meeting may subject to the provisions of these Articles and the Act, at any time elect any person to be a Director and may, from time to time, increase or reduce the number of Directors.

- 85A Any member of the company shall be competent to propose the name of any person who is otherwise not disqualified

as being a director of a company for the office of director in the company and shall accordingly give a notice of at least 14 days in writing alongwith a deposit of Rs.500/- (Rs. Five hundred) or such sum as may for the time being be prescribed by the Act, and rules made thereunder which shall be refunded only after the person proposed to be appointed as director is elected.

Board may fill up casual vacancies

86. If any Director appointed by the Company in general meeting vacates office as a Director before his terms of office will expire in the normal course the resulting casual vacancy may be filled up by the board at a meeting of the board , but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of director under section 284 of the act.

Nominee Directors

87. The company shall, subject to the provisions of the Act, be entitled to agree with any person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of directors of the company upon such terms and conditions as the company may deem fit. The Corporation, firm or person shall be entitled to the same right and privileges and the subject to the same obligation as any other director of the company.

Nomination of director by financial and other institutions

- 88 (a) Notwithstanding anything to the contrary contained in these Articles, so long any money remain owing by the Company to the Industrial Development Bank of India (IDBI) , Industrial Finance Corporation of India (IFCI) The Industrial Credit and Investment Corporation of India Limited (ICICI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), Unit Trust of India (UTI) and other Financial Institutions of Central or State Governments or to any other Corporation or Institution or to any other Financing Company or other Body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC, GIC, UTI, or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, and LIC, GIC, UTI, or other Finance Corporation or Credit Corporation or any other financing Company or body is hereinafter in this Articles referred to as "the Corporation") continue to hold shares in the company as a result of underwriting or direct subscription, the Corporation shall have a right to appoint from time to time any person or persons as a Director or Directors is/are hereinafter referred to as " nominee director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in this or their place/s.
- (b) The Board of Directors of the Company shall have no power to remove from office the nominee director/s. At the option of the Corporation, such nominee director/s shall not be liable to retirement by rotation of directors. Subject as aforesaid, the nominee director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other director of the Company.
- (c) The nominee director/s so appointed shall hold the said office only so long as any money remain owing by the company to the corporation or as a result of underwriting or direct subscription and the nominee director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately after the money owing by the company to the corporation is paid off on the corporation ceasing to hold shares in the company.
- (d) The nominee director/s appointed under this Articles shall be entitled to receive all notices of and attend all general meetings, boards meetings and of the meetings of the committee of which the nominee director/s is/ are /member/s and also the minutes of such meetings. The corporation shall also be entitled to receive all such notices and minutes.
- (e) The company shall pay to the nominee director/s sitting fees and expenses which the other directors of the company are entitled to, but if any other fees, commission moneys or remuneration in any form is payable to the directors of the company, the fees, commission, moneys and remuneration in relation to such nominee director/s shall accrue to the corporation and the same shall accordingly be paid by the company directly to the Corporation. Any expenses that may be incurred by the corporation or such nominee director/s in connection with their appointment or directorship shall also be paid or reimbursed by the company to the corporation or as the case may be to such nominee director/s. Provided that if any such nominee director/s is an officer of the corporation the sitting fees, in relation to such nominee director/s shall also accrue to corporation and the same shall accordingly be paid by the company directly to the corporation. Provided also that in the event of the nominee director/s being appointed as whole time director/s such nominee directors shall exercise such powers and duties as may be approved by the corporation and have such rights as are usually exercised available to a whole time director, in the management of the affairs of the company. Such nominee director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation.

Alternate Directors

- (f) Subject to the provisions of section 313 of the Act, the Board may appoint any person to act as an alternate

director for a director during the latter's absence for a period of not less than three months from the state in which meeting of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate director; shall be entitled to notice of meetings of the Board and to attend and vote thereat accordingly, but he shall ipso facto vacate office if and/ when the absent director returns to state in which meetings of the Board are ordinarily held or the absent director vacates office as a director.

Subject to the provision of Section 260 of the Companies Act, 1956, the Board may appoint any person as an additional director. A director appointed as an additional director vacates his office on the last day on which the Annual General Meeting could have been called as required by section 166.

ROTATION OF DIRECTORS

Rotation of Directors

- 89 (1) Not less than two-third of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Director by rotation.
- (2) At each Annual General Meeting of the Company one-third of or such the directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third, shall retire from office.
- (3) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those to retire shall, in default of and subject to any agreement among themselves, be determined by lot.
- (4) If at any Annual General Meeting all the Directors appointed under Articles 87 and 108 hereby are not exempt from retirement by rotations under Section 255 of the Act, then to the extent permitted by the said Section, the exemption shall extent to the Directors or Director appointed under Articles 105. Subject to the foregoing provisions as between Directors appointed under any of the Articles referred to above, the Director or Directors who shall not be liable to retire by rotation shall be determined by and in accordance with their respective seniorities as may be determined by the Board.

Retiring Directors eligible for re-election

90. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.
91. Subject to any resolution for reducing the number of Directors, if at any meeting at which an election or directors ought to take place, the places of the retiring Directors if not filled up, the meeting shall stand adjourned till the next succeeding day which is not a public holiday at the same time and place and if at the adjourned meeting, the places of the retiring directors are not filled up, the retiring directors or such of them as have not had their places filled up shall (if willing to continue in office) be deemed to have been re-elected at the adjourned meeting.

PROCEEDINGS OF DIRECTORS

Meeting of Directors

92. The Directors may meet together for the dispatch of business, adjourned and otherwise regulate their meetings and proceedings as they think fit. Notice in writing of every meeting to the Director shall ordinarily be given by a director or such other officers of the company duly authorized in this behalf to every director for the time being in India and at his usual address in India.

Quorum

93. The quorum for a meeting of the Directors shall be determined, from time to time in, accordance with the provisions of section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Directors , if shall be adjourned until such date and time as the Directors present shall appoint.

Summoning a Meeting of Directors

94. The Secretary may at any time, and upon request of any two directors shall summon a meeting of the directors.

Voting at Meeting

95. Subject to the provisions of sections, 316 , 372 (5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, each director having one vote and in case of an equality of votes the Chairman shall have a second or casting vote.

Chairman of Meeting

96. The Chairman of the Board of Directors shall be the Chairman of the meetings of the directors. Provided that if the chairman of the Board of Directors is not present within five minutes after the appointed time for holding the meeting the Directors present shall choose one of their members to be chairman of such meeting.

Act of Meeting

97. A meeting of Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Articles of the company and the Act for the time being vested in or exercisable by the directors generally.

To appoint Committee and to delegate power and revoke it

98. The Directors may, subject to compliance of the provisions of the Act, from time to time, delegate any of their powers to committees consisting of such members or members of their body as they think fit, and may, from time to time, revoke such delegation. Any Committee so formed shall in the exercise of the powers so delegated confirm to any regulations that may, from time to time be imposed on it by the Directors. The meeting and proceedings of any such Committee, if consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulation made by the directors under this article.

Validity of acts

99. All acts done at any meeting of Directors or of a Committee of the Directors or by any person acting as a Director shall be valid notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors, committee or person acting as aforesaid or that they or any of them were disqualified.

Resolution by circulation

100. Except a resolution which the companies act 1956 requires it specifically to be passed in a board meeting, a resolution may be passed by the directors or committee thereof by circulation in accordance with the provisions of section 289 of the act.

And any such minutes of any meeting of Directors or of any committee or of the company if purporting to be signed by the chairman of the such meeting or by the chairman of next succeeding meeting shall be receivable as prima facie evidence of the matters in such minutes.

POWERS OF DIRECTORS

General power of the company vested in the directors

101. Subject to the provisions of the Act, the control of the company shall be vested in the directors who shall be entitled to exercise all such powers and to do all such acts and things as may be exercised or done by the company and are not hereby or by law expressly required or directed to be exercised or done by the company in the General meeting but subject nevertheless to the provisions of any law and of these presents, from time to time, made by the company in the general meeting, provided that no regulation so made shall invalidate any prior act of the directors which would have been valid if such regulation had not been made.

Power to delegate

102. Without prejudice to the general powers conferred by the preceding Article, the Director may, from time to time and at any time, subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants, and other employees or other persons (including any firm or body corporate) any of the powers authorized and discretions for the time being vested in the directors.

Power to authorize sub-delegation

103. The Directors may authorize any such delegate or attorney as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

Signing of documents

104. All deeds, agreements and documents and all cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn accepted or endorsed or otherwise executed, as the case may be by such persons (including any firm or body corporate) whether in the employment of the Company or not and in such manner as the directors shall, from time to time, by resolution determine.

Management Abroad

105. The directors may make such arrangement as may be thought fit for the management of the Company, affairs abroad, and may for this purpose (without prejudice to the generality of their powers) appoint local bodies, and agents and fix their remuneration, and delegate to them such powers as may be deemed requisite or expedient. The foreign seal shall be affixed by the authority and in the presence of and instruments sealed therein shall be signed by such persons as the Directors shall, from time to time by writing under the common seal appoint. The Company may also exercise the powers of keeping Foreign Registers. Such regulations not being in consistent with the provisions of Section 157 and 158 of the Act, the Board may, from time to time, make such provisions as it may think fit relating thereto and may comply with the requirements of any local law.

Manager or Secretary

106. Subject to Sections 197A, 388, 383 A and 314 of the Act, a Manager or Secretary may be appointed by the Directors on such terms, at such remuneration and upon such conditions as they may think fit, and any Manager or Secretary appointed may be removed by the Directors.

A Director may be appointed as Manager or Secretary subject to Sections 314, 197A, 383A, 387 and 388 of the Act.

Act of Director, Manager or Secretary

107. A provision of the Act or these regulations required or authorizing a thing to be done by a Director, Manager or Secretary shall not be satisfied by its being done by the same person acting both as Director and as, or in place of the Manager or Secretary.

MANAGING DIRECTORS

Power to appoint Managing Director

108. Subject to the provisions of sections 197A, 269, 316 and 317 and Schedule XIII of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors of the Company and may, from time to time (subject to the provisions of any contract between him or them and the Company), remove or dismiss him or them from office and appoint another or others in his place or their places.

To what provisions he shall be subjected

109. Subject to the provisions of Section 255 of the Act and article 89 (4) hereof, a Managing Director shall not , while he continues to hold that office , be subject to retirement by rotation, but he shall be counted for ascertaining the number of directors to retire (Subject to the provisions of any contract between him and the company) he shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director for any cause.

Remuneration of Managing Director

110. Subject to the provisions of section 198, 309, 310 and 311 and schedule XIII of the Act, a Managing Director shall, in addition to the remuneration payable to him as a Director of the Company under the Articles, receive such additional remunerations as may, from time to time, be sanctioned by the Company.

Power of Managing Director

111. Subject to the provisions of the Act, in particular to the prohibitions and restrictions contained in Sections 292 and 293 thereof, the Board may, from time to time, entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks fit, and the Board may confer such powers either collaterally with, or to the exclusion of, and in substitution for any of the powers of the Board in that behalf and may, from time to time, revoke withdraw, alter or vary all or any of such powers.

COMMENCEMENT OF BUSINESS

Compliance before commencement of new business

112. The company shall not at any time commence any business out of other objects of its Memorandum of Association unless the provisions of sub-section 2(B) of section 149 of the Act have been duly complied with by it.

SEAL

Custody of seal

113. The Directors shall provide for the safe custody of the Seal and the Seal shall never be used except by the authority of the Director or a committee of the Directors previously given and one Director at least shall sign every instrument to which the seal is affixed provided nevertheless that any instrument bearing the seal of the company and issued for valuable consideration shall be binding on the company notwithstanding any irregularity touching the authority of the directors to issue the same.

DIVIDENDS

How Profits shall be divisible

114. Subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the company, from time to time, determined to be distributed as dividend in respect of any years or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the Shares provided that unless the Board otherwise determines, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which dividend is paid. Provided always that subject as aforesaid, any capital paid up on a

share during the period in respect of which a dividend is declared, shall (unless the Board otherwise determines or the terms of issue otherwise provide, as the case may be), entitle the holder of such share to an apportioned amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right to participate in profits.

Declaration of dividends

115. The company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may, subject to the provisions of section 205 of the act, fix the time for payment

Restrictions on amount of dividends

116. No larger dividend shall be declared than is recommended by the directors, but the company in general meeting may declare a smaller dividend

Dividend out of profit only

117. No dividend shall be payable except out of the profits of the company of the year or any other undistributed profits and no dividend shall carry interest as against the company

What to be deemed net profits

118. The declaration of the Directors as to the amount of the net profits in the audited annual accounts of the company for any year shall be conclusive.

Interim dividends

119. The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Debts may be deducted

120. The Director may retain any dividends on which the company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists, subject to section 205 A of the Act.

121. A transferor of shares shall not pass, the rights to any dividend declared thereon before the registration of the transfer.

Retention in certain cases

122. Subject to Section 205A of the Act, the Directors may retain the dividends payable upon shares in respect of which any person is under the transmission Article entitled to become a member or which any person under the Article is entitled to transfer until such person shall duly become a member in respect thereof or shall transfer the same.

Dividend to joint holders

123. Any one of the several persons who are registered as joint holders of any share may give effectual receipts of all dividends payments on account of dividends in respect of such shares.

Payment by post

124. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint-holders to the registered address of that one whose name stands first on the Register in respect of the joint holding or to such person and such address and the member or person entitled or such joint holders as the case may be may direct and every cheque or warrant so sent shall be, made payable at par to the person or to the order of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint holders, as the case may be, may direct.

When payments good discharge

125. The payment of every cheque or warrant sent under the provisions of the last proceeding Article shall, if such cheque or warrant purports to be duly endorsed, be a good discharge to the company in respect thereof, provided nevertheless that the company shall not be responsible for the loss of any cheque, dividend, warrant or postal money order which shall be sent by post to any member or by his order to any other person in respect of any dividend.

125A. Any dividend remaining unpaid or unclaimed after having been declared shall be dealt in accordance with section 205A and 205B of the Companies Act, 1956 and Rules made thereunder.

125B. No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with the provisions of Sections 205A of the Companies Act, 1956 and Rules made thereunder in respect of such dividend.

BOOKS AND DOCUMENTS

Where to be kept

126. Subject to the provisions of section 209 of the Companies Act, 1956, the Books of Account shall be kept at the Registered Office or at such other place as the Board of Directors think fit, and shall be open to inspection by any

Director or Directors during business hours.

Inspection by members

127. The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts or books or documents of the company or any of them shall be open for inspection to members not being Directors, and no member (not being a Director) shall have any right of inspection to any books of account or documents of the company except as conferred by law or authorized by the Board of directors or by the Company in the General Meeting.

Balance sheet and profit and loss account

128. Balance sheet and profit and loss account will be audited once in a year by a qualified auditor for correctness as per the provisions of the act.

Audit

129. The first Auditors of the Company shall be appointed by the Board of Directors within one month after its incorporation who shall hold office till the conclusion of first Annual General Meeting.

130. The directors may fill up any casual vacancy in the office of the Auditors

131. The remuneration of the Auditors shall be fixed by the Company in the Annual General Meeting except as otherwise decided and that remuneration of the first or any Auditors appointed by the Directors may be fixed by the Directors.

NOTICES

How notices served on members.

132. The company shall comply with the provisions of sections, 53, 171, 172 and 190 of the Act as to the serving of notices.

Transfer bound by prior notices

133. Every person who, by operation of law, or by transfer or by other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall be duly given to the person from whom he derives his title to such share.

Notice valid through members deceased

134. Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these presents shall notwithstanding such member be then deceased and whether or not the Company has notice of his demise, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any, jointly interested with him or her in any such shares.

How notice to be signed

135. The signature on any notice to be given by the company may be written or printed.

RECONSTRUCTION

Reconstruction

136. On any sale of the undertaking of the company, the directors or the liquidators on a winding up may, if authorized by a special resolution, accept fully paid or partly paid-up shares, debentures or securities; of any other company whether incorporated in India or not other than existing or to be formed for the purchase in whole or in part of the property of the company, and the Directors (if the profits of the company permit), or the Liquidators (in a winding-up) may distribute such shares or securities or any other property of the Company amongst the members without realization or vest the same in trustees for them and any special resolution may provide for the distribution or appropriations of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributories of the company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the company is proposed to be or is in the course of being wound up, such statutory rights, if any, under section 494 of the Act as are incapable of being varied or excluded by these presents.

SECRECY

No shareholder to enter the premises of the Company without permissions

137. Subject to the provisions of law of the land and the Act, no member or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the company's premises or properties of the Company without the permission of the Directors, or subject to Article 126 to require discovery or any information in respect of any detail of the Company's trading or any matter which is or may be in the nature of a

trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the company and which, in the opinion of the directors will be inexpedient in the interest of the members of the company to communicate to the public.

WINDING UP

Distribution of assets

138. If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up to or which ought to have been paid up at the commencement of the winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the paid up capital, at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Distribution of assets in specie

139. In the event of company being wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution divide among the contributories, in specie or in kind any part of the assets of the company and may with the like sanction, vest any part of the assets of the company in trustees upon such trust for the benefit of the contributories or any of them as the liquidators, with the like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY

Indemnity

140. Subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary and other officer or employee of the Company, shall be indemnified against and it shall be the duty of the directors to pay out of the funds of the company all bonafide costs, losses and expenses (including traveling expenses) which any such Directors, Manager or Secretary or other offices or employee may incur or become liable to by reason of any contract entered into or any way in the discharge of his or their duties and in particular, and so as not to limit the generality of the foregoing provisions, against all bonafide liabilities incurred by him or by them as such director , manager, secretary, officer or employee in defending any proceeding whether civil or criminal in which judgement is given in his or their favour or he or they is or are acquitted, or in connection with any application under section 633 of the act in which relief is granted by the court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the company and have priority as between the members over all other claims.

Individual responsibility of directors

141. Subject to the provisions of the Act and so far as such provisions permit, no Director, Auditor or other officer of the company shall be liable for acts, receipts, neglects or defaults of any other Director or officer, or for jointing in any receipt or act for conformity, or for any loss or expense happening to the company through the insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the company shall be invested, or for any loss occasioned by any error of judgement, omission, default, or oversight on his part, or for any loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.

E. MATERIAL CONTRACTS & DOCUMENTS FOR INSPECTION

The following contracts mentioned in Para (I) below (not being contracts entered into in the ordinary course of business carried on by FCS) are or may be deemed to be material contracts. Copies of these contracts along with documents referred to in Para (II) below have been attached to the copy of this Prospectus delivered to the Registrar of the Companies, Delhi & Haryana, for registration and may be inspected at the Registered Office / Corporate Office of FCS between 10.00 A.M. to 1.00 P.M. on any working day from the date of this Prospectus until the closing of the Issue.

I. MATERIAL CONTRACTS

1. Memorandum of Understanding, dated 10th December, 2004 signed between the Company and Allianz Securities Limited, the Lead Managers to the Issue.
2. Memorandum of Understanding, dated 10th December, 2004 signed between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated April 19, 2005 between NSDL, the Company and Intime Spectrum Registry Limited.
4. Copy of the Tri-partite Agreement dated April 15, 2005 between CDSL, the Company and Intime Spectrum Registry Limited.
5. Letter of Appointment dated 17th December, 2004 from Company to Rajinder Narain & Co. as Legal Advisors to the Issue.
6. Copy of Lease Agreement for the Noida premises.

II. DOCUMENT FOR INSPECTION

1. Memorandum of Association and Articles of Association of the Company.
2. Certificate of Incorporation dated 5th May, 1993.
3. Fresh Certificate of incorporation dated 29th December, 1999 consequent to conversion of Company into a Public Limited Company.
4. Fresh Certificate of incorporation dated 19th April, 2000 consequent to change of name from Fateh Computer Services Limited to FCS Software Solutions Limited.
5. Copy of special resolution passed at EGM dated 10th December, 2004 u/s 81 (1A) and Board Resolution dated 17th December, 2004 authorizing the Issue of Equity Shares.
6. Copies of letters to BSE and NSE regarding in-principle approval for listing.
7. Copies of in-principle approvals from BSE & NSE dated January, 28, 2005 and dated March 29, 2005, respectively for listing of the Equity Shares. Further, letter from NSE dated June 23, 2005 extending the duration of in-principle approval granted through the letter dated March 29, 2005.
8. Copies of Auditors Reports issued by Statutory Auditors of the Company M/s. SPMG & Co., Chartered Accountants, dated 20th May, 2005.
9. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s. SPMG & Co., Chartered Accountants, dated May 20, 2005.
10. Consent letters from Directors, Lead Manager, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus.
11. The bid documents in relation to the purchase of property for the expansion programme at A-87, Sector-57, Noida, Uttar Pradesh.
12. Copy of the letter of the Official Liquidator dated 4th April, 2005 with the Copy of the order dated 23rd March, 2005 issued by the Hon'ble High Court of Punjab & Haryana at Chandigarh confirming the sale of land at A-87, Sector-57, Noida in favour of the Company.
13. Copy of letter dated 24th December, 2004 from Rajinder Narain & Co., Legal Advisors for the vetting and approval of the Prospectus.
14. Copy of the Resolution passed under Section 79A of the Companies Act, 1956 at the Extra Ordinary General Meeting of the company held on 10th December, 2004 approving ESOS and ESOS.
15. Certificate dated August 9, 2005 by SPMG & Co., auditors of the Company regarding deployment of Funds in relation to the expansion programme till that date.
16. Power of Attorney(s) executed by the Directors for signing and making correction in the Prospectus on their behalf.
17. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. FY 2001, FY 2002, FY 2003, FY 2004, and FY 2005.
18. Copies of Underwriting Agreement entered into between Allianz Securities Ltd. & Enam Financial Consultants Ltd.
19. Copies of Annual Reports of Enstaserv eServices Limited for the last 3 accounting periods i.e. FY 2002, FY 2003, FY 2004.
20. Approval No. 5(4)/94/52/2669 dated 29th November, 1994 from Software Technology Parks of India, Noida approving the setting up a 100% Export Oriented Unit under the STPI Scheme.
21. A copy of the SEBI observation letter no. letter no. 5/1412/04-NRO/24307 dated August 9, 2005 received from SEBI, Delhi in respect of the Public Issue of FCS.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the Case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the Case may be.

We, the Directors of FCS Software Solutions Limited, hereby declare and confirm that no information / material likely to have a bearing on the decision of the investors in respect of the Equity Shares issued in terms of the Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to misstatement / misrepresentation. We further certify that all the statements in this Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS OF FCS SOFTWARE SOLUTIONS LIMITED

Mr. Dalip Kumar, *Managing Director*

Mrs. Janak Sharma, *Director*

Mr. K.K. Arora, *Whole - Time Director*

Mr. Shyam Sunder Sharma, *Director*

Mr. Pradeep Sanan, *Director*
(through Power of Attorney Holder, Mr. K.K. Arora)

Dr. Balvinder Shukla, *Director*

Mr. Shiv Kumar Lath, *Director*

SIGNED BY HEAD OF FINANCE

Mr. Raj Ratan Pugalia, Chief Financial Officer

Place: Noida, U.P.

Date: August 9, 2005