AGC NETWORKS LIMITED

AGC
Enabling Experience

ANNUAL REPORT 2013-14

An Opportunity called Challenge

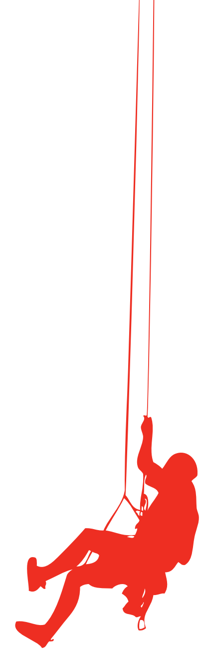
CONTENTS

Forward looking statement

We, AGC Networks, (the "Company") in this Annual Report, have shared information and made forward looking statements to enable investors to know our services portfolio, business logic and thereby comprehend our prospects. Such and other statements – written and oral – that we may periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'intend', 'plan', 'project' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized although we believe we have been prudent in our assumptions. The achievement of results is subject to uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialize or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

“The Chinese use two brush strokes to write the word ‘crisis.’ One brush stroke stands for danger; the other for opportunity.”

- (John F. Kennedy)



Businesses are changing at a faster pace than ever before. These changes are causing disruption, disorder and disturbance, effectively testing and challenging status quo.

With the world getting increasingly connected and networked, with information and data being available anywhere and anytime, with social media emerging as a powerful driver of change, traditional business models and mindsets face unprecedented challenges.

Overcoming these challenges requires patience and perseverance. Businesses that succeed have common intrinsic qualities:

Attitude and Resilience

At AGC, we firmly believe that hidden in every crisis is a challenge, and embedded in every challenge is an opportunity.

At AGC, we learn but don’t look back. We are focused on the present and the future. We are now confident about our strategy, our strengths, our solutions and our people.

With a positive attitude, we are ready for

An Opportunity called Challenge

Message from Managing Director and CEO

Dear Shareholders,

I am happy to be back at AGC Networks and grateful to the Board for entrusting me with the task of leading the Company into the future at a time when global markets are brimming over with both – **opportunities and challenges**.

It is a time when we have to reimagine **our purpose of accelerating our customers' business** with customized technology solutions. It is a time to differentiate ourselves in the eyes of our customers through exemplary responsiveness, superior design and sharp project execution to contribute to their business outcomes in a positive way.

We are strengthening our bonds with **our partner ecosystem**, relationships that are invaluable because they are the source for us to stay ahead of the technology curve. They help us identify emerging technologies that we integrate for customers so they are abreast of the cycle of technology evolution.

We are bolstering **key areas of our operations**, most importantly our sales engine, our cash flows, our logistics efficiency, our services and projects teams and our learning systems, to create a formidable value chain with enabling processes that aim to deliver genuine value to stand out in a commoditized marketplace.

Team AGC will embody the **values** we treasure every moment of every day: the will to win, integrity and fairness in our dealings, responsiveness and collaboration, empowerment and accountability, innovation, differentiation and continuous improvement, to embrace the change that this situation demands.

There is no doubt that failure is a better teacher than success! We look forward now to getting back to good health with a significant turnaround this year. Because implicit in every challenge is **the opportunity for reinvention**, the opportunity to bounce back with unprecedented vigor and vitality for sustainable success.

Implicit in every challenge is the opportunity for reinvention, the opportunity to bounce back with unprecedented vigor and vitality for sustainable success.

It is my pleasure to introduce you to my team, my **strategy and quality council** that is going to lead this resurgence:

- **Sanjeev Verma**, CEO of USA Business & President International Operations, will be responsible for driving the P&L for all overseas AGC businesses, focusing on profitability and growth.
- **Amal Thakore**, Chief Financial Officer (CFO), will be responsible for leading the company's financial and accounting operations and supporting corporate governance on a global basis.
- **Mahua Mukherjee**, Chief People Officer (CPO), will head the HR & Administration function globally to enhance organization effectiveness.
- **Animesh Shrivastava**, Vice President (VP), will be responsible for all aspects of India Business to propel profitable business growth.
- **Pravin Shinde**, Vice President (VP), will lead Service Delivery and manage customer relationships and the associated operational excellence.
- **Vinod Nair**, Vice President (VP), will be responsible for our Commercial & Alliances and will nurture growth of key alliance relationships to meet mutual business objectives.
- **Vinod K**, Associate Vice President (AVP), will be responsible for Consulting, Application & Design.
- **Dattatraya Khatavkar**, Vice President (VP), will head the Cyber Security practice.
- **Business Operations** – The marketing function will be led by **Neelam Kapoor**, Vice President (VP) & Head - Marketing. **Manoj Kar**, Associate Vice President (AVP), will be responsible for Business Analytics & Reporting.

I thank you again for your patience and support.

Anil Nair

Managing Director & CEO

(w.e.f. 16th June, 2014)

Message from the President

Dear Shareholders,

The last two years have not been particularly satisfactory for us at AGC. While it is a fact that there were strong headwinds in the macro-economy that aggravated the situation, what is important to accept and understand is the fact that we could not capitalize on opportunities.

An opportunity is good only if it is capitalized upon and the capability to leverage it is available. At AGC, we have done a careful, in-depth analysis aligning our strengths, remapping and re-managing opportunities at a global level. We have also taken various measures to ensure we build an organization that can manage risks more effectively.

Today, we are ready for an opportunity called challenge.

We take the opportunity to start the New Year with a stronger balance sheet by taking a prudent and conservative accounting approach and have provided for doubtful debts and / or written off certain assets. We have realigned our market focus on four key geographies: USA, Middle East / Africa, Australia / New Zealand and India.

Our timely investments in the USA in FY 2012, followed with the acquisition of the business of Transcend United Technologies (TUT) as well as establishment of Customer Experience Center have paid rich dividends for us in that market. From a loss in Year 1, we have turned in a marginal operating profit in the USA this year. We were also successful in winning a multi million dollar services contract from a Top 10 Bank in USA. We have got two

We continue to leverage our position as a leading Solutions Integrator connecting our strong presence in India to offer compelling advantages to clients in the USA.

new high-margin contracts whose benefits will accrue in the coming year. We continue to leverage our position as a leading Solutions Integrator in this key market connecting with our strong presence in India to offer compelling advantages to clients in the USA.

In the Middle East and African markets, we have now started to reap dividends by winning significant deals. Very recently we won two new large contracts worth over USD 6 million. We have stabilized Australia and made AGC a relevant player in the market. Some of the new contracts we won included a large Australian MNC for a fully managed Unified Communications solutions upgrade and support. In addition, there were other remarkable wins. Closer home in India, we achieved an extended project win in the BFSI space for Cheque Truncation Systems (CTS) implementation involving a consortium of bankers.

All these developments signal how AGC is building upon an opportunity called challenge and is poised to rebound and reshape itself positively and accelerate ahead in FY 2015 and beyond.

We have always been a Company with positive attitude. We continue to be one of the leading Solutions Integrators with proven capabilities in developing customized solutions that create compelling value for our clients. With our renewed, focused and sharp strategy, we are back on track.

Expect more!

Yours sincerely,

Sanjeev Verma

President & Executive Director

An Opportunity Across Markets

USA, Middle East / Africa, Australia / New Zealand and India are the four key markets where AGC is focusing its attention and resources to capture opportunity. It is in these geographies that AGC sees a significant addressable market opportunity aligned with our capabilities.

USA

The largest economy in the world is also the largest IT market place in the world. In FY 2012, AGC invested and expanded organically in the North American market. This was followed up in FY 2013 with the acquisition of the business of Transcend United Technologies (TUT) and establishment of a Customer Experience Center to provide differentiated customer centric solutions for our customers globally. Transcend United Technologies has now been totally integrated with AGC, and FY 2014 has been the first full year post integration. The USA business has now emerged as a profitable business within 2 years, with marginal operating profits in FY 2014. The USA market continues to provide exciting opportunities for further growth. The Affordable Care Act, popularly known as ObamaCare, is expected to open up many new opportunities in healthcare. The overall mood and the liquidity situation in the USA economy are also on the upswing, pointing to resurgence in this critical market.

Highlights of our USA business in FY 2014:

- Stabilizing the acquisition
- Complete integration as AGC
- Winning significant new logos
- Winning a multi million dollar Services Contract from one of the Top 10 Banks in the USA
- Leveraging India capability to drive productivity
- Creating a framework for growth in FY 2015

MEA

FY 2014 saw the MEA business of the Company gaining stability. The focus continued on expanding new practices and alliance partner relationships. These include new relationships in Network Infrastructure (NI) - HP, Acme, F5; Data Center & Virtualization - HP, EMC, VMware, DoubleTale; and with SAP, Oracle and Ramco in the Business Applications quadrant.

In addition, AGC provided end-to-end Audio-Video, Data Center, Virtualization and Unified Communications solutions for the creation of spacious residential communities of over 4.2 million sq. meters in Middle East. AGC also provided large Board room orders for Middle East and North Africa's leading communication conglomerate and a leading hospital in Dubai.

Overall, 30 new customer logos were added during the year FY 2014.

We also added two new contracts in this market during the current year. While these wins were in the current FY, their positive impact will be visible in the year FY 2015.

Australia / New Zealand

In FY 2014, AGC ANZ continued its focus on remaining relevant to its customers by focusing on customer service and building relationships with key technology alliance partners. The Company invested in leadership and team building. A significant win in this market was a contract from a leading Australian MNC for providing Unified Communications solutions for CM upgrade, maintenance and full time on site support. The Company also won an impressive order for CM upgrade across 12 APAC countries from a global IT vendor.

India

India is one of the fastest growing economies in the world. With the explosion of internet and smart devices, every industry and sector of the economy is opening up new opportunities for IT. Whether it is the public or private sector, banks or educational institutions, e-retailers or telecom providers, there are endless opportunities as India leverages technology to march ahead.

India is a key geography for AGC, and the Company has an enviable track-record of performance, particularly in the BFSI segment, which continues to remain its strength.

During the year, AGC provided a single sign solution capable of handling up to 2 lac concurrent sessions to a leading investment bank and project advisor. The Company also deployed a unique Trunk-and-Tank locking system to control pilferage for a Fortune 500 Oil and Natural Gas company. In the Data Center and Virtualization practice, AGC won a major contract for Servers, Storage and Data Center for a leading Electricity Regulation Board. Team AGC also successfully delivered around 100 video endpoints connecting all offices to one of Nepal's prominent private mobile operator.

Highlights of the India business in FY 2014 :

- Providing a Unified Communications solution including passport replacement and TDM to IP logger migration for India's premier technology support company
- Transformed the Network infrastructure for Summit Communications – a large telecom company in Bangladesh by deploying a high performing mobile back haul solution
- Deployed an end to end Unified Communications solution spanning voice & video for one of the largest Indian media and entertainment companies, across its 15 branches
- Migrated IPLC to MPLS across 7 locations (2 of which are in the United States) for a global leader providing integrated technology and operations-based solutions
- Completed a consulting project to enable a large Housing Project Company implement Information Security Management Systems and achieve ISO 27001 certification
- 150 locations Network Infrastructure roll-out for a leading bank in India

An Opportunity called Cyber Security

Cyber Security Services are an integral part of AGC's Services bouquet.

Of late, there have been quite a few targeted cyber attacks primarily across Enterprise Customers and Government Institutions.

Keeping pace with the evolved requirements across enterprises, 'Cyber Security as a solution' fulfillment is gaining relevance and priority in the marketplace. Our spectrum of offerings ensures **customers' digital assets are adequately safe guarded**.

This offering is aimed at enabling enterprises remain secure and aligned to current industry bench marked risk management strategies, delivered through a combination of cutting-edge technology and an experienced team of compliance professionals.

Data Security and Protection

The growing menace of cyber crime is impacting the global economy significantly with estimated annual losses of up to USD 575 billion, a report by cyber security solutions firm McAfee has revealed. Cyber attacks on Target Corporation alone has stripped banks and credit unions of USD 200 million.

Widespread security breaches reportedly compromised 40 million credit & debit cards that are costing Banks a lot to reissue.

Planning for the risk around digital and cyber led security has now become a boardroom issue. The growing rate of cyber crime is increasing the demand for information security experts worldwide.

This division of AGC is working in tandem with customers to help them with security planning to anticipate and address current and future business needs.

AGC has implemented a strong Information Security Management System and is certified on ISO 27001, ISO 9001 and SSAE 16 for its US operations.

Cyber Security as a Solution

- Certification
- Compliance
- Implementation
- Management
- Audit

An Opportunity called Holistic Solutions

At the heart of AGC's unique value proposition is our ability and capability to architect and implement holistic solution for clients, leveraging diverse strengths across Unified Communications, Network Infrastructure, Data Center Virtualization and Enterprise Applications.

FY 2014 has witnessed a sea-change in technology, focused around improving customer experience. The AGC Pre-sales team has been unique in its approach to architecting effective solutions to improve customer's businesses.

The Pre-Sales team comprises

- a pro-active field force in the form of "Regional Experts"
- the "Solution Design Center" that effectively performs the back end work and shortens the sales cycle
- the "Customer Experience Center" that showcases unique solutions
- "Global Solution Engineering" - a virtual team of subject matter experts across the breadth of AGC's offerings

The team has added a plethora of products and solutions to AGC's portfolio, to increase our relevance in an ever changing market.

The regional pre-sales teams have been fortified by adding breadth to solutions around customer experience, network and computer infrastructure and consulting. Each region has a self-sustaining model to meet customer requirements, encompassing almost all solutions that AGC offers. The team proactively reaches out to customers to evangelize new technologies and solutions.

The Solution Design Center (SDC) has grown its offerings. From BoM / architecture documentation a few years ago, this team of around 25 professionals based at our Pune office now offers back end support to the entire globe. New geographies like North America and MEA have made tremendous use of the SDC for creating various solutions for their customers. The SDC has also launched the "Solution Portal" which has a world of information for employees, to empower them to offer solutions that add tremendous value to customers. One of the proud achievements of the SDC is the way fresh Graduate Engineer Trainees (GETs) have been trained and mentored to be a part of the team. They are drawn upon to strengthen the regions, bridging a skill-gap. The SDC has catered to over 5000 requests during the financial year, a testimony to the opportunity before us.

The Customer Experience Center (CEC) has grown from strength to strength. From being the finest showcase among all technology companies in India, it has added the latest technology to the most relevant solutions that are demonstrable. CEC has had the privilege of hosting some of the stalwarts of the Indian industry, all of whom have expressed an immense sense of awe, satisfaction and confidence in AGC's holistic solutions that deliver genuine value.

FY 2014 has been a year of growth for Pre-sales - from more geographies, to more market challenges to more solutions. There have been numerous customer wins with unique solutions, all created

using our global experience and research by being the preferred Solutions Integrator for customers with multi-geography requirements.

With renewed thrust on consultative selling, we steer customer engagements towards developing collaboration, automation and integrated technology solutions to accelerate businesses.

An Opportunity in Services

Being known as a strong player in Unified Communication / Contact Center segment has helped to position AGC as a leading Solutions Integrator across technology quadrants. This has been possible due to the dedicated focus on customer satisfaction; retention and readiness to provide solutions around various technologies. The service delivery team is equipped to deliver support across,

- Multi technology solutions
- Multi skilled resources
- Portfolio of service offerings
- Strong project management skills
- Global locations

The services portfolio spans maintenance, deployment, consulting, applications and information security, with customization and optimization being offered seamlessly.

AGC has the advantage of offering services on direct, sell through models to customers and to the customer's customer. Long term successful technology partnerships are an asset for our global customers. AGC has successfully implemented a seamless services delivery model across global offices to enable a uniform experience across the globe. Over the years, there has been consistent Customer Satisfaction Scores (CuSat) with a rating of 78% CuSat in FY 2014 which we believe is above industry standards.

AGC Today and Tomorrow

The right connect not only creates a complete picture, but also gives it a depth and dimension.

For more than 28 years, AGC has been a leading global technology solutions provider. And over the last 8 years, AGC has been a Solutions Integrator with a differentiated vertical approach, providing innovative solutions across four ICT domains.

SOLUTION QUADRANTS

UNIFIED COMMUNICATIONS

- IP Surveillance
- Collaboration Solutions
- Audio, Video and Control Integration
- IP Telephony
- Contact Centers

NETWORK INFRASTRUCTURE

- Wired Networks
- Mobility
- Network Security

DATA CENTER & VIRTUALIZATION

- Data Center
- Virtualization
- Storage
- Platforms

ENTERPRISE APPLICATIONS

- Business Applications
- Customer Experience (IVR / CTI / CRM)

SERVICES

MANAGED SERVICES

- Enterprise Service Management
- Cloud Computing Services
- Integrated Management Data Centers

PROFESSIONAL SERVICES

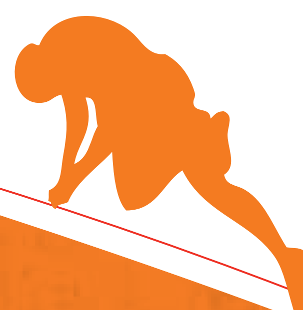
- Consulting and Analysis
- Deployment Services
- Customization and Integration
- Technology Audit and Review

CYBER SECURITY SERVICES

- Certification
- Compliance
- Implementation
- Management
- Audit

MAINTENANCE SERVICES

- Support Services
- Installation Services
- Remote Infrastructure Monitoring and Management
- Facilities Management Services



Awards

- Industry Partner of the Year – BFSI from Microsoft Corporation
- Strategic Win 2013 - Enterprise Sector from Juniper Networks
- Country Partner of the Year from AVAYA
- Video Collaboration Partner of the Year from AVAYA

Social Initiatives

- Contribution and participation in **Pedal for Peace**, organized by a the public charitable through its Cycling event in Mumbai
- Tree plantation drive ‘Greenwave’
- Child education campaign

Accelerating businesses through customized technology solutions

AGC Values

- Will to win
- Integrity & Fairness
- Responsiveness & Collaboration
- Empowerment & Accountability
- Continuous Improvement
- Innovation
- Differentiation

Purpose

Accelerating businesses through customized technology solutions.

Accelerating Businesses

In an increasingly connected world, the advantage of a product or service is quickly eroded by similar offerings by competitors. Sustaining a competitive edge and advantage, rests in the creation of an enabling infrastructure capable of consistently staying ahead of the curve and leveraging technology as a differentiator.

At AGC, our strategy has always been aligned to understand and implement ICT solutions, customized to meet the evolving needs of our customers.

Our offerings encompass key quadrants of technology across Unified Communications, Network Infrastructure, Data Center & Virtualization and Business Applications, giving us the width and depth to evolve customized solutions. Our solutions are holistic, involving best-in-class technologies and relevant go-to-market strategies, with an overall commitment to quality and cost effectiveness.

Our global alliances form a comprehensive ecosystem that supports and sustains our plans. Our experienced and talented teams work closely with clients to conceptualize solutions that are implemented through our global teams in major markets, geared to ensure they accelerate business.

Board of Directors and Profile

Anil Nair - MD & CEO
(w.e.f. 16th June, 2014)

Anil Nair is the Managing Director and CEO of AGC Networks Limited.

Anil has over 30 years of experience in strategy, execution, solution integration, sales & marketing and operations.

Anil most recently served as President & CEO at Securitas India where he made a significant contribution to strategy, differentiated service and robust processes.

In his career, he has held executive leadership positions for over 20 years with the Tata Group at Tata Telecom and Bradma of India Ltd. His industry exposure includes Enterprise Communication, Consulting, Business Automation, IT and Services.

Anil has an MBA degree from XIM Bhubaneswar and did his Advanced Management Program at ISB-Kellogg Business School, Chicago.

Neeraj Gupta - Non-Executive Director (w.e.f. 22nd April, 2014)

Neeraj Gupta has nearly 25 years of experience in the Corporate Finance arena. His previous stints include Ernst & Young, American Express Bank, GE Capital and N M Rothschild prior to joining the Essar Group.

Neeraj has held various responsibilities at Essar over the years. He was the President for the Telecommunications business where his key responsibility was to realize invested value from the investments in telecom businesses by the Group. Additionally, he has been the Managing Director at Essar Global where he setup the Group's presence in Singapore and presently, as the Executive Director, he is responsible for strategic transactions across the Group.

Neeraj holds a commerce degree from Shri Ram College of Commerce and is a qualified Chartered Accountant.

Manhar Mandaliya - Independent Director (w.e.f. 28th May, 2014)

Manhar Mandaliya is a Commerce Graduate and a Lawyer. He is also a Fellow member of the Institute of Chartered Accountants of India.

Manhar has over 30 years of experience in the said domain and Auditing, Taxation, Management Consultancy Services, Financial Consultancy Services and Business Advisory Services are his areas of specialization. Manhar has also been a Financial Advisor to large corporate groups in India.

In addition to the above, he has also served as President of Rotary Club of Mumbai Kandivali West in the Centennial Year (2004-05) of Rotary and is actively involved in Rotary activities in Rotary District 3140.

(names in alphabetical order)

Sanjeev Verma - Executive Director

(w.e.f. 15th May, 2014)

Sanjeev Verma is a technology veteran with over 21 years of extensive global experience in the ICT Domain. He has a highly successful track record in diverse set of management & leadership roles in the areas of business operations, sales & marketing, consulting, M&A and startup operations.

He is a visionary with deep understanding of various geographies. In his current role as President & Executive Director, he has been a significant asset to the Company's road map in India and its expansion onto foreign shores. Prior to joining AGC, Sanjeev has significantly contributed to the progress and establishment of a global technology giant in the ICT space.

During that tenure he led the business development initiatives and helped derive multi fold growth in sales and profitability. Earlier, Sanjeev has held senior management roles in India and overseas and used his entrepreneurial skills in starting up and establishing companies.

Shuva Mandal - Non-Executive & Independent

Shuva Mandal is a lawyer with more than 20 years of practice. He is the Managing Partner in Fox Mandal & Associates, and practices in Corporate Commercial Group. Most importantly, Mandal is the fourth generation of G. C. Mandal, co-founder of Fox Mandal (established 1896). He is a partner of the firm since 1996 and presently heads the entire South India operations of the firm.

Shuva's practice includes Inbound Investment to India including strategy, corporate governance, corporate finance including M&A, joint ventures, disposal of private companies, private equity & securities transaction, public offerings of debt and equity securities. He holds an LLB from the University of Calcutta and has also attended an M&A Program at The Wharton School, University of Pennsylvania.

Sujay R. Sheth - Chairman - Non-Executive & Independent

Sujay R. Sheth holds a Bachelor's degree in Commerce from the Bombay University. He is also a Fellow member of the Institute of Chartered Accountants of India. Currently, Sujay is the Managing Partner of J. K. Doshi & Co., a reputed firm of Chartered Accountants, established in 1955.

Sujay's areas of experience are Finance and Accounting, with deep knowledge of direct taxes, corporate laws and significant experience in the fields of transaction advisory, pre-acquisition studies, corporate governance, assurance, valuation and direct taxation. He is involved in audit, taxation, attestation and assurance functions of a wide selection of Indian and multi-national clients.

Pratik Bhanushali - Company Secretary

Pratik Bhanushali is a Company Secretary and Law Graduate having more than 7 years experience in the field. He also holds an MBA degree in Finance.

Corporate Governance, Listing Compliance and compliance under other Corporate laws as applicable to the Company are his forte.

Corporate Information

Directors

Anil Nair - Managing Director & CEO (w.e.f. 16th June, 2014)
Haseeb Drabu - Non-Executive Director (till 28th March, 2014)
Manhar Mandaliya - Independent Non-Executive Director (w.e.f. 28th May, 2014)
Neeraj Gupta - Non-Executive Director (w.e.f. 22nd April, 2014)
Sanjeev Verma – Executive Director (Whole Time Director) (w.e.f. 15th May, 2014)
S. K. Jha - Managing Director & CEO (till 22nd April, 2014)
Shuva Mandal - Independent Non-Executive Director
Sujay R. Sheth - Chairman - Independent Non-Executive Director

Company Secretary

Pratik Bhanushali

Auditors

M/s. S. R. Batliboi & Associates LLP,
Chartered Accountants

Registered Office

Equinox Business Park, Tower 1,
Off BKC, LBS Marg,
Kurla (West), Mumbai – 400 070

Regional Offices – India

Bangalore, Chennai, Gandhinagar, Gurgaon, Hyderabad, Kolkata, Mumbai, Pune

Branches – India

Bilaspur, Chandigarh, Guwahati, Kochi, Nagpur, Vadodara

Global Presence

Australia, Kenya, New Zealand, Singapore, UAE, USA

Bankers - Yes Bank Limited
IDBI Bank Limited
Bank of India
Credit Agricole Corporate & Investment Bank

Registered and Share Transfer Agents

Datamatics Financial Services Limited,
Plot No. B5, MIDC, Part B Cross Lane,
Andheri (East), Mumbai - 400 093

Audit Committee

Shuva Mandal - Independent Non-Executive Director
Sujay R. Sheth - Chairman - Independent Non-Executive Director
Manhar Mandaliya - Independent Non-Executive Director (w.e.f. 28th May, 2014)
Neeraj Gupta - Non-Executive Director (w.e.f. 22nd April, 2014)
Haseeb Drabu - Non-Executive Director (till 28th March, 2014)

Stakeholders Relationship Committee

Anil Nair - Managing Director & CEO (w.e.f. 16th June, 2014)
Sanjeev Verma – Executive Director (Whole Time Director) (w.e.f. 15th May, 2014 – till 16th June, 2014)
S. K. Jha - Managing Director & CEO (till 22nd April, 2014)
Sujay R. Sheth - Chairman - Independent Non-Executive Director

Ethics and Compliance Committee

Shuva Mandal - Chairman -Independent Non-Executive Director
Sujay R. Sheth - Independent Non-Executive Director

Nomination and Remuneration Committee

Shuva Mandal - Independent Non-Executive Director
Sujay R. Sheth - Chairman - Independent Non-Executive Director
Manhar Mandaliya - Independent Non-Executive Director- (w.e.f. 2nd June, 2014)

Executive Committee

Anil Nair - Managing Director & CEO (w.e.f. 16th June, 2014)
Sanjeev Verma – Executive Director (Whole Time Director) (w.e.f. 15th May, 2014)
S. K. Jha - Managing Director & CEO (till 22nd April, 2014)
Amal Thakore – CFO (w.e.f. 16th June, 2014)

Corporate Social Responsibility Committee

Shuva Mandal - Independent Non-Executive Director
Sujay R. Sheth - Chairman - Independent Non-Executive Director
Neeraj Gupta - Non-Executive Director

NOTICE

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the members of AGC NETWORKS LIMITED will be held on Thursday, August 7, 2014 at 11.00 A.M. at Rangaswar Hall, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014, the Profit & Loss Account for the year ended on that date together with the Schedules attached thereto and the Report of the Directors' and Auditors' thereon.

2. To appoint M/s. Walker Chandiok & Co. LLP (formerly Walker Chandiok & Co.) , Chartered Accountants (ICAI Registration No. 001076N) as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED THAT M/s. Walker Chandiok & Co. LLP (formerly Walker Chandiok & Co.), Chartered Accountants (ICAI Registration No. 001076N), be and are hereby appointed Auditors of the Company, to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors in addition to reimbursement of out-of-pocket expenses in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

3. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Manhar Mandaliya (DIN: 06883188), who was appointed by the Board, with effect from 28th May, 2014 as an Additional Director pursuant to the provisions of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 28th May, 2014 to hold office for 5 (five) consecutive years for a term up to March 31, 2019."

4. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Sujay Sheth (DIN: 03329107), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the calendar year 2019."

5. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Shuva Mandal (DIN: 00003496), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the calendar year 2019."

6. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the appointment of Mr. Anil Nair (DIN: 02655564) as Managing Director and Chief Executive Officer of the Company, for a period of 5 five) years with effect from 16th June, 2014, on the terms and conditions including remuneration (subject to previous approval of the Central Government) as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Anil Nair, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, and if in case it exceeds, with prior approval of the Central Government;

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded to the appointment of Mr. Sanjeev Verma (DIN: 06871685) as a Whole-time Director, designated as Executive Director of the Company, for a period of 5 (five) years with effect from 15th May 2014 on the terms and conditions including remuneration (subject to previous approval of the Central Government) as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Sanjeev Verma, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, and if in case it exceeds, with prior approval of the Central Government;

   RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "RESOLVED THAT pursuant to the provisions of Sections 149 and 152 of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) Mr. Neeraj Gupta (DIN: 00317395) who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22nd April, 2014 and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 161 of the Companies Act, 2013 ("the Act"), but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director (Non-executive) of the Company whose office shall be liable to retirement by rotation.

   RESOLVED FURTHER THAT Mr. Pratik Bhanushali, the Company Secretary, be and is hereby authorized to do all such deeds, acts, things to give effect to the aforesaid resolution including but not limited to filing the same with ministry of corporate affairs, and to perform all such matters which may be incidental or ancillary thereto"

9. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution.**

   "RESOLVED THAT pursuant to Section 13, 61 and any other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (share Capital and Debentures) Rules, 2014 as may be applicable and subject to such approvals, consent, sanctions and permissions of appropriate authorities, Departments or bodies as may be necessary, the Authorized share Capital of the Company be increased from ₹ 80,00,00,000/- (Rupees Eighty Crores) divided into 4,50,00,000 (Four Crore Fifty Lakhs) equity shares of ₹ 10/- (Rupees Ten) each and 35,00,000 (Thirty Five Lakh) Cumulative/Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each to ₹ 145,00,00,000 (Rupees One Hundred and Forty Five Crores) divided into 4,50,00,000 (Four Crore Fifty Lakhs) equity shares of ₹

10/- (Rupees Ten) each and 1,00,00,000 (One Crore) Cumulative/Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each with a right to receive dividends from year to year at a rate or rates not exceeding 15% per annum as may be determined by the Board of Directors at the time of Issue of these shares, with power to increase or reduce such capital from time to time, in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time into Equity share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or Special rights, privileges or conditions and that, if whenever the capital of the Company is divided into shares of different classes, the rights of any such claims may be varied, modified, affected, extended, abrogated or surrendered as provided in Articles of Association of the Company and the legislative provisions for the time being in force.

RESOLVED FURTHER THAT Clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows

V. The Authorised Capital of the Company is ₹ 145,00,00,000 (Rupees One Hundred and Forty Five Crores) divided into 4,50,00,000 (Four Crore Fifty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten) each and 1,00,00,000 (One Crore) Cumulative/ Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each with a right to receive dividends from year to year at a rate or rates not exceeding 15% per annum as may be determined by the Board of Directors at the time of Issue of these shares, with power to increase or reduce such capital from time to time, in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time into Equity share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or Special rights, privileges or conditions. If and whenever the capital of the Company is divided into shares of different classes, the rights of any such claims may be varied, modified, affected, extended, abrogated or surrendered as provided in Articles of Association of the Company and the legislative provisions for the time being in force. “

RESOLVED FURTHER THAT the existing Article 4A of the Articles of Association be deleted and substituted by new Article 4A as under

4A. The Authorised Capital of the Company is ₹ 145,00,00,000 (Rupees One Hundred and Forty Five Crores) divided into :-

4,50,00,000 (Four Crore Fifty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten) each and 1,00,00,000 (One Crore) Cumulative/ Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each with a right to receive dividends from year to year at a rate or rates not exceeding 15% per annum as may be determined by the Board of Directors at the time of Issue of these share each with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in these presents with the power to increase or reduce the capital and to divide the shares in the capital of the company for the time being into Equity Share Capital and/ or Preference Share Capital with qualified or special rights, privileges or conditions as may be determined in accordance with these presents and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the Act provided by these presents.

By order of the Board of Directors,
For AGC Networks Limited

Sd/-
Pratik Bhanushali
Company Secretary

Place: Mumbai.
Dated: June 26, 2014

Registered Office:-
Equinox Business Park
(Peninsula Techno Park),
Off Bandra Kurla Complex,
LBS Marg, Kurla West,
Mumbai – 400 070.

NOTES

1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing proxy should however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**

2) Corporate Members are requested to send a duly certified copy of the Board Resolution, authorizing their representative to attend and vote at the Annual General Meeting.

3) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

4) Members are requested to bring their attendance slip along with their copy of annual report to the Annual General Meeting.

5) Members who wish to obtain information on the Company or view the accounts for the financial year ended March 31, 2014, may visit the company's corporate website www.agcnetworks.com or send their queries at least 10 days before the Annual General Meeting to the Company Secretary at the Registered Office of the Company.

6) All the documents referred to in the accompanying notice are available for inspection at the Registered Office of the Company on all the working days between 11.00 AM to 1.00 PM up to the date of the Annual General Meeting.

7) The Register of Members and Transfer Books in respect of Equity Shares of the Company will remain closed from 01.08.2014 (Friday) to 07.08.2014 (Thursday) (both days inclusive) for the purpose of Annual General Meeting and payment of dividend, if any, declared at the Annual General Meeting.

8) M/s. Datamatics Financial Services Limited (DFSL) are "Registrar and Share Transfer Agent" of the Company. All members and investors are hereby advised to contact DFSL at the following address for any assistance, request or instruction regarding transfer or transmission of shares, dematerialization of shares, change of address, non-receipt of annual report, dividend payments and other query / grievance relating to the shares of the Company:

   M/s. Datamatics Financial Services Limited,
   Plot No. B-5, Part B Crosslane,
   MIDC, Marol, Andheri (East), Mumbai – 400093
   Tel : +91 22 6671 2151 to 6671 2156
   Fax : +91 22 6671 2209
   E-mail : agcinvestors@dfssl.com

9) Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the company. Nomination forms can be obtained from the registrars of the Company.

10) Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

11) As per the requirement of Clause 49 of the Listing Agreement on Corporate Governance for appointment of the Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors are given below.

12) Members are hereby informed that Dividend which remains unclaimed/ un-encashed over a period of Seven years, has to be transferred as per the provisions of the Companies Act, 2013 by the Company to "The Investor Education & Protection Fund" constituted by the Central Government. It may please be noted that once unclaimed/ un- en-cashed dividend is transferred to "Investor Education & Protection Fund" as above, no claims shall lie in respect of such amount by the Shareholder.

13) **Members who have not registered their e-mail addresses so far are requested to register their email address so that they can get the all the information of the Company at the click of the mouse and receive the Annual report and other communications electronically.**

14) As the members are aware, your Company's shares are tradable compulsorily in electronic form. In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories viz. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

15) In order to provide protection against fraudulent encashment of the warrants, members holding shares in physical form are requested to intimate the Registrar and Share Transfer Agents under the signature of the Sole / First holder, the following information to be incorporated on the Dividend Warrants : (i) Name of the Sole / First joint holder and the folio number, (ii) Particulars of the Bank Account viz., (1) Name of the Bank, (2) Name of the Branch, (3) Complete address of the Bank with Pin code number, and (4) Bank Account no. allotted by the Bank.

STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 3

The Board of Directors of the Company appointed, pursuant to the provisions of Section 161(1) of the Act, Mr. Manhar Mandaliya as an Additional Director of the Company with effect from 28th May, 2014. In terms of the provisions of Section 161(1) of the Act, Mr. Manhar Mandaliya would hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Manhar Mandaliya for the office of Director of the Company. Mr. Manhar Mandaliya is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Section 149 of the Act inter alia stipulates the criteria of independence to appoint an independent director on its Board. As per the said Section 149, an independent director can hold office for a term up to 5 (five) consecutive years on the Board of a company from the effective date of appointment and he shall not be included in the total number of directors for retirement by rotation.

The Company has received a declaration from Mr. Manhar Mandaliya that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement. Mr. Manhar Mandaliya possesses appropriate skills, experience and knowledge, inter alia, in the field of finance.

In the opinion of the Board, Mr. Manhar Mandaliya fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. Mr. Manhar Mandaliya is independent of the management.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Mr. Manhar Mandaliya is appointed as an Independent Director. Copy of the draft letter for appointment of Mr. Manhar Mandaliya as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

Save and except Mr. Manhar Mandaliya and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

The Board commends the Special Resolution set out at Item No. 3 of the Notice for approval by the shareholders.

Item No. 4 & 5

Mr. Sujay Sheth and Mr. Shuva Mandal are Independent Directors of the Company and have held the positions as such since May 2011. The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company. It is proposed to appoint Mr. Sujay Sheth and Mr. Shuva Mandal as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (five) consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the calendar year 2019.

Mr. Sujay Sheth and Mr. Shuva Mandal are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors. The Company has received notices in writing from members along with the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of Mr. Sujay Sheth and Mr. Shuva Mandal for the office of Directors of the Company. The Company has also received declarations from Mr. Sujay Sheth and Mr. Shuva Mandal that they meet with the criteria of independence as prescribed both under sub-section (6) of Section

149 of the Act and under Clause 49 of the Listing Agreement. In the opinion of the Board, Mr. Sujay Sheth and Mr. Shuva Mandal fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Mr. Sujay Sheth and Mr. Shuva Mandal are independent of the management.

Brief resume of Mr. Sujay Sheth and Mr. Shuva Mandal, nature of their expertise in specific functional areas and names of companies in which they hold directorships and shareholding in the Company are provided in the annexure to this notice. Copy of the draft letters for respective appointments of Mr. Sujay Sheth and Mr. Shuva Mandal as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

Mr. Sujay Sheth and Mr. Shuva Mandal are interested in the resolutions set out respectively at Item Nos. 4 and 5 of the Notice with regard to their respective appointments. The relatives of Mr. Sujay Sheth and Mr. Shuva Mandal may be deemed to be interested in the resolutions set out respectively at Item Nos. 4 and 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Special Resolutions set out at Item Nos. 4 and 5 of the Notice for approval by the shareholders.

Item No. 6 & 7

The Board of Directors of the Company (the 'Board'), at its meeting held on 16th June, 2014 has, subject to the approval of members, appointed Mr. Anil Nair as Managing Director and Chief Executive Officer, for a period of 5 (five) years from the date of appointment, at the remuneration recommended by the Nomination and Remuneration Committee ('the Committee') of the Board and approved by the Board.

Further, the Board, subject to the approval of members, appointed Mr. Sanjeev Verma as Whole-time Director, designated as Executive Director, for a period of 5 (five) years with effect from 15th May, 2014, at the remuneration recommended by the Nomination and Remuneration Committee ('the Committee') of the Board and approved by the Board.

It is proposed to seek the members' approval for the appointment of and remuneration payable to Mr. Anil Nair as Managing Director Chief Executive Officer and Mr. Sanjeev Verma as Whole-time Director, designated as Executive Director, in terms of the applicable provisions of the Act, through special resolutions.

Broad particulars of the terms of remuneration payable to Mr. Anil Nair and Mr. Sanjeev Verma are as under:

Remuneration of Mr. Anil Nair

I) Salary, Allowances and Commission (hereinafter referred to as "Remuneration"):

a) Salary comprising:

(i) Basic salary: At the rate not exceeding ₹ 8,50,000/- per month;

(ii) House Rent Allowance: ₹ 4,25,000/- per month;

(iii) Personal Allowance: ₹ 3,29,637/- per month

The current remuneration is fixed till 31st March, 2017.

b) Annual Performance linked incentive (APLI):

₹ 11,66,667/- per month.

APLI is the performance linked incentive paid at the end of the annual appraisal cycle and the actual payout is dependent on the Mr. Nair's and Asset/Business performance.

c) Reimbursements:

₹ 61,250/- per month (Business Expense and medical reimbursements).

d) **Provident Fund:**

₹ 780/-per month.

II) Perquisites:

In addition to the Remuneration as stated above, Mr. Nair shall be entitled, as per Rules of the Company, to perquisites like:

a. Gratuity payable to the extent permitted under the Payment of Gratuity Act, 1972.

b. Health Insurance coverage for self, spouse and 2 dependent children

c. Personal Accident Insurance Premium.

d. Use of communication devices such as telephones, audio and video conference facilities etc., for official purpose.

e. Encashment of leave at the end of his tenure as per policy of the Company.

f. Contributions to provident fund, superannuation fund or annuity fund and any other retirement benefits.

g. Joining bonus of ₹ 50,00,000/- and, retention bonus of ₹ 50,00,000/- upon completion of 24 months and ₹ 50,00,000/- on completion of 36 months from the date of joining.

III) Other Terms:

Subject to the superintendence, control and direction of the Board of Directors, Mr. Nair shall manage and conduct the business and affairs of the Company. He shall not be paid any sitting fee for attending the meetings of the Board or Committee thereof.

The appointment can be terminated by Mr. Nair or the Company, by any party giving to the other 3(three) calendar months' notice in writing.

Mr. Nair is not a Director in any other Company in India. He does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Except Mr. Nair, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

Remuneration of Mr. Sanjeev Verma

I) Salary, Allowances and Commission (hereinafter referred to as "Remuneration"):

a) **Salary comprising:**

(i) Basic salary: At the rate not exceeding ₹ 6,25,000/- per month;

(ii) House Rent Allowance: ₹ 3,12,500/- per month;

(iii) Personal Allowance: ₹ 6,67,137/- per month

with increments as may be decided by the Board of Directors of the Company from time to time, within the limits prescribed, or with the approval of members and the Central government if remuneration is more than prescribed limits.

b) **Quarterly Incentive & Annual CCPI:**

₹ 4,16,667/- per month.

CCPI (Customer and Company performance index) is the performance linked incentive paid at the end of the annual appraisal cycle and the actual payout is dependent on the Mr. Verma's and Asset/Business performance.

c) **Reimbursements:**

₹ 61,250/- per month (Business Expense and medical reimbursements).

d) **Provident Fund:**

₹ 780/-per month.

II) Perquisites:

In addition to the Remuneration as stated above, Mr. Verma shall be entitled, as per Rules of the Company, to perquisites like:

a. Gratuity payable to the extent permitted under the Payment of Gratuity Act, 1972.

b. Personal Accident Insurance Premium.

c. Use of communication devices such as telephones, audio and video conference facilities etc., for official purpose.

d. Encashment of leave at the end of his tenure as per policy of the Company.

III) Other Terms:

Subject to the superintendence, control and direction of the Board of Directors, Mr. Verma shall manage and conduct the business and affairs of the Company as an Executive (Whole Time) Director of the Company. He shall not be paid any sitting fee for attending the meetings of the Board or Committee thereof.

The appointment can be terminated by Mr. Verma or the Company, by any party giving to the other 3(three) calendar months' notice in writing.

Mr. Verma is not a Director in any other Company in India. He does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Except Mr. Verma, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

Brief resume of Mr. Anil Nair and Mr. Sanjeev Verma, nature of their expertise in specific functional areas and names of companies in which they hold directorships and shareholding in the Company are provided in the annexure to this notice

In view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, the Board recommends the Special Resolutions set out at item no. 6 and 7 of the accompanying Notice for the approval of the Members.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956 and as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 8

The Board of Directors at their meeting held on 22nd April, 2014 appointed Mr. Neeraj Gupta as an Additional Director of the Company with immediate effect. Under Section 161(1) of the Companies Act, 2013, Mr. Neeraj Gupta holds office only up to the date of this Annual General Meeting of the Company. A notice has been received from a member proposing Mr. Neeraj Gupta as a candidate for the office of Director of the Company. Brief resume of Mr. Neeraj Gupta, nature of his expertise in specific functional areas and names of companies in which he holds directorships and shareholding in the Company is provided in the annexure to this notice.

The Board considers that the appointment of Mr. Neeraj Gupta as a Director (non-executive) of the Company would be of immense benefit to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

Except Mr. Neeraj Gupta, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Board commends the Special Resolution set out at Item No. 8 of the Notice for approval by the shareholders.

Item No. 9

The present (as on the date of the notice) Authorised Share Capital of the Company is ₹ 40,00,00,000 consisting of 3,00,00,000 Equity shares of ₹ 10 each/- and 10,00,000 Preference Shares of ₹ 100/- each. The approval for increasing the Authorised Share Capital of the Company from ₹ 40,00,00,000 (Rupees Forty Crores) consisting of 3,00,00,000 Equity shares of ₹ 10 each/- and 10,00,000 Preference Shares of ₹ 100/- each to ₹ 80,00,00,000 (Rupees Eighty Crores) consisting of 4,50,00,000 Equity shares of ₹ 10/- (Rupees Ten) each and 35,00,000 Cumulative/Non- Cumulative Redeemable preference Shares of ₹ 100/- (Rupees Hundred) each, has already been sought from the members through postal ballot notice dated 23rd May, 2014, result of which will be declared by the Chairman of the Company on 15th July, 2014.

To meet its growth objectives, to strengthen the financial position and also, to meet adequate working requirements of the Company, the Company is required to generate medium/long term recourses, for which the Company may have to issue further securities, and hence, it is proposed to increase the Authorised Capital of the Company further from ₹ 80,00,00,000/- (Rupees Eighty Crores) divided into 4,50,00,000 (Four Crore Fifty Lakhs) equity shares of ₹ 10/- (Rupees Ten) each and 35,00,000 (Thirty Five Lakh) Cumulative/Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each to ₹ 145,00,00,000 (Rupees One Hundred and Forty Five Crores) divided into 4,50,00,000 (Four Crore Fifty Lakhs) equity shares of ₹ 10/- (Rupees Ten) each and 1,00,00,000 (One Crore) Cumulative/Non-Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each.

The Board has accordingly decided to seek approval of the members for amendment of the Memorandum and Articles of the Association and recommends the passing of the Special Resolution as set out at Item 9 above.

None of the Directors, Key Managerial Personnel of the Company or their relatives is concerned or interested in the resolution.

ANNEXURE TO NOTICE

Details of the Directors seeking appointment/re-appointment in forthcoming Annual General Meeting

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr. Manhar Mandaliya
Age	55 Years
Date of Appointment	28th May, 2014
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited
List of other Companies in which Directorship held as on May 28, 2014	NIL
Shareholding in the Company as on May 28, 2014	NIL

Name of Director	Mr. Sujay Sheth	
Age	44 Years	
Date of Appointment	21st May, 2011	
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited	
List of other Companies in which Directorship held as on March 31, 2014	1.	Black Rose Industries Limited
	2.	Essar Securities Limited
	3.	Equinox Realty & Infrastructure Private Limited
Shareholding in the Company as on 31st March, 2014	NIL	

Name of Director	Mr. Shuva Mandal	
Age	52 Years	
Date of Appointment	21st May, 2011	
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited	
List of other Companies in which Directorship held as on March 31, 2014	1.	Fox Mandal Services Private Limited
	2.	FM Advisory Services Private Limited
	3.	Reflections Developers Private Limited
	4.	Bloom Energy (India) Private Limited
	5.	Ivarene Technologies Private Limited
	6.	FA Solutions India Private Limited
	7.	Llyods TSB Global Services Private Limited
	8.	Greenwave Technologies India Private Limited
Shareholding in the Company as on 31st March, 2014	NIL	

Name of Director	Mr. Anil Nair
Age	55 Years
Date of Appointment	16th June, 2014
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited
List of other Companies in which Directorship held as on 16th June, 2014	NIL
Shareholding in the Company as on 16th June, 2014	NIL

Name of Director	Mr. Sanjeev Verma
Age	47 Years
Date of Appointment	15th May, 2014
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited
List of other Companies in which Directorship held as on 15th May, 2014	NIL
Shareholding in the Company as on 15th May, 2014	NIL

Name of Director	Mr. Neeraj GUpta
Age	46 Years
Date of Appointment	22nd April, 2014
Expertise in specific functional areas and Qualifications	As mentioned on page No. 14-15 of the Annual Report 2013-14 of AGC Networks Limited

List of other Companies in which Directorship held as on 22nd April, 2014	1.	The Mobile Store Services Limited
	2.	Ample Holdings Pvt Ltd
	3.	Essar Satvision Limited
	4.	Chilloda Farms Limited
	5.	Rupa Investments Limited
	6.	Essar Capital Limited
	7.	Inimitable Capital Finance Private Limited
	8.	Essar Capital Holdings (India) Limited
	9.	Meradata Private Limited
	10.	Essar Securities Ltd
	11.	Techprimus Solutions India Pvt Ltd
Shareholding in the Company as on 22nd April, 2014	NIL	

STATEMENT AS REQUIRED UNDER SECTION II, PART II OF THE SCHEDULE V OF THE COMPANIES ACT, 2013 WITH REFERENCE TO THE RESOLUTIONS AT ITEM NO. 6

I. General Information:

(1) Nature of industry: Information, Communication & Technology domain

(2) Date or expected date of commencement of commercial production: Existing Company – commenced business operations from 1986.

(3) In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: - Not applicable.

(4) Financial performance based on given Indicators:

Sr. No.	Particulars	Audited figure for 12 month period ended 31.03.2014	Audited figure for 12 month period ended 31.03.2013	Audited figure for 12 month period ended 31.03.2012
		(₹ in Million)	(₹ in Million)	(₹ in Million)
1	Revenue from operations	3052.89	5944.13	6210.08
2	Other income	184.76	420.82	114.24
3	Total Expenses	4299.20	6084.75	5843.95
4	Interest (net)	297.39	322.95	63.15
5	Depreciation & Amortisation	90.37	111.47	127.39
6	Profit/(Loss) before tax	-1449.31	-154.22	289.82
7	Provision for Tax Expenses	1.78	77.92	126.71
8	Profit/(Loss) after tax	-1451.09	-232.14	163.11

(5) Export performance and net foreign exchange collaborations: Nil.

(6) Foreign investment of collaborators, if any: Nil.

II. Information about the appointee Mr. Anil Nair

(1) Background details:

Mr. Anil Nair, holds an MBA from XIM Bhubaneshwar, and also has done an Advanced Management Program from ISB Kellogg's Business School, Chicago. Mr. Nair set up and ran Aegis Consulting from August 2011 to June 2012 blending learning across the customer experience continuum, winning contracts in Healthcare, Automotive, Retail, Airline and Manufacturing Verticals in India, US and the Middle East.

(2) Past remuneration:

Mr. Anil Nair has most recently served as President and CEO at Securitas India where he made significant contribution to strategy, differentiated services and robust processes. His remuneration at Securitas India was ₹ 2,00,00,000/- and the Performance linked incentives in the range of ₹ 2,00,00,000/- to ₹ 4,00,00,000/- at the end of third year.

(3) Recognition of awards : Nil.

(4) Job profile and suitability: Mr. Anil Nair, is Managing Director and Chief Executive Officer of the Company. Prior to that in his earlier tenure with AGC Networks Limited (Avaya Global Connect), as Managing Director, he was responsible for AGC's enterprise communication business that includes IP Telephony, Contact Centers, Unified Communications and Networking. In his career he has held executive leadership positions for over 20 years with the Tata Group at Tata Telecom and Bradma of India Limited. His industry exposure includes Enterprise Communication, Consulting, Business Automation, IT and Services.

(5) Remuneration proposed: As stated in Resolution at Item No. 6 the approval of shareholders by a Special Resolution is sought for payment of remuneration

(6) Comparative remuneration profile with respect to industry size of the Company, profile of the position and person (in expatriates, the relevant details would be w.r.t. the country of origin): The Remuneration as proposed of Mr. Anil Nair is in line to that drawn by the peers in the similar capacity in the similar industry.

(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Apart from remuneration paid to Mr. Anil Nair, there is no other pecuniary relationship of Mr. Anil Nair, directly or indirectly with the Company or with its managerial personnel.

III. Other information:

(1) Reasons for loss or inadequate profits:

During the current financial year, the Company has taken a conservative accounting approach including revenue reversals being accounted for; write offs and provisioning in line with ongoing restructuring plan. The Company has taken tough decisions to clean up the balance sheet and lay the foundation for a healthy financial future.

(2) Steps taken or proposed to be taken for improvement:

The company expects the remedial measures taken by the Company during the year like, adopting a conservative accounting approach including revenue reversals being accounted for; write offs and provisioning in line with ongoing restructuring plan, to have a sustainable long term positive effect on profitability in the coming financial year. The Company has built strong and experienced global leadership teams. The Company is also bolstering key areas of its operations.

(3) Expected increase in productivity and profits in measurable terms:

The Company is optimistic about the prevailing market conditions and the appropriate strategies and relevant processes, controls and procedures adopted by AGC Networks to strengthen its financial position over the forthcoming quarters.

IV. Disclosures:

(1) Remuneration package of the managerial person: Described in detail in the respective Explanatory Statement;

(2) Disclosures in the Board of Directors' report under the heading 'Corporate Governance' is to be attached to the Annual Report in respect of the following:

i. All elements of remuneration package such as salary, benefits, stock options, pension etc. of all the directors; mentioned as applicable

ii. Details of fixed component and performance linked Incentives along with the performance criteria; mentioned as applicable

iii. Service contracts, notice period, severance fees; mentioned as applicable

iv. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable; Not applicable

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in respect of electronic holdings with the Depository through their concerned Depository Participants and members who hold shares in physical form, may register the same with M/s. Datamatics Financial Services Limited. Further, members holding shares in physical form may kindly note that the company's scrip is preferably traded in demat form and hence are requested to get their physical share certificates dematerialized at an early date.

DIRECTORS' REPORT

1. The Directors hereby present the 28th Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2014.

2. Financial Results

The results of the Company on a standalone and consolidated basis are as given below:

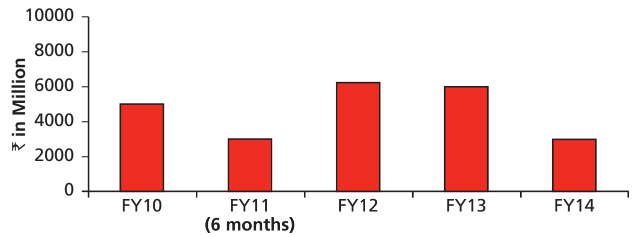
₹/Millions

	Standalone		Consolidated	
	Year ended 31/03/2014	Year ended 31/03/2013	Year ended 31/03/2014	Year ended 31/03/2013
Sales & Services (Gross)	3063	5976	7758	10533
Sales & Services (Net)	3238	6365	7944	10927
Profit before interest, depreciation & tax (EBIDA)	-1062	281	-1975	682
Less : Interest and finance charges (Net)	297	323	364	362
Less : Depreciation	90	112	402	163
Profit before tax from continuing operations	-1449	-154	-2741	157
Less : Provision for tax (including Deferred tax)	2	78	-25	120
Profit after tax from continuing operations	-1451	-232	-2716	37
Profit after tax from discontinuing operations	0	0	-106	-256
Profit after tax	-1451	-232	-2822	-219
Balance brought forward from previous year	552	784	946	1165
Amount available for appropriation	-899	552	-1876	946
Appropriations :				
Profit on Demerger	0		-393	0
Transfer to General Reserve	0		0	0
Balance carried to Balance Sheet	-899	552	-1483	946

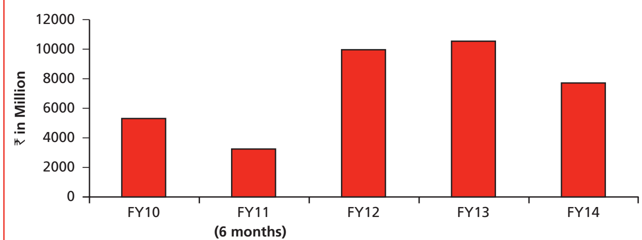
3. Financial Performance

The Company, for the period ended March 31, 2014 recorded a gross turnover of ₹ 3063 millions as against ₹ 5976 millions for the period ended March 31, 2013. The loss before tax is ₹ 1449 millions for the period ended March 31, 2014 as against loss before tax of ₹ 154 millions for the previous period. The net loss is ₹ 1451 millions as against net loss of ₹ 232 millions for the previous period.

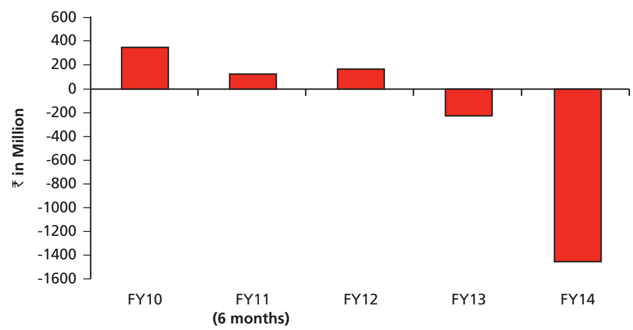
GROSS SALES & SERVICES – LAST 5 YEARS (INDIA)



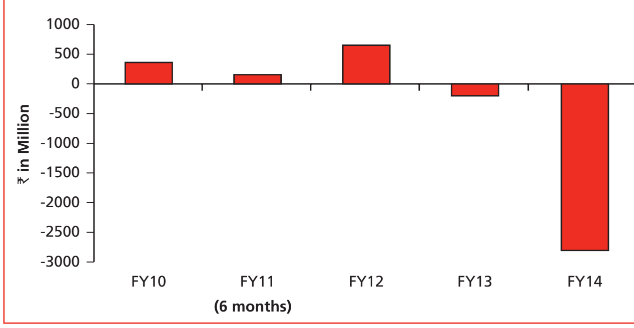
GROSS SALES & SERVICES – LAST 5 YEARS (CONSOLIDATED)



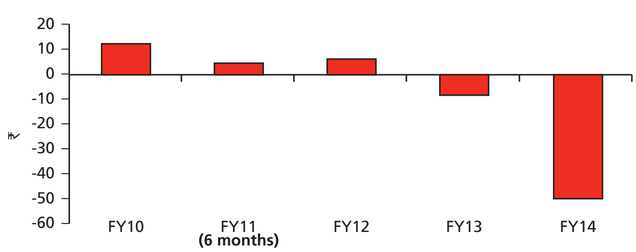
PROFIT AFTER TAX – LAST 5 YEARS (INDIA)



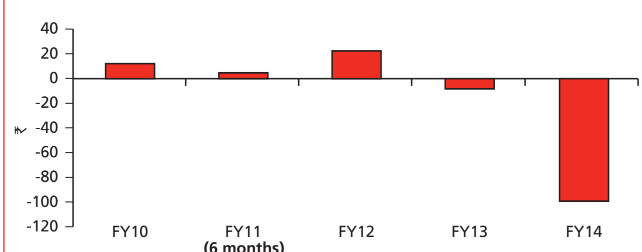
PROFIT AFTER TAX – LAST 5 YEARS (CONSOLIDATED)



EARNING PER SHARE – LAST 5 YEARS (INDIA)



EARNING PER SHARE – LAST 5 YEARS (CONSOLIDATED)



4. Operations

The world economy continued to experience subdued growth throughout FY 2014 as most major economies continued to underperform. In the same period, the US economy experienced a positive growth in spite of being plagued by worries over a high unemployment rate and the US fiscal cliff. In the emerging economies such as China and India, growth continued, albeit at a slower pace. Both these economies faced stiff but different macro headwinds. China appeared to have backstopped the slowdown, matching the growth rate of the previous year. In India, the GDP improved marginally compared to the previous year. Factors like sustained inflations, weakening local currency, alarming fiscal deficit and overall slowdown in demand weighed down heavily on the overall output.

Despite the challenging market conditions, your Company was able to secure a significant number of contracts and project wins across various sectors and geographies. Some of the prominent wins during the year were:

India

- A single sign on solution, to handle up to 2 lakh concurrent sessions has been provided to one of India's leading investment Bank
- Deployment of a unique Trunk-and-Tank locking system to control pilferage for a Fortune 500 Oil and Natural gas company
- Delivery of a solution with 100 video endpoints connecting all offices for one of Nepal's first private mobile operator
- A win in the Data Center and Virtualization practice for Servers, Storage and Data Center for a Electricity regulation board
- Providing of a Unified Communications solution including passport replacement and TDM to IP logger migration for India's Premier technology support company
- Transformation of the Network infrastructure for Summit Communications – a large telecom company in Bangladesh, through the deployment of a high performing mobile backhaul solution
- Deployment of an end to end Unified Communications solution spanning Voice & Video to a large Indian media and entertainment company across its 15 branches
- Migration of IPLC to MPLS across 7 locations (2 of which are in USA) for a global leader providing integrated technology and operations-based solutions
- Completion of a consulting project to enable a Large Housing Project Company implement Information Security Management Systems and achieve ISO 27001 certification

USA

- A multi million dollar Services Contract from one of the Top 10 Banks in US

Australia

- Contract from an Australian multinational corporation to provide Unified Communications solution for CM upgrade, maintenance and full time onsite support
- Won a huge order for CM upgrade across 12 APAC countries for a global IT vendor

Middle East & Africa

- End to end solution provided across Audio Video solutions, Data centre and Virtualization and Unified Communications for creation of spacious residential communities within 4.2 mn sq meters
- Two large Board room orders for Middle East's and North Africa's leading communications conglomerate and a leading hospital in Dubai

The Company further affirmed its presence in the North American market with its acquisition of the technology integration business of Transcend United Technologies LLC, a global IT systems integration company thus enabling expansion in its operations in this important geography. Your Company shall continue to increase its focus in the US region thus being a significant contributor in the upcoming financial year. North America is the world's largest marketplace for information, communications technology (ICT) with well over USD 1 trillion in market size and 1/3 of the global market share. Seemingly unlimited number of technology integrators with considerable scale (USD 25 million and over) are to target for corporate development allowing for better returns on investment probability.

The Company has been able to reap the benefits of the growing enterprise IT spending in the US. The addition of over 1500 customers to the Company's customer base, in the FY 2014 has also augmented the company's range of capabilities.

5. Business Outlook

According to IMF's forecast, global growth is projected to strengthen from 3 per cent to 3.6 per cent in 2014, and 3.9 per cent in 2015. In the advanced economies, growth is expected to increase to around 2.25 per cent in 2014-15. The US economy is expected to experience a strong growth of around 2.75 per cent. Similarly, in the emerging and developing economies, growth is expected to pick up to around 5 per cent in 2014. These macro developments indicate a positive outlook for the IT industry.

6. Awards and Recognitions

- The Company received honours from the technology partner community:
- Industry Partner of the Year – BFSI from Microsoft Corporation
- Strategic Win 2013- Enterprise Sector from Juniper Networks
- Country Partner of the Year from AVAYA
- Video Collaboration Partner of the Year from AVAYA

7. New Solutions - Value creation for customers

Your Company has been able to differentiate itself by being responsive, delivering superior technology solutions and thus contributing to the customers' business outcome positively. Your Company has built a strong and experienced global leadership team coupled with a strengthening bond with the technology partner ecosystem. This combination has over time, and consistently, helped us identify emerging technologies that we continue to integrate for customers globally to guide them through the cycle of technology evolution. An accelerated focus on Your Company's key areas of operations, supply chain efficiency and execution effectiveness have made last mile connects effective, thus positively impacting the customers business outcomes.

This spans the following three areas of focus in the new financial year.

A. Holistic technology solutions architecture

B. Services portfolio

C. Cyber Security Services

A. Holistic technology solutions architecture

FY 2014 has witnessed a sea-change in technology, focused around improving customer experience and business outcomes. The AGC solution architects have a unique approach in architecting solutions to positively impacts customer's businesses.

We continue to strengthen our unique proposition of having a very effective combination of field solution architects in the form of "Regional Presales" teams, the "Solution Design Center (SDC)" that alleviates the regional presales of backend work and also adds tremendous value by shortening the sales cycle, the "Customer Experience Center" that showcases unique solutions that add value to customers, and "global solution engineering" – a virtual team of subject matter experts across the breadth of AGC's offerings. The team has added a plethora of products and solutions to AGC's portfolio, to increase AGC's relevance in an ever changing market.

The teams have been fortified by adding breadth to the solutions around Customer experience, network and compute infrastructure and consulting. Each location and geography has a self sustaining model to handle and meet customer requirements, encompassing almost all solutions that AGC offers. The team proactively reaches out to customers to evangelize new trends, technologies and solutions that are on offer. Your Company has witnessed and won several global requirements, thanks largely to the global reach (local presence in all the geographies that we operate in) and our effective back-end teams like SDC.

With renewed thrust on consultative selling, your Company will steer customer engagements towards the final objective of developing collaboration, automation and integrated technology solutions which accelerate their business. The pre-sales teams focus is on being Technology Consultants for customers.

Your Company crafts meaningful and optimized solutions for leading technology brands and sitting at the heart of this is the Solutions Design Centre (SDC) . From offering BoM / architecture documentation till a few years ago, this team of around 25 professionals based at our Pune office now offers back end support to AGC teams globally. International geos like North America and MEA have made tremendous use of the SDC for creating various solutions for their customers. The SDC has also launched the "solution portal" which has a world of information for employees, to empower them to offer solutions that add tremendous value to customers. One of the proud achievements of the SDC is the way fresh graduates are trained and mentored to be a part of the team. They are eventually drawn upon to strengthen our regional presence. The SDC team has catered to over 5000 requests during the financial year, a testimony to the opportunity before us.

The Customer Experience Center (CEC) has grown from strength to strength. From being the finest showcase among all technology companies in India, it has added the most recent to the most relevant solutions that are demonstrable. CEC has had the privilege of hosting some of the stalwarts of the Indian industry that have gone back with a sense of satisfaction and confidence in AGC to deliver value.

The year has been a year of growth, from newer geographies, to more market challenges to an innovative solutions portfolio being created and delivered. There have been customer wins with unique solutions, all created with the teams global experience and research. Your Company continues to be the preferred Solutions Integrator for customers with multi-geography requirements.

The holistic solutions delivery teams have created value spanning,

- Unique customized solutions for customers – globally
- Building optimum solutions that best fit client requirements
- Optimizing partnerships with global technology partners

B. Services portfolio

Being known as strong player in Unified Communication / Contact Center segment has helped to position AGC as a leading Solutions Integrator across technology quadrants. This has been possible due to the dedicated focus on customer satisfaction; retention and readiness to provide solutions around various technologies. The service delivery team is equipped to deliver support across,

- Multi technology solutions
- Multi skilled resources
- Portfolio of Service offerings
- Strong Project management skill set
- Global locations

The services portfolio spans maintenance, deployment, consulting, applications and Information security through customization and optimization being offered as a seamless and unique service delivery offering.

AGC has a unique advantage of offering services on direct, sell through models to customers and to the customer's customer. A strong focus on long term successful technology partnerships are an offering to our global customers. Your Company has successfully implemented a seamless services delivery model across all global offices to enable a uniform experience across the globe. Over the years, there has been a consistent Customer Satisfaction Score (CuSat) with a rating of 78% CuSat in FY 2014 which is above industry standards.

C. Cyber Security Services

The growing menace of cybercrime is impacting the global economy significantly with estimated annual losses of up to USD 575 billion, a report by cyber security solutions firm McAfee revealed. Cyber attack on Target Corporation alone has stripped banks and credit unions of USD 200M.

The widespread security breaches reportedly compromised of 40 million credit & debit cards and are costing Banks heavily to reissue.

Planning for the risk around Digital and Cyber led security has today become a Board Room issue. The growing rate of cybercrime is increasing the demand for information security experts worldwide.

This division of AGC is working in tandem with customers to help them with security planning to meet and anticipate the current and future business requirement.

AGC has implemented a strong Information Security Management Systems and is certified on ISO 27001, ISO 9001 and SSAE 16 for its US operations.

8. Organizational Initiatives

Your Company places utmost importance on its people and constantly works towards building and maintaining a progressive working environment. An organization's policies and practices are one of the factors to create a visible output of the business performance. Thereby, the HR policies continuously align with the organization's strategy and drive the Company values and culture. In view of this, few HR policies were revised in line to benefit employees and business needs.

During this year, the Company initiated measures to optimize resource utilization. The Company's employee strength was optimized based on the organizational restructuring. Aligned to this agenda, Global Talent Exchange (GTEx) and Internal Job Postings (IJP) have been considered for global resource requirements. This also enabled providing individual growth and development opportunities to the employees.

New learning and development methodologies were launched to maximize capacity of individual performance. The training man-hours clocked for this year was 55,265 hours and thus resulted in increased employee coverage by 12% from the previous year. Fresh graduate trainees have been infused in the Company with induction and on the job training of 2.5 months towards building talent pipeline.

Continuous employee engagement initiatives have been implemented throughout the year to promote bonding of employees amongst themselves and the senior management. As a responsible corporate citizen, AGC has been persistently working towards adding value to the society through some of its widely acclaimed community initiatives such as Tree Plantation Drive 'Greenwave', Recycle Karo Drive for paper & electronic waste, Eco – friendly Ganapati celebration, Child Education campaign in association with Pratham Books, an NGO with a mission of seeing 'a book in every child's hand', raised charity fund by employees participating in marathons.

9. Fixed Deposits

The Company has not accepted any Fixed Deposits during the year.

10. Subsidiaries

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiaries companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

11. Auditors and their observations

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. The Company has received consent to act as statutory auditors of the Company from M/s. Walker, Chandiok & Co, LLP, Chartered Accountants, Mumbai. And the same is put before this AGM for the approval of the members.

The accounts of the Company for the financial year ended on 31st March, 2014 were audited by M/s. S. R. Batliboi and Associates LLP. Following were the observations mentioned in their Audit Report for the financial year ended on 31st March, 2014, along with Company's explanation for the same.

A. **Standalone Audit report**

The Company has certain trade and other receivables aggregating to ₹ 85 million, which in our opinion are doubtful of recovery. Had the company recorded a provision for these receivables in the financial statements, the loss after tax for the year would have been higher by ₹ 85 million, trade and other receivables and reserves and surplus would have been lower by ₹ 85 million.

B. **Consolidated Audit report**

The Company has certain trade and other receivables aggregating to ₹ 386 million, which in our opinion are doubtful of recovery. Had the Company recorded a provision on these receivables in the consolidated financial statements, the consolidated loss after tax for the year would have been higher by ₹ 386 million, trade and other receivables and reserves and surplus would have been lower by ₹ 386 million.

With reference to A and B above – Out of ₹ 85 million and ₹ 386 million debtors as identified by the auditors, ₹ 45 million and Rs 89 million respectively have already been received as on date. The Company is actively pursuing the remaining outstanding, and is confident of the recovery

CARO Report

C) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. However, internal control system for purchases of inventory and sale of goods and services is inadequate since some of these were inappropriately recognized in earlier years and have been reversed in the current year. Except for the above, during the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

D) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds amounting to ₹ 546 million raised on short term basis in the form of cash credit facility from banks have been used for long-term investment representing acquisition of fixed assets and funding of losses.

With reference to D above - Given the need for having permanent working capital in the business at low cost, the Company had been working with its bankers for converting certain working capital lines in to long term loans. Post 31st March, 2014, the Company's bankers have converted ₹ 45 Crores in to a long term facility. Hence only during negotiation and prior to finalization of this facility, as on 31.3.14, ₹ 54 Crores appeared as short term loans.

E) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we are not aware of any fraud on or by the Company noticed or reported during the year except that the management of the Company has identified certain instances of inappropriate recognition of revenue and costs during the earlier years aggregating to ₹ 180 million and ₹ 36 million respectively which have been reversed during the current year.

With reference to C and E above - The Company has been in the process of setting up stringent systems including revenue assurance matrix. In this process it was found through internal audit reports that revenue from certain contracts in earlier years, was not in line with the conservative accounting policy in this regard. Hence the same were appropriately accounted in the current year which resulted in the said revenue reversal.

12. Personnel

The Board places on record its appreciation for the hard work and dedicated efforts put in by all the employees. The relations between the management and employees continue to remain cordial on all fronts.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual

Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

13. Particulars required to be furnished by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

i) Part A pertaining to conservation of energy is not applicable to the Company.

ii) Part B pertaining to particulars relating to technology absorption is as per Annexure B to this report.

iii) Part C pertaining to foreign exchange earnings and outgoings is as contained in notes to the accounts.

14. Directors' Responsibility Statement as per Section 217 (2AA)

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representations received from the Operating Management confirm that -

i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) they have prepared the annual accounts on a going concern basis.

15. Committees of the Company

The details relating to all the Committees constituted by the Company are mentioned in the 'Corporate Governance Report', which forms a part of the Annual Report.

16. Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a Management Discussion and Analysis Report, Corporate Governance Report and Practicing Company Secretaries' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

17. Acknowledgements

The Board is thankful to the Shareholders and the Bankers of the Company for their continued support. It also takes this opportunity to express gratitude to its various suppliers and its partners for their continued co-operation, support and assistance. Above all, the Board expresses its appreciation to each and every employee for his / her contribution, dedication and sense of commitment to the Company's objectives.

For and on behalf of the Board of Directors

Sanjeev Verma	**Neeraj Gupta**
Director	Director

Place : Mumbai
Date : June 26, 2014

ANNEXURE 'B' TO DIRECTORS' REPORT

Disclosure relating to Research and Development (R&D) & Technology Absorption

RESEARCH & DEVELOPMENT :

1.	Specific areas in which Development carried out by the Company	:	N.A.
2.	Benefits derived as a result	:	N.A.
3.	Future Plan on Development	:	N.A.

(₹ in Crores)

4.	Expenditure on Development	(a)	Capital	N.A.
		(b)	Recurring	N.A.
			Total	**N.A.**
		(c)	% to Revenue	N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1.		Efforts in brief, made towards, technology absorption, adaptation and innovation	:	N.A.
2.		Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	:	N.A.
3.	(i)	Technology Imported	:	N.A.
	(ii)	Year of Import	:	N.A.
	(iii)	Has technology been fully absorbed	:	N.A.
	(iv)	If not fully absorbed, areas where this has not taken place, reasons thereof & future plan.	:	N.A.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The purpose of your Company is to **accelerate businesses** with customized technology solutions.

AGC NETWORKS Limited (AGC) is a Global ICT Solutions Provider and Integrator seamlessly delivering technology based solutions across global markets and verticals layered with a spectrum of applications and services. The Company is the leader in Enterprise Communications in India with global footprint in locations spanning India, the Middle East / Africa, North America and Australia / New Zealand. It has a differentiated approach to Solutions Integration and offers domain-focused, flexible & customized solutions through seamless services to customers across the globe. It currently serves more than 2500 customers worldwide, including Fortune 500 companies. AGC is an ISO 9001 and 27001 certified company.

Your Company is part of the Essar group. Essar is a multinational corporation with investments in the sectors of Steel, Energy (Oil & Gas and Power), Infrastructure (Ports, Projects & Concessions) and Services (Shipping, Telecom, Realty and Outsourcing and Technology Solutions). With operations in more than 25 countries across five continents, Essar employs over 73,000 people and has revenues of US$ 39 billion.

The core business of your Company is divided into four Solution quadrants and services categories. The Solution quadrants are:

1. **Unified Communications (UC)**

   AGC offers a Unified Communication and collaboration experience through varied technologies from global technology providers. AGC has empowered enterprises across verticals like BFSI, Manufacturing, Healthcare, Government and IT / ITes for over two and a half decades with effective and relevant communication and collaboration platforms.

   The solutions suite comprises of:

   1. **IP Telephony Solutions** – Simplified communications architecture functionally enhance the user experience across different management levels in an enterprise.

   2. **Contact Centers** – Our strategic partnerships with contact centre leading technology partners has enabled us to offer best-in-breed solutions that deliver a seamless experience to our client's end-customers.

   3. **Audio, Video and Control Integrations / Multimedia** – AGC believes in experiential selling to deliver the true advantage technology can bring to an organisation.

   4. **Collaboration Solutions** – We create a collaborative environment that removes geographical boundaries, enables communication, enhances productivity and delivers collaboration as a competitive advantage. With the objective of 'Accelerating Businesses' for the end client, AGC looks at corporate collaboration with a futuristic perspective. With an extensive experience in IP and Converged communications at the core, AGC enables delivery of collaboration solutions by managing the overall experience from an integration viewpoint.

   5. **IP Surveillance** – AGC provides the combined solutions of Video, Situation Intelligence and Access Control solutions using state of the art technologies to make life and assets safe and secure. These solutions bring actionable intelligence for industries, law enforcement agencies and government authorities to perform a variety of critical tasks efficiently which has a positive impact on society at large.

2. **Network Infrastructure**

   As part of the Network Infrastructure solutions, AGC has developed and implemented an effective, holistic and flexible security solution strategy through the use of appropriate technologies like Network Switch, Routers, WLAN, Firewall, IDP, SIEM, NAC, Identity Management, End Point Protection, Wireless Security and Mobile Device Management.

   We deliver on the expectations enterprises have from their network infrastructure through our strong alliance network with global leaders. Our Networking Infrastructure offers solutions such as

   1. **Wired Network** – AGC has been associated with global organizations and has successfully built the network infrastructure solution for them. The ability to understand business critical applications like ERP, voice & video, has enabled AGC to deliver high performance, highly reliable and intelligent network layer for various enterprises.

   2. **Mobility** – With proliferation of smart handheld devices, enterprises are placing a higher focus on mobility. At the same time, business demands availability of information anywhere, anytime and across platforms. The mobility

solution coupled with a tight security framework is the way that AGC accelerates the customers business. AGC has the expertise in providing mobility solutions across verticals which primarily comprise of WLAN and SSL VPN solutions. With multiple devices being connected to enterprise networks to access information, the demands on a CIO to manage security are increasing. By partnering with AGC for their mobility solutions, customers have been able to transform their IT infrastructure as being a key business enabler with a competitive edge.

3. **Network Security** – Our multi-layer, end-to-end network security solutions safeguard the network externally from unwanted risks and internally through user access defined and compliances adherence. Information is the key asset in today's competitive business and AGC has been providing holistic security solutions involving – Firewall, IPS, VPN and SIEM with ease of manageability made available from leading technology partners. Our resources have been able to build industry practice security frame works for customers. The team has expertise in understanding various global standards like ISO 27000 series, BS7799, HIPPA & BASIL III helping customers comply with information security standards.

3. Data Center & Virtualization

As a global solutions Integrator, AGC provides computing, storage and virtualization solutions in the Data Center and Virtualization space. Virtualization is the first step in building cloud ready infrastructure which reduces hardware footprint and energy consumption. AGC's expertise in design and implementation across multiple technologies has helped deliver large-scale, multi-location projects for clients globally. These solutions have helped customers improve productivity and run applications smoothly.

4. Enterprise Applications

AGC offers Business Applications and Customer Experience Applications to enterprises across verticals. With the purpose of 'Accelerating Businesses' we develop and build key applications that help customers enhance their end-customer experience. These key applications like Social Media analytics and customer self service interfaces among others are referred to as Customer Experience applications which form an integral part of the customer care strategy of an enterprise across verticals.

Services

AGC offers a bouquet of services across the lifecycle of the solution, spanning pre-implementation assessment, implementation, rollout, upgrades, enterprise integration, and Managed Services. These include a network of owned and distributed delivery centers, a global talent pool with in-system expertise, and solution frameworks that greatly enhance productivity and reliability while reducing cost and risks.

Managed Services

AGC's Managed Services suite ensures that all systems across an enterprise are functioning efficiently with very little or no downtime. AGC's Managed Services Engagement Framework is based on the ITIL Framework of AGC's Master Managed Services program. Services offered are:

1. **Enterprise Service Management** – The offerings cover IT Service & Management and Business Service Management including Program Management.

2. **Integrated Management Data Center Services** – This suite has

   a. Information Management Services

   b. Technology Management Services including Remote Infrastructure Management & NOC

3. **Cloud Computing Services**

Professional Services

AGC's Professional Services portfolio is delivered through various engagement models:

1. **Consulting and Analysis** – We cover domains like IT service management, Business service management, IP networks, Data centers, IP contact centers, and Information security. Our services enable our clients to utilize our domain expertise for complete business needs.
2. **Deployment Services** – We bring together the multiple stages of deployment under the project management framework and align them into production seamlessly. These involve Staging, Installation, Integration, Commissioning and Testing.
3. **Customisation and Integration** – Our vendor-agnostic, pragmatic approach helps build ICT applications and infrastructure, to address critical business needs and meet the desired business outcomes such as infrastructure for medical help which enables a seamless connect of rural India to an urban doctor checking for ailments.
4. **Technology Audit and Review** – We study and analyze business facts and carry out IT infrastructure, data center, information security, service management and compliance audits and reviews using industry best practices.

Cyber Security Services

AGC has been a leader for over two and a half decades in delivering Information Security Services to organizations across verticals. In addition, AGC's security services portfolio helps enterprises to be future-ready and continue to stay protected. These services are designed to align with the clients' risk management strategy to deliver an enriching experience. Today, AGC has built a team of experienced professionals with preferred certifications like CISA, CISSP, CRISC, CEH, OSCP, Lead Auditors for ISO 27001, ISO 20000, ISO 22301 and ISO 9001, ITILv3 to add to its vast expertise in the GRC domain.

The services include

1. **Certification** – Specialization in Certification and Implementation for enterprises covering (but not limited to) a variety of standards like ISO 9001, ISO 20000, ISO 27001 and ISO 22301.
2. **Compliance** –Compliance services suite offerings include PCI DSS, HIPAA, SAS70 where AGC brings together principles that enable enterprises to build an effective governance and management framework, based on a holistic set of enablers that optimise information and technology investment and ultimately benefit stakeholders.
3. **Implementation** –implementation services include offerings like DLP, NAC, Bandwidth Management & WAN Accelerator, GRC Tools, ITIL guidelines, etc.
4. **Management** –Compliance solutions and services are for Vulnerability Management, IMS and help in implementation and management.
5. **Audit** –Audit services include Database, Network, Internal IT Audits, Applications (SAP, ERP) and Code review audits for enterprises.

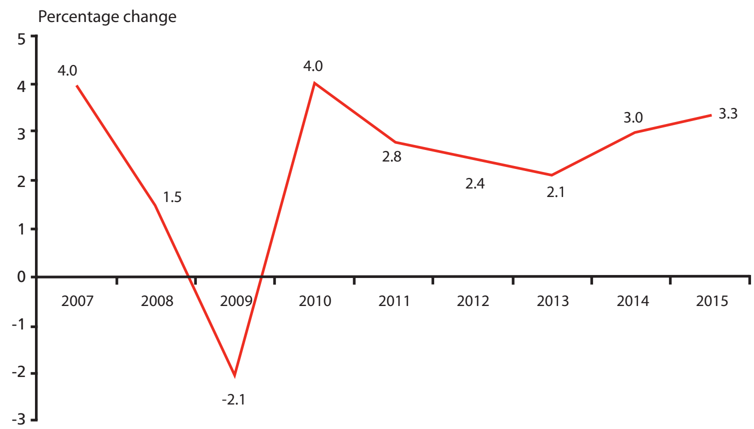
Maintenance Services

AGC provides vendor agnostic IT maintenance services that reduce cost of management to ensure best of breed SLA based practices aligning to business needs. We maintain our customer's investment in technology infrastructure ranging from IP Phones, desktop to servers, network and security equipment and data center. This includes complete hardware coverage in warranty support, hardware replacements in post warranty support, and OEM agnostic upgrades or failures. Our global reach and 24x7 available services help clients keep their multivendor operating environment up and running at peak efficiency.

INDUSTRY DEVELOPMENT

ECONOMIC OUTLOOK

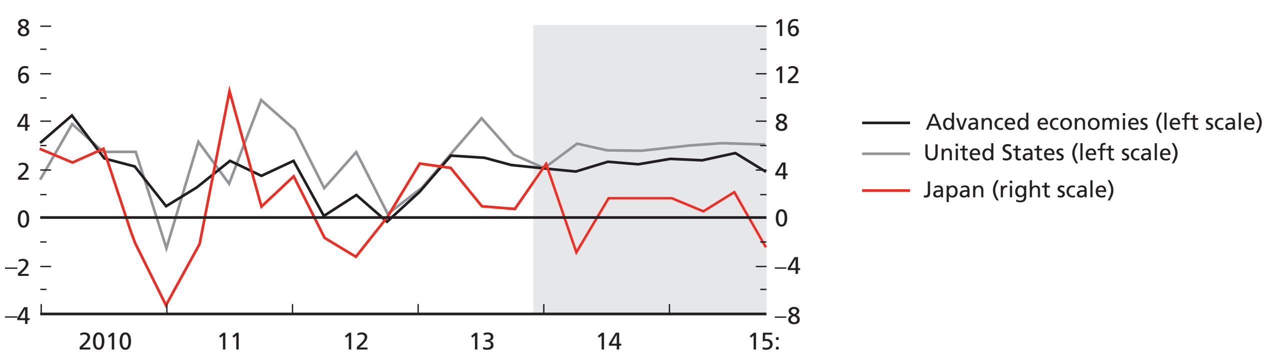
Growth of world gross product, 2007-2015*



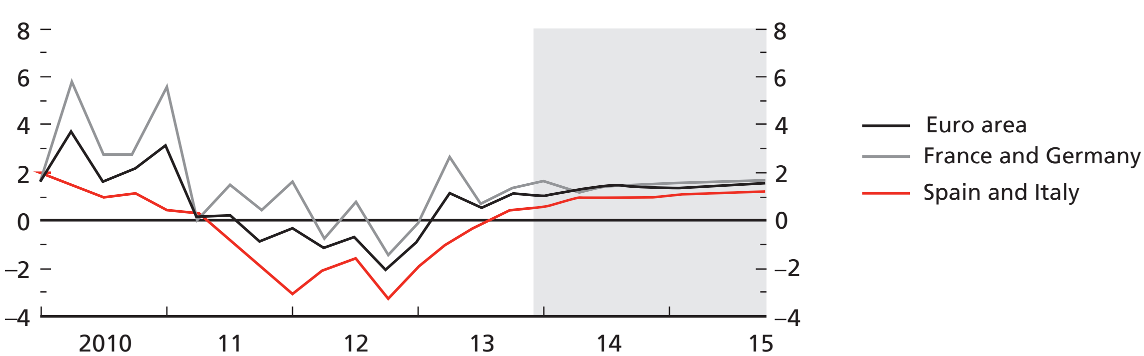
Source : UN/DESA
*Growth rate for 2013 is partially estimated. Estimates for 2014 and 2015 are forecast.

Global economy in FY 2013 continued to struggle with sluggish growth, dampening spirits in the investment climate. The world economy wound down to 3.0 per cent during FY 2013 from 3.2 per cent in FY 2012 based on data from the World Economic Outlook 2014 of the International Monetary Fund (IMF). The underperformance largely stemmed from bleak prospects in the US and Europe economies. The US economy continued to grow at 1.9 per cent for the year 2013 compared to 2.8 per cent in 2012. The latter half of 2013 saw a major spurt in growth in the US with 3.25 per cent growth rate.

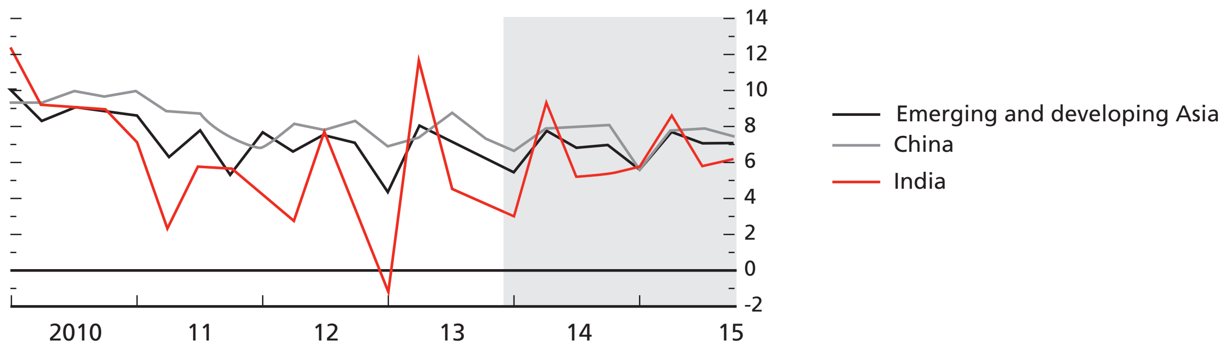
1. United States and Japan



2. Euro area



3. Emerging and developing Asia



(Source: IMF – World Economic Outlook)

The Indian economy continued to be weighed down by serious domestic issues like inflation and falling currency. Tight fiscal policies due to high current account deficit kept interest rates high throughout the year, impacting finance costs. However, inspite of these adverse facts, GDP grew at 4.7 per cent for FY 14, marginally higher than 4.5 per cent in FY 13.

THE GLOBAL IT and Unified Communications (UC) INDUSTRY

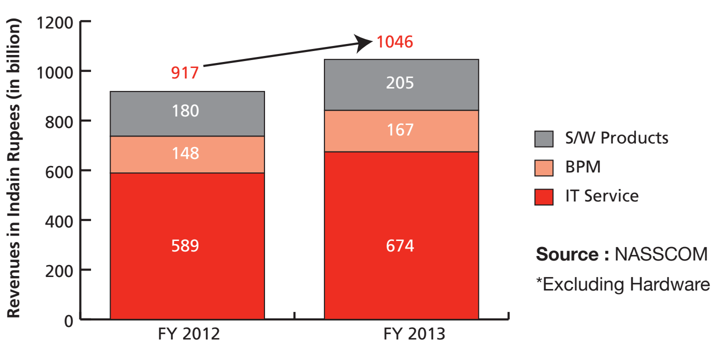
According to the World Economic Outlook 2014, the digital economy has been growing at a rapid 10 per cent year on year. Emerging economies largely contribute to this rapid expansion, with an above-average growth rate of 12 to 25 per cent per annum. As of FY 2013, global IT spending grew at a stable 0.4 per cent year on year to total USD 3.7 trillion and enterprise IT spending increased by 2.5 per cent to USD 2.7 trillion.

Growth of Voice over Internet Protocol (VoIP) and Unified Communications (UC) technology have been fuelled by a rising adoption of SIP trunking and cloud services in businesses worldwide. Mid-market and larger enterprises are increasingly moving applications to the could which creates a surge in application of hosted unified communications. According to Infonetics Research, the global market for VoIP services grew from 2012 to 2013 by 8 per cent to USD 68 billion. Global residential VoIP subscriptions also rose by 8 per cent on a year on year basis. Sales from hosted PBX and UC services jumped 13 per cent from 2012 to 2013 while seats increased 35 per cent as a result of rising demand for enterprise cloud-based services.

Domestic IT and UC Industry

The IT industry of India has played an integral role in transforming the Indian business, demography and geopolitical sphere. The industry constitutes over 500 organizations providing employment to over 10 almost 10 million Indians. As per industry estimates, the Indian IT-BPM industry made revenues amounting to USD 108 billion during FY 2013. Its year on year growth rate was 14.1 per cent, within which domestic IT sales rose 14.5 per cent and BPM climbed by 12.7 per cent.

Indian IT Industry Domestic Revenues*



Source : NASSCOM
*Excluding Hardware

UC has enabled Indian businesses to conduct live training sessions and immersive discussions across geographies, reduce product development cycles, enhance team communication and release products into the market at faster rates. These have fuelled a multifold increase in productivity, improved customer satisfaction and mitigated travel costs and time wastage. The industry estimates the market's CAGR to be at 12.4 per cent.

Small-to-medium sized businesses and large enterprises are growingly migrating towards IP telephony and VoIP solutions from the traditional TDM telephony structure. This enables companies to exploit the added benefits of UC tools. Following the implementation of the National Telecom Policy of 2012, the VoIP market expects a prolific CAGR of 27 per cent from 2013 to 2017.

Outlook

Addressable Market in India

The rapidly growing IT market in India has developed into the third largest market amongst emerging economies and the fourth largest worldwide. According to Gartner, spending in the sector is projected to reach a cumulative USD 71.3 billion, rising by 5.9 per cent from the previous year. IT services will record the strongest increase of 12.1 per cent. Furthermore, spending in the devices market, comprising of mobile phones, PCs, tablets and printers, is forecast to reach USD 23.5 billion in 2014 while the sector itself will grow to occupy the largest quadrant in IT expenditures by 2017. The rising use of devices and growing need for technology integration will fuel demand for Unified Communication and Network Infrastructure services.

Table 1. IT End-User Spending Forecast, India, 2013-2017 (US$ Millions)

Segment	2013	2014	2015	2016	2017
Devices	22,177	23,504	26,644	31,118	34,108
Data Center Systems	2,326	2,492	2,668	2,825	2,973
Software	3,729	4,109	4,667	5,293	6,014
IT Services	9,945	11,235	13,037	15,137	17,608
Telecommunications Services	29,225	30,006	30,728	31,545	32,277
Grand Total	**67,402**	**71,347**	**77,744**	**85,917**	**92,980**

Gartner (October 2013)

Business confidence remains buoyant with expectations of the IT and ITeS industry to grow non-linearly at 11.4 per cent by FY 2014 through greater platform and product usage and automation. According to NASSCOM, this will value the IT and ITeS industry at USD 118 billion in revenues.

Addressable Market in the US

The IT segment in the US represents a critical market with its share of 40 per cent in the global IT space. As the US economy gears back on its growth trajectory enterprises that had been withholding on IT expenditures amidst slow business activities will begin reallocating their budget to communications equipment in the latter half of 2014. According to Gartner, this will boost IT spending in the US by 5.5 per cent and 8.1 per cent in 2014 and 2015 respectively, up from 1.6 per cent in 2013. Although the numbers humble in comparison to the prolific growth rates observed in the 1990s and 2000s, the increases projected still fuels hope and optimism in businesses and investors.

IT consulting and integration services will account for USD 421 billion in spending with a growth rate of 6.6 per cent and communications equipment will account for a further USD 373 billion in the pie, based on data from Forrestor's report.

Addressable Market in Middle East and Africa

Surprisingly, the IT segment in the Middle East and Africa is poised to overtake the growth rate of the US IT sector in 2014. Spending in the market is projected to exceed USD 32 billion in 2014, increasing by 7.3 per cent year on year. The growing integration of mobile devices with electronic self-service transactions has been a key driver of automation and online transactional government services, leading to a positive impact on ICT spending. ICT spending has also been fuelled by the growing adoption of cloud computing, data analytics and social network platforms with rising levels of mobility and the focus of telecommunication providers on expanding their ICT services portfolio. However, growth in the domestic ICT market has been hampered by inadequate local ICT workers, resulting in the need for expatriates to develop and innovate ICT services.

As world economies recover, the global IT industry is expected to receive a boost of growth as dollar-valued IT spending grows by between 3.2 and 3.7 per cent to USD 3.8 trillion during FY 2014, according to Gartner.

Tremendous opportunity is also observed in the industry with the growing popularity of voice conferences, IP telephony and VoIP services, according to Gartner. The greater adoption of mobile devices has fuelled demand for VoIP services. Prices of smartphone devices are becoming more affordable and more Indians are switching to the data-intensive devices. According to BCG, by 2016 nearly 60 per cent of India's online consumers will access the Internet via their smartphone devices.

IP telephony is another key driver of UC. More businesses are transiting from the traditional telephony to IP telephony to reap the benefits of lower networking cost, lower network equipment administration cost, enhanced communication capabilities and greater productivity for remote and mobile employees.

Risks

a. Geographical concentration

The world economy today is deeply interconnected with any surprises or shocks in one region quickly ricocheting to other economies. Though the Company has spread its portfolio worldwide, it still has to source for more and newer pools of clients to shield itself from the devastating impact of a downturn in connected regions.

b. Competition

The threat of competition is persistent and serious in the lucrative IT industry. The Company is motivated to stay ahead of competitors through continued research and innovation. Furthermore, it is key to stay updated on latest technology advancements to ensure the business model of the Company stays relevant with customer needs.

c. Foreign Currency Fluctuation

The spread of revenues around the globe increases the Company's exposure to currency risk. The Company performs due diligence by keeping up-to-date with current affairs in the regional and global economy. This enables the Company to take steadfast measures in hedging against currency volatility and protecting its revenues.

d. Employee Retention

The Company values its employees as its key capital and asset. Skilled employees who feel valued are better engaged with the goals of the Company and will deliver better performance. The Company thus emphasizes on skills upgrading through regular trainings and certifications to align employees skill sets to keep your company's customers ahead of the technology curve. Furthermore, the Company monitors the Employee Engagement Score to ensure all employees are constantly motivated and delivering performance.

Value creation for customers

Your Company has always been able to differentiate itself by being responsive, delivering superior technology solutions thus contributing to the customers' business outcome positively. Your Company has built a strong and experienced global leadership team coupled with a strengthening of the bond with the technology partner ecosystem. This combination has over time, and consistently, helped us identify emerging technologies that we continue to integrate for customers globally to guide them through the cycle of technology evolution. An accelerated focus on Your Company's key areas of Operations, the supply chain efficiency and execution effectiveness have made last mile connects effective thus positively impacting the customers business outcomes.

This spans the following three areas of focus in the new financial year.

1. Holistic technology solutions architecture
2. Services portfolio
3. Cyber Security as a solutions

Material Developments in Human Resources

Your Company places utmost importance on its people and constantly works towards building and maintaining a progressive working environment. It is believed that an organization's policies and practices are one of the factors to create a visible output of the business performance. Thereby, the HR policies continuously align with the organization's strategy and drives company values and culture. In view of this, few HR policies were revised in line to benefit the employee and business needs.

During this year, the Company initiated measures to optimize resource utilization. The Company's employee strength was optimized based on the organizational restructuring. Aligned to this agenda, Global Talent Exchange (GTEx) and Internal Job Postings (IJP) have been considered for global resource requirements. This also enabled providing individual growth and development opportunities to the employees.

New learning and development methodologies launched to maximize capacity of individual performance. The training man-hours clocked for this year was 55,265 hours and thus resulted in increased employee coverage by 12% from the previous year. Fresh graduate trainees have been infused in the company with induction and on the job training of 2.5 months towards building talent pipeline.

Continuous employee engagement initiatives have been implemented throughout the year to promote bonding of employees amongst themselves and the senior management. As a responsible corporate citizen, AGC has been persistently working towards adding value to the society through some of its widely acclaimed community initiatives such as Tree Plantation Drive 'Greenwave', Recycle Karo Drive for paper & electronic waste, Eco – friendly Ganapati celebration, Child Education campaign in association with Pratham Books, an NGO with a mission of seeing 'a book in every child's hand', raised charity fund by employees participating in Marathon Runs.

Internal Control Systems and Their Adequacy

AGC Networks has an adequate system of internal controls to ensure that the assets are safeguarded, and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

A detailed programme of internal audits, reviews by management, and documented policies, guidelines and procedures, supplements the internal control systems. The internal control systems are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

Your Company has implemented an integrated SAP and business management system, which provides system based checks and controls, resulting in increased efficiency and effectiveness of AGC Networks' internal control systems.

The Company has independent internal audit systems, covering on a continuous basis, the operations of the organization.

The top management and the Audit Committee of the Board review internal audit findings and recommendations. The Audit Committee is empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit. The Committee ensures compliance of internal control systems and also reviews the quarterly, half-yearly and annual financial statements before these are submitted to the Board.

Performance by 'Solutions'

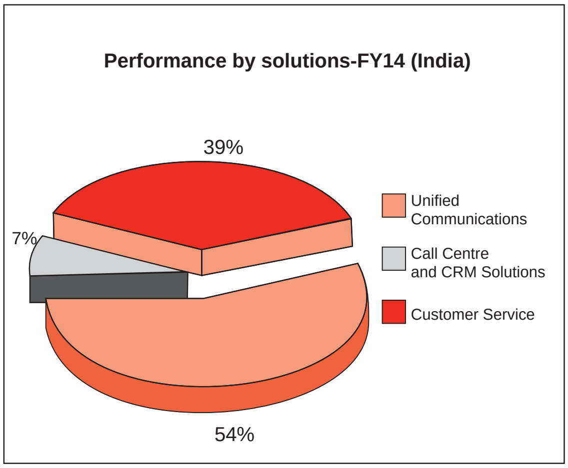
The break-up of the year's revenue by Solutions is given below:

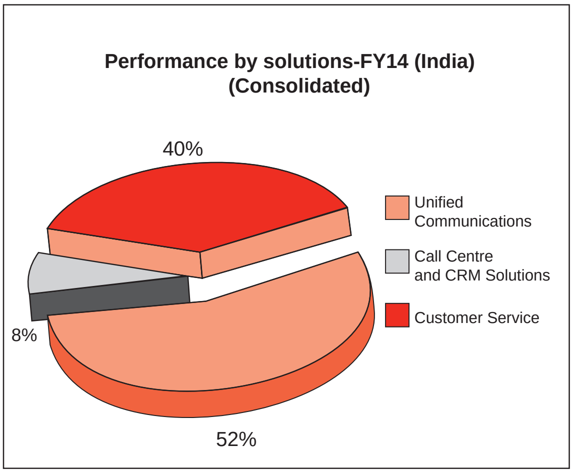
₹/million

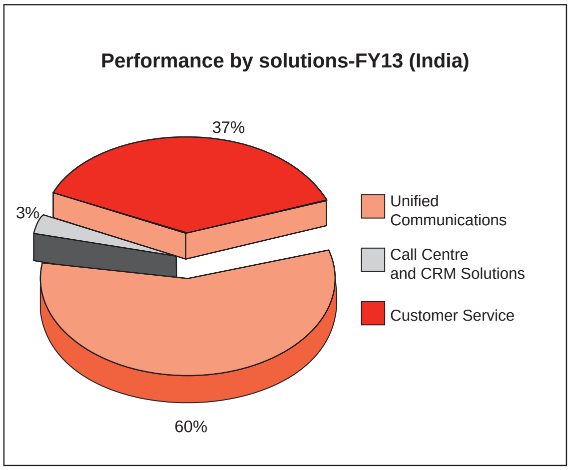
Solutions	**India**	**India**
	FY14	**FY13**
Unified Communications	1648	3562
Call Centre and CRM Solutions	225	188
Customer Service	1190	2226
TOTAL	**3063**	**5976**

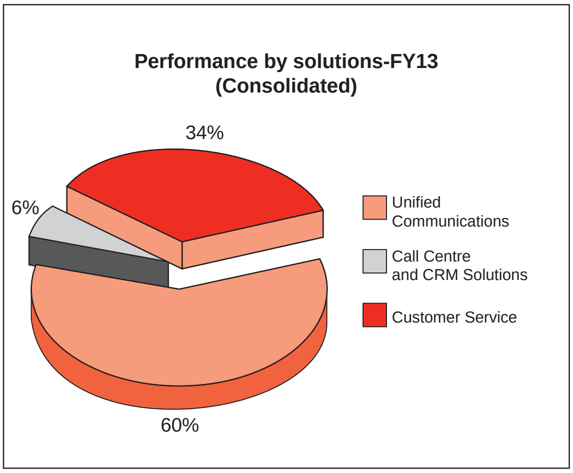
₹/million

Solutions	Consolidated	Consolidated
	FY14	**FY13**
Unified Communications	4022	6293
Call Centre and CRM Solutions	596	622
Customer Service	3140	3618
TOTAL	**7758**	**10533**









Share Capital

As on 31st March, 2014, the Issued, Subscribed and Paid-up Equity share capital of the Company is ₹ 28,46,64,640/- (28466464 Equity shares having face value of ₹ 10/- each). The Company has not issued any other class of shares.

Reserves and Surplus

India:

Capital Reserve of the Company stands at ₹ 226 millions. The General Reserve of the Company stands at ₹ 1006 millions.

Consolidated:

Capital Reserve of the Company stands at ₹ 380 millions. The General Reserve of the Company stands at ₹ 1006 millions.

Loans

The Company has secured loans of ₹ 2338 millions as on March 31, 2014, as against ₹ 3127 millions as on March 31, 2013 used for Working Capital requirements. Company has Long term loans for ₹ 17 million as on March 31,2014

Fixed Assets

India

The fixed assets (net block including capital work-in-progress) have decreased by ₹ 14 million during the year.

Consolidated

The fixed assets (net block including capital work-in-progress) have decreased by ₹ 88 million during the year.

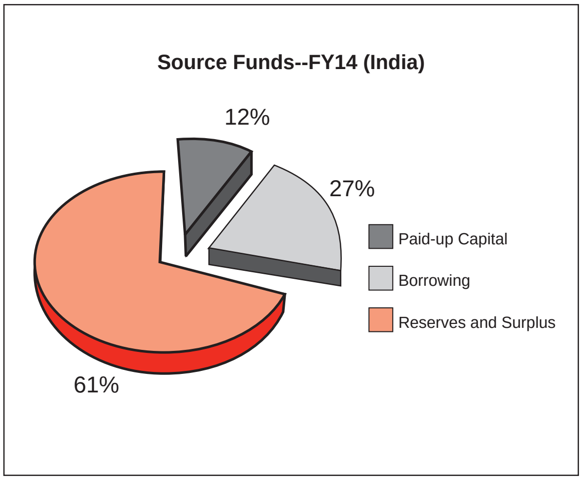
Investments

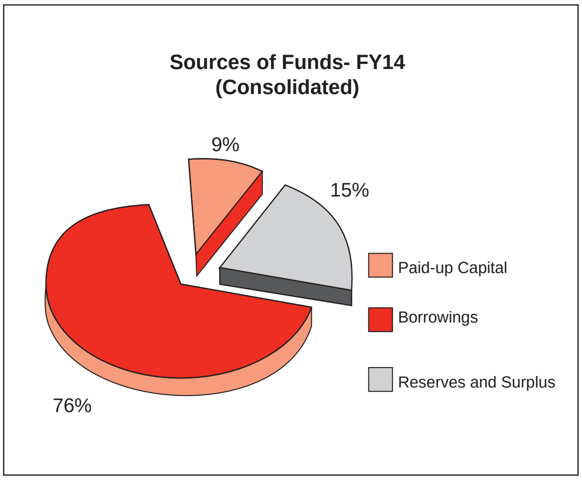
India:

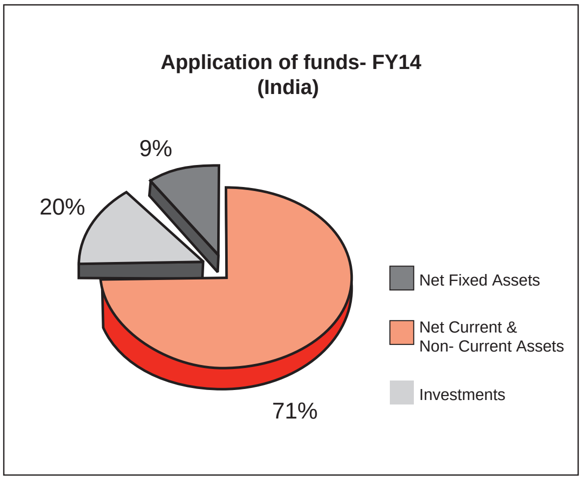
The total investment of the Company as on March 31, 2014, is at ₹ 487 millions.

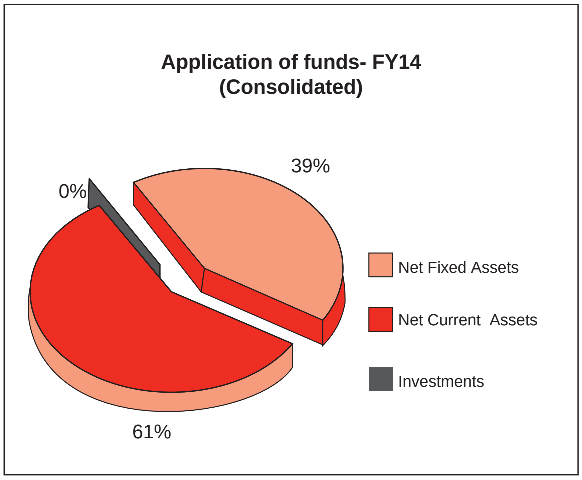
Consolidated:

The total investment of the Company as on March 31, 2014, is NIL.









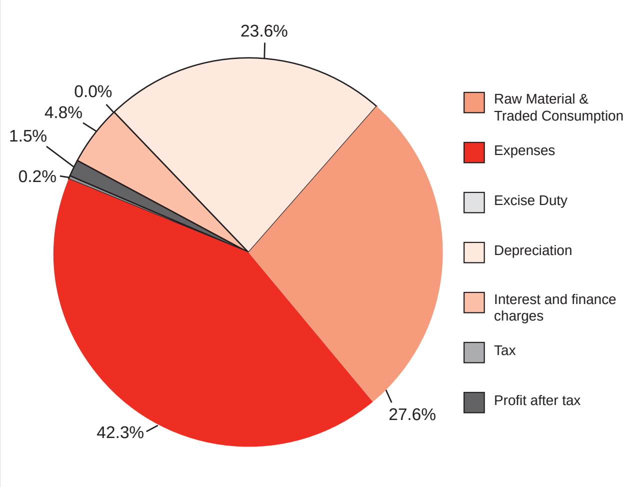
Operating results (Consolidated)

The Gross revenue for the financial year 2013-14, stood at ₹ 7758 millions, as against ₹ 10533 millions for the financial year ended March 31, 2013. The loss is ₹ 2847 millions for the financial year ended March 31, 2014, as against loss of ₹ 99 millions for the months financial year ended March 31, 2013.

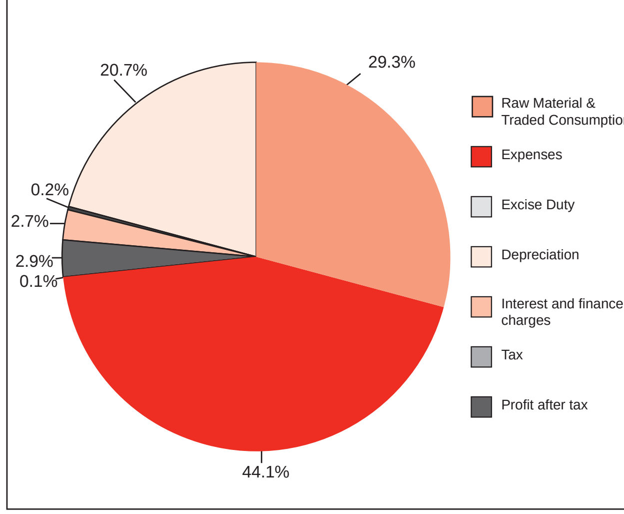
Employee cost constitutes 28.73% of the total income as against 16.69% in the previous period. The operating & administration expenses are at 41.00% (23.23% in the previous period) of the total income.

Depreciation constituted 5.05% of the total income as against 1.49% in the previous period.

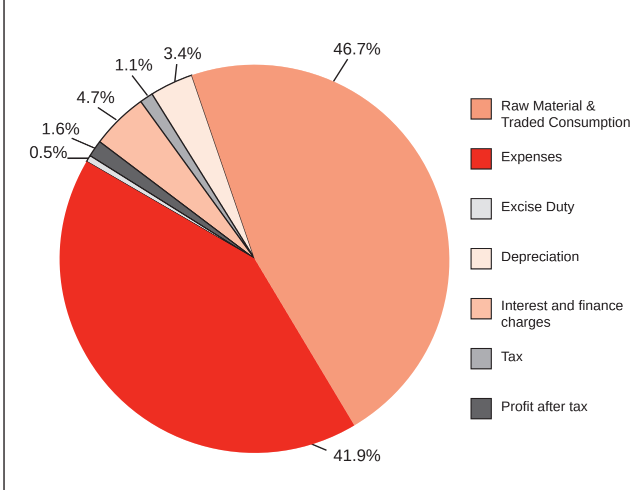
Distribution of Income – FY14 (India)



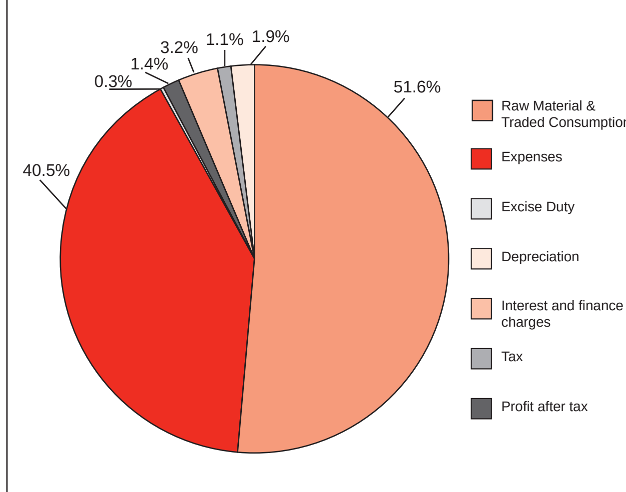
Distribution of Income – FY14 (Consolidated)



Distribution of Income – FY13 (India)



Distribution of Income – FY13 (Consolidated)



Ratios

Financial Performance	FY 2013-14		FY 2012-13	
	India	Consolidated	India	Consolidated
Gross Margin %	20.4%	23.5%	20.5%	22.4%
EBITDA %	-34.7%	-25.5%	4.7%	6.5%
PBT/ Revenue %	-47.4%	-35.3%	-2.6%	1.5%
PAT/ Revenue %	-47.4%	-35.0%	-3.9%	0.4%
PAT/Networth %	-154.7%	-366.9%	-9.8%	1.2%
Revenue per Employee (₹/million)- Annualised	4.11	8.18	4.98	7.78
Head count	745	948	1201	1353
Income tax/PBT %	-0.1%	0.9%	-50.0%	76.5%
Net working capital/Revenue %	67.2%	45.5%	75.1%	61.0%

Cautionary Statement

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risk inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. Actual results, performances or achievements could differs materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.

CORPORATE GOVERNANCE REPORT

Corporate governance is the system of structures, rights, duties, and obligations by which corporations are directed and controlled, keeping in mind long-term interest of stakeholders, which encourages and moves a viable and accessible financial reporting structure and which enables a transparent system. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board of directors, employees, shareholders, creditors, auditors, regulators, and other stakeholders, and specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders

We, at AGC, are driven by the five major characteristics of Corporate Governance which are Transparency, Independence, Accountability, Responsibility, Fairness and Social Responsibility

1. Corporate Governance at AGC NETWORKS

The Company's philosophy of Corporate Governance is aimed at maximizing the shareholders' interest and protection of the interest of other stakeholders. The Company aims to achieve this through proper & full disclosure of material facts and achievement of the highest levels of transparency, accountability and equity in all facets of its operations.

2. Board of Directors

As on March 31, 2014, the Board comprises three members and is responsible for management of the Company's Business. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board also include:

- Approving corporate philosophy and mission
- Participating in the formulation of strategic business plans
- Reviewing and approving financial plans and budgets
- Monitoring and reviewing corporate performance vis-à-vis the business plans
- Ensuring compliance of laws and regulations

The required details related to the Board as on 31st March, 2014 are listed below.

Name	**Category**	**Designation**	**Directorship in other companies**	**Chairmanship in Committees of Boards of other companies**	**Membership in Committees of Boards of other companies**
Mr. S. K. Jha	Managing Director & CEO – Executive	Managing Director & CEO	NIL	NIL	NIL
Mr. Shuva Mandal	Non-Executive & Independent	Director	8	NIL	NIL
Dr. Haseeb Drabu*	Non-Executive	Director	5	0	4
Mr. Sujay R. Sheth	Non-Executive & Independent	Director	3	2	4

**Dr. Haseeb Drabu ceased to be the director of the Company w.e.f. 28th March, 2014*

During the F.Y. 2013-14, twelve (12) Board meetings were held, on the following dates:

14th May, 2013, 21st May, 2013, 28th May, 2013, 23rd July, 2013, 12th August, 2013, 26th September, 2013, 14th November, 2013, 4th December, 2013, 28th January, 2014, 7th February, 2014, 14th February, 2014 and 25th March, 2014

The attendance of the directors at the board meeting held during the year is given below:

Name of the Director	Number of meetings held	Number of meetings attended	Attended Last AGM	Shareholding in the Company as of March 31, 2014 (no. of shares)
Mr. S. K. Jha	12	12	Yes	NIL
Mr. Shuva Mandal	12	11	Yes	NIL
Mr. Sudip Rungta	12	2	NA	NIL
Mr. Sujay R. Sheth	12	12	Yes	NIL
Dr. Haseeb Drabu	12	9	No	NA

Note: *1. Dr. Haseeb Drabu was appointed to the Board on 28th May, 2013 ceased to be the director w.e.f. 28th March, 2014 and Mr. Sudip Rungta ceased to be the director w.e.f. 28th May, 2013*

2. *Presence includes presence via video conferencing also.*

Details of Directors being re-appointed and appointed.

Two of the existing Directors who retire by rotation are proposed to be re-appointed as Directors at the ensuing Annual General Meeting. Details with regard to the same is provided in the notice of the ensuing Annual General Meeting.

Board committees:

As of March 31, 2014, the Company has following five Board Committees.

1. Audit Committee
2. Stakeholders Relationship Committee
3. Ethics and Compliance Committee
4. Nomination and Remuneration Committee
5. Executive Committee

3. Audit Committee

The following Directors are the members of the Audit Committee as on 31st March, 2014:

- Mr. Sujay R. Sheth (Chairman)
- Mr. Sudip Rungta*
- Mr. Shuva Mandal
- Dr. Haseeb Drabu*

* Dr. Haseeb Drabu resigned w.e.f. 28th March, 2014 and Mr. Sudip Rungta resigned w.e.f. 28th May, 2013

The majorities of the members of the Audit Committee are independent and have knowledge of finance, accounts, and company law and telecom industry as a whole. The quorum for audit committee meeting is minimum of two independent directors.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function and discussion with internal auditors on any significant findings.

It also includes reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transaction 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 interests of Company at large.

During the F.Y. 2013-14, seven (7) meetings of the Audit Committee were held, on the dates; 28th May, 2013, 23rd July, 2013, 12th August, 2013, 26th September, 2013, 14th November, 2013, 7th February, 2014 and 14th February, 2014

Name of the Member	No. of meetings attended
Mr. Shuva Mandal	7
Dr. Haseeb Drabu	5
Mr. Sujay R. Sheth	7
Mr. Sudip Rungta	1

Note: 1. *Dr. Haseeb Drabu was appointed to the Committee on 28th May, 2013 and resigned w.e.f. 28th March, 2014 and Mr. Sudip Rungta ceased to be the member w.e.f. 28th May, 2013*

2. *Presence includes presence via video conferencing also.*

4. Stakeholders Relationship Committee

The following Directors are the members of the Stakeholders Relationship Committee as on 31st March, 2014:

- Mr. Sujay R. Sheth (Chairman)
- Mr. S. K. Jha

The Committee looks into redressing investors' grievances pertaining to:

- Transfer of Shares
- Dividends
- De-materialization of Shares
- Replacement of lost/stolen/mutilated share certificates
- Non-receipt of right/bonus/split share certificates
- Non Receipt of Annual Report
- Any other related issues

During the F.Y. 2013-14, four (4) meetings of the Stakeholders Relationship Committee were held, on the dates; 28th May, 2013, 5th August, 2013, 14th November, 2013 and 14th February, 2014

Name of the Member	No. of meetings attended
Mr. Sujay R. Sheth	4
Mr. S. K. Jha	4

The Board has designated Mr. Pratik Bhanushali, Company Secretary, as the Compliance Officer.

The total number of correspondence (including complaints / queries) received and replied to the satisfaction of shareholders during the period April 01, 2013 to March 31, 2014, was 104. There was no outstanding complaint / query as on 31st March, 2014. No request for transfer was pending for approval as on 31st March, 2014.

5. Ethics and Compliance Committee

The following Directors are the members of the Ethics and Compliance Committee as on 31st March, 2014:

- Mr. Shuva Mandal (Chairman)
- Mr. Sujay R. Sheth

The Committee, at its meeting(s), sets forth the policies relating to and oversees the implementation of the 'Code of Conduct', adopted by the Board of Directors, at its meeting held on 23rd October, 2002, pursuant to the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, takes on record the monthly status reports prepared by the Compliance Officer detailing the dealings in securities by the specified persons and decides penal action in respect of violation of the Regulations / the Code by any specified person. The Committee also overviews the 'Code of Conduct' of the Company and related matters (including review of complaints received under Whistle Blower Policy of the Company, any violations, penal actions, etc.).

During the F.Y. 2013-14, five (5) meetings of the Ethics & Compliance Committee were held, on the dates; 28th May, 2013, 5th August, 2013, 14th November, 2013, 7th February, 2014 and 14th February, 2014

Name of the Member	No. of meetings attended
Mr. Shuva Mandal	5
Mr. Sujay R. Sheth	5

Mr. Pratik Bhanushali, Company Secretary, is designated as the Compliance Officer of the Company, responsible for liaisoning with various authorities such as SEBI, Stock Exchanges, Registrar of Companies, etc. and the Investors.

6. Nomination and Remuneration Committee

The Board of Directors of the Company, at its meeting held on October 20, 2004, constituted a 'Remuneration Committee', in terms of Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges. This Committee would basically look into and determine the Company's policy on remuneration packages of the executive director(s).

The following Directors are the members of the Committee as on 31st March, 2014:

- Mr. Sujay R. Sheth (Chairman)
- Mr. Shuva Mandal

During the F.Y. 2013-14, six (6) meetings of the Ethics & Compliance Committee were held, on the dates; 28th May, 2013, 5th August, 2013, 14th November, 2013, 4th December, 2013, 14th February, 2014 and 25th February, 2014

Name of the Member	No. of meetings attended
Mr. Sujay R. Sheth	6
Mr. Shuva Mandal	6

The details in respect of the remuneration paid to the independent directors (sitting fees) during the period from 1st April 2013 to 31st March 2014 are as under:

Name	Designation	Amount
Mr. Shuva Mandal	Independent Director	₹ 6,00,000
Mr. Sujay R. Sheth	Independent Director	₹ 6,80,000

7. Executive Committee

The Board of Directors of the Company, at its meeting held on November 15, 2010, constituted an 'Executive Committee'. This Committee would basically look into the operational matters relating to the Company including making recommendations to the Board on certain operational matters.

The following Directors are the members of the Committee as on 31st March, 2014, and the Committee met once on 29th October, 2013:

- Mr. S. K. Jha (MD & CEO)
- Mr. Sanjeev Verma (President - Global Sales & Business Operations)

8. Remuneration to directors

The Company does not pay remuneration to any of its Non-Executive Directors barring sitting fees for attendance during the meeting(s). The details in respect of the remuneration paid to the Managerial personnel during the period from 1st April 2013 to 31st March 2014 are as under:

Name	**Designation**	**Amount**
Mr. S. K. Jha	Managing Director & CEO	₹ 3,15,00,000*

* Break-up of remuneration paid to Mr. S. K. Jha is as under.

Particulars/Head	**₹/lacs**
Salary	94.50
Perquisites	220.41
Other Allowances	0
Contribution to Gratuity	0
Contribution to Provident fund	0.09
Total	**315.00**

Note : Gratuity payable as per the rules of the Company at the end of tenure shall not be included in the computation of limits for the remuneration of perquisites

9. General Body Meetings

The particulars of last three Annual General Meetings (AGM) of the Company are as under. The shareholders passed all the resolutions set out in the respective notices.

Date	**Location**	**Time**	**No. of Special resolution**
27th August, 2013	Rangaswar Hall, Chavan Center, General Jagannath Bhosale Marg, Mumbai - 400021	11.00 AM	1
27th July, 2012	Rangaswar Hall, Chavan Center, General Jagannath Bhosale Marg, Mumbai - 400021	11.00 AM	3
29th July, 2011	Kamalnayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai - 400021	11:00 AM	1

10. Disclosures

a. **Disclosure of material financial and commercial transactions where management has personal interest that may have a potential conflict with the interest of the company at large.**

During the year, there were no material financial and commercial transactions where management had personal interest that may have a potential conflict with the interest of the company at large.

b. **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.**

None.

c. **Disclosure of number of shares held by non-executive directors.**

None of the directors of the Company (including executive director) hold any equity shares in the Company.

d. **Disclosure relating to Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.**

The Company has implemented a Whistle Blower Policy in the Company and no personnel have been denied access to the audit committee of the Company.

e. **Details of compliance with mandatory requirements and adoption of the non-mandatory requirements.**

The Company has complied with all the mandatory requirements of Clause 49 (Corporate Governance) of the Listing Agreement. Further, the Company has adopted the following non-mandatory requirements of Clause 49: (i) Setting-up / Constitution of a Remuneration Committee and (ii) Implementation of Whistle Blower Policy in the Company.

11. Means of Communication

The quarterly results (including half-yearly and annual results) are usually published in 'The Economic Times' (English Daily) and 'Maharashtra Times' (Marathi Daily). The results are also promptly forwarded to the Bombay Stock Exchange and National Stock Exchange where the scrip of the Company is listed. The Company has developed a section dedicated for Investors on the Company's website (www.agcnetworks.com) to display latest annual, half-yearly & quarterly results. The official news releases and the presentations made to the Investors / Analysts are also displayed on the website.

The Management Discussion and Analysis Report is attached to and forms part of the Annual Report.

12. General Shareholder information

Annual General Meeting (AGM)

The AGM of the Company for the financial year ended 31st March, 2014 shall be held on Thursday, 7th August, 2014 at 11.00 A.M. at Rangaswar Hall, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021

Following are the other general shareholder information.

Financial Year	April 2013 to March 2014
Dates of Book Closure	01.08.2014 (Friday) to 07.08.2014 (Thursday) (Both days inclusive)
Dividend Payment Date	No dividend is recommended by Directors of the Company
Listing on Stock Exchanges	Bombay Stock Exchange (BSE) & National Stock Exchange (NSE)
Stock Code / Symbol	BSE – 500463
	NSE – AGCNET
Demat ISIN Numbers in NSDL & CDSL for Equity Shares	ISIN - INE676A01019
Market price Data : High, Low during each month in the financial year 2013-2014 and stock performance comparison with BSE Sensex and BSE-IT	See Table No.1 below

Registrar and Share Transfer Agents	Datamatics Financial Services Limited, Plot No. B-5, MIDC, Part B Cross Lane, Andheri (East), Mumbai – 400 093 to whom the authority has been delegated by the Board to attend share transfer formalities etc.
Share Transfer System	Share Transfers are registered and returned within the specified period from the date of receipt, if the documents are clear in all respects
Distribution of shareholding & Category-wise distribution	See Table No. 2 & 3
Dematerialization of shares and liquidity	See Table No. 4
Plant Location	E1/I, Gandhinagar Electronics Estate, Gandhinagar – 382 028 (Gujarat)
Address for correspondence	Registered Office : Equinox Business Park (Peninsula Techno Park), Off Bandra Kurla Complex, LBS Marg, Kurla West, Mumbai – 400 070

Table No. 1 - Market price Data - High, Low during each month in the financial year 2012-2013 and stock performance comparison with BSE Sensex

Month	BSE		NSE	
	High	Low	High	Low
April 2013	125.45	106.00	124.95	105.60
May 2013	126.80	66.00	114.50	64.25
June 2013	71.00	47.30	76.00	47.00
July 2013	123.00	59.00	123.05	57.55
August 2013	104.00	85.05	101.00	80.30
September 2013	91.40	72.25	94.85	70.55
October 2013	87.75	72.20	86.00	69.25
November 2013	83.65	61.10	84.00	62.00
December 2013	72.00	58.00	72.85	55.65
January 2014	91.35	61.30	91.50	60.00
February 2014	66.95	44.00	65.50	44.00
March 2014	52.00	46.00	51.85	45.25

Stock performance comparison with BSE Sensex and BSE-IT

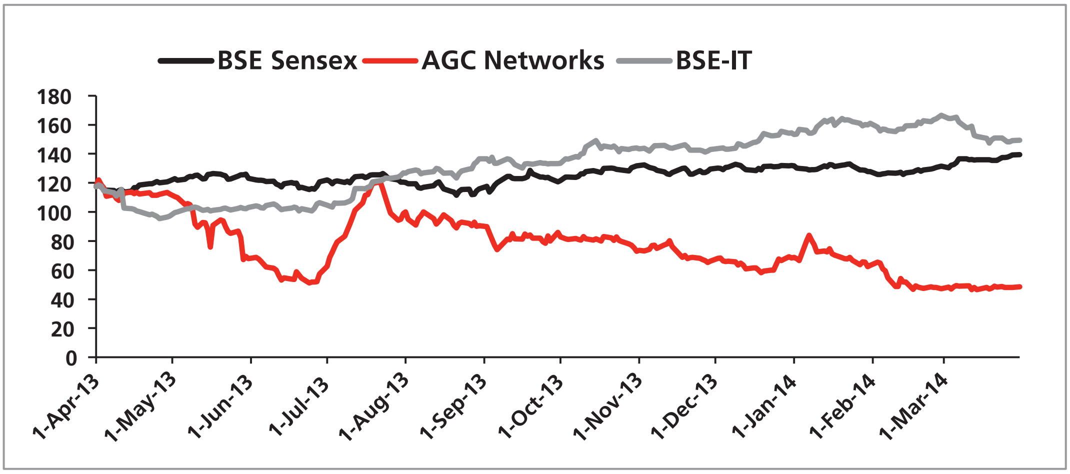


Table No. 2 - Distribution of shareholding as on 31st March, 2014

Sr. No.	Shares Range		No. of Shares held	% of total shares	No. of Holders	% of total shareholders
	From	To				
1	1	100	230205	0.81	4609	40.60
2	101	500	1396892	4.91	5210	45.89
3	501	1000	723589	2.54	1020	8.98
4	1001	5000	840155	2.95	432	3.81
5	5001	10000	209195	0.74	29	0.26
6	10001	100000	1381077	4.85	47	0.41
7	100001	99999999999	23685351	83.20	6	0.05
TOTAL			**28466464**	**100.00**	**11353**	**100.00**

Table No. 3 - Category-wise distribution as on 31st March, 2014

Sr. No.	Name of Security Holders	No. of Shareholders	No. of Shares held	% to capital
1	Promoter Companies	1	21349848	75.00
2	FIIs and OCBs	10	1989242	6.99
3	Banking / Financial Institutions / Insurance Companies	10	329834	1.16
4	Mutual Funds	11	10228	0.04
5	Bodies Corporate/Trusts	322	981272	3.45
6	Non-Resident Individuals	193	202713	0.71
7	Resident Individuals	10806	3603327	12.66
TOTAL		**11353**	**28466464**	**100.00**

Shareholding pattern as on 31st March, 2014

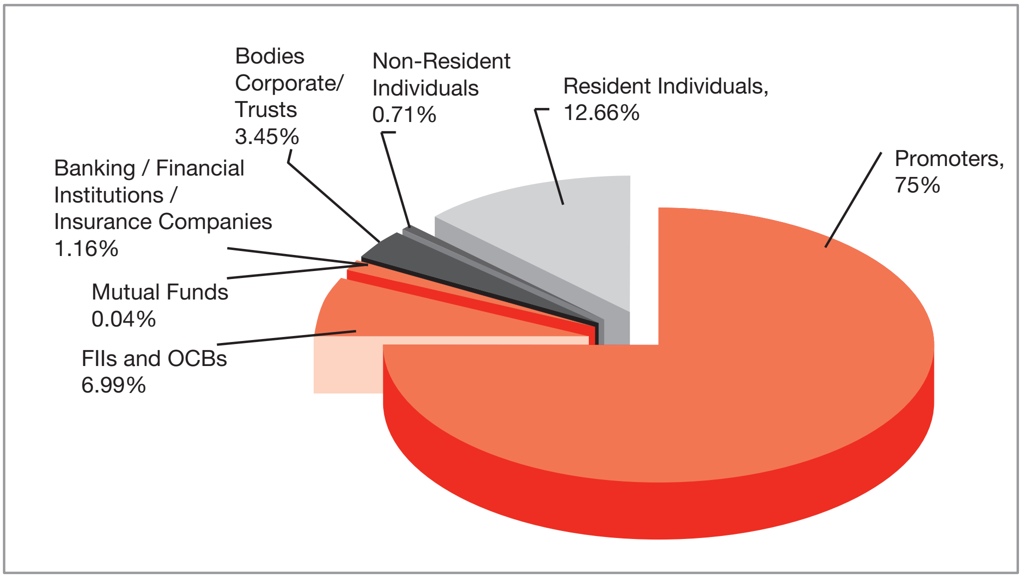


Table No. 4 - Dematerialization of shares and liquidity

Mode	No. of Shares	% of Total Shares	No. of Shareholders	% of Total Shareholders
Physical	587364	2.06	1934	17.04
Electronic	27879100	97.94	9419	82.96
TOTAL	**28466464**	**100.00**	**11353**	**100.00**

Sanjeev Verma
Whole Time Director
AGC Networks Limited

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of AGC Networks Limited
(CIN NO - L32200MH1986PLC040652)

We have examined the compliance of conditions of corporate governance by AGC Networks Limited (CIN NO - L32200MH1986PLC040652) , for the year ended on March 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For Mayekar & Associates
(Practicing Company Secretaries)

Sd/-
Jatin P. Patil
(Partner)
F.C.S – 7282
C.O.P – 7954

Place : Mumbai
Date : 30 May 2014

INDEPENDENT AUDITOR'S REPORT

To
The Members of AGC Networks Limited

Report on the Financial Statements

We have audited the accompanying financial statements of AGC Networks Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The Company has certain trade and other receivables aggregating to Rs. 85 million, which in our opinion are doubtful of recovery. Had the company recorded a provision for these receivables in the financial statements, the loss after tax for the year would have been higher by Rs. 85 million, trade and other receivables and reserves and surplus would have been lower by Rs. 85 million.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter described in the Basis for Qualified Opinion,* the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, *except for the possible effects of the matter stated in the basis for qualified opinion*, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Shyamsundar Pachisia
Partner
Membership Number: 49237

Place: Mumbai
Date: 30 May 2014

Annexure to the Independent Auditors' Report

Re: AGC Networks Limited

Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out during the year.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. However, *internal control system for purchases of inventory and sale of goods and services is inadequate since some of these were inappropriately recognised in earlier years and have been reversed in the current year. Except for the above*, during the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) (a) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including employees' state insurance, income-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it, except for profession tax and investor education and protection fund *where there has been slight delays in few cases*.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, *except investor education and protection fund which were outstanding, at the year end, for a period of more than six months from the date they become payable, are as follows:*

Name of the statute	Nature of dues	Amount (Rs. Millions)	Period to which the amount relates	Due Date	Date of Payment
Companies Act, 1956	Investor Education and Protection Fund	0.36	2005-2006	30-09-2013	21-05-2014

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. Millions)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Demands on account of incorrect duty credit / short payment	4.31	1991-92 to 1996-97	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Service tax on RTU activation and penalty thereon	3.52	2006-07 and 2007-08	Joint Commissioner of Central Excise
Finance Act, 1994	Service tax on RTU activation and penalty thereon	38.20	2003-04 to 2006-07	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Interest and Penalty on Service tax payable under reverse charge as a Recipient of Foreign Service	0.30	2005-06	Commissioner of Central Excise – Appeals
Finance Act, 1994	Service tax Demand on Royalty Payment	7.41	2004-05 to 2006-07	Commissioner of Central Excise & Service tax Appeals
The Customs Act, 1962	Demand of payment of Customs Duty on Royalty Payments	66.00	Various financial years	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Excise Duty on CT 3 Clearance and Incorrect Input Tax Credit of Service Tax paid on Foreign Service Provider	46.80	2003-04 to 2007-08	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demand along with penalty on excess CENVAT utilization	65.40	2004-05 to 2007-08	Commissioner of Central Excise
West Bengal Sales Tax Act, 1994	Interest on works Contract tax/Sales tax	0.29	2003-04, 2005-06 and 2006-07	Assistant Commissioner Commercial Taxes
Kerala Value Added Tax Act, 2003	Differential VAT rate demand	0.80	2008-09	Karnataka VAT Tribunal
Gujarat Value Added Tax Act, 2003	VAT & Interest payable on the basis of Regular Assessment	2.07	2008-09	Joint Commissioner Of Commercial Tax
Uttar Pradesh Value Added Tax Act, 2008	VAT & Interest payable on the basis of Regular Assessment	1.96	2008-09	Additional Commissioner – Appeals
Income Tax Act, 1961	Tax and Penalty on Deferred revenue treated as revenue based on Billing	120.81	2006-2007, 2008-2009, 2010-2011	CIT (Appeals)

(x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash loss during the year.* In the immediately preceding financial year, the Company had not incurred cash loss.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) *According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds amounting to Rs. 546 million raised on short term basis in the form of cash credit facility from banks have been used for long-term investment representing acquisition of fixed assets and funding of losses*.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we are not aware of any fraud on or by the Company noticed or reported during the year *except that the management of the Company has identified certain instances of inappropriate recognition of revenue and costs during the earlier years aggregating to Rs. 180 million and Rs. 36 million respectively which have been reversed during the current year.*

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per Shyamsundar Pachisia
Partner
Membership No.: 49237

Place: Mumbai
Date: 30 May 2014

Balance Sheet as at 31 March 2014

	Notes	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Equity and liabilities			
Shareholders' funds			
Share capital	3	285	285
Reserves and surplus	4	654	2,105
		939	**2,390**
Non-current liabilities			
Long-term borrowings	5.1	9	21
Other long-term liabilities	6	34	-
Long-term provisions	7	67	77
		110	**98**
Current liabilities			
Short-term borrowings	5.2	1,458	2,322
Trade payables	8	1,575	1,935
Other current liabilities	8	1,110	1,055
Short-term provisions	7	37	43
		4,180	**5,355**
TOTAL		**5,229**	**7,843**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	161	213
Intangible assets	10	25	12
Capital work-in-progress		25	0
Non-current investments	11	487	492
Trade receivables	16	25	-
Deferred tax assets (net)	12	-	-
Loans and advances	13	813	689
Other non-current assets	14	59	11
		1,595	**1,417**
Current assets			
Inventories	15	637	778
Trade receivables	16	1,688	3,169
Cash and bank balances	17	721	937
Loans and advances	13	525	1,465
Other current assets	14	63	77
		3,634	**6,426**
TOTAL		**5,229**	**7,843**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

Statement of Profit and Loss for the year ended 31 March 2014

	Notes	31 March 2014	31 March 2013
		₹ Millions	₹ Millions
Income			
Revenue from operations (gross)	18	3,063	5,976
Less: Excise duty	18	10	32
Revenue from operations (net)		**3,053**	**5,944**
Other income	19	185	421
Total revenue (I)		**3,238**	**6,365**
Expenses			
Cost of raw material and components consumed	20	44	227
Purchase of traded goods	21	1,625	3,142
(Increase) / decrease in inventories of finished goods, work-in progress and stock at customer site	21	28	(162)
Excise duty	18	1	1
Employee benefits expense	22	762	1,142
Depreciation and amortization expense	23	90	111
Finance costs	24	297	323
Other expenses	25	1,745	1,735
Exceptional items	26	95	-
Total expenses (II)		**4,687**	**6,519**
Profit / (Loss) before tax (I-II)		**(1,449)**	**(154)**
Tax expenses			
Current tax		2	-
Short / (Excess) provision of tax for earlier years		-	(47)
Deferred tax		-	125
Total tax expense		**2**	**78**
Profit / (Loss) for the year		**(1,451)**	**(232)**
Earnings per equity share [nominal value of share ₹ 10 (31 March 2013 : ₹ 10)]	27		
Basic and diluted earning per share (in ₹)		(50.97)	(8.16)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

Cash Flow Statement for the year ended 31 March 2014

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Cash flow from operating activities		
Profit / (Loss) before tax	**(1,449)**	**(154)**
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation / amortization	90	111
Loss / (profit) on sale of fixed assets	0	(0)
Provision for warranties	(5)	(5)
Provision for doubtful debts and advances	235	97
Liabilities for earlier years no longer required written back	(35)	(50)
Unrealized foreign exchange loss / (gain)	34	(35)
Net (gain) / loss on sale of current investments	-	(263)
Interest expense	297	323
Interest income	(185)	(158)
Exceptional items	95	-
Operating profit before working capital changes	**(923)**	**(134)**
Movements in working capital :		
Increase / (decrease) in trade payables	(436)	491
Increase / (decrease) in long-term provisions	(10)	31
Increase / (decrease) in short-term provisions	(1)	5
Increase / (decrease) in other current liabilities	92	201
Increase / (decrease) in other long-term liabilities	34	(40)
Decrease / (increase) in trade receivables (current)	1,320	(600)
Decrease / (increase) in trade receivables (non-current)	(25)	-
Decrease / (increase) in inventories	31	(172)
Decrease / (increase) in long-term loans and advances	(4)	(48)
Decrease / (increase) in short-term loans and advances	919	(181)
Decrease / (increase) in other non-current assets	(47)	(4)
Cash generated from / (used in) operations	950	(451)
Direct taxes paid (net of refunds)	(122)	(142)
Net cash flow from / (used in) operating activities (A)	**828**	**(593)**
Cash flows from investing activities		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(80)	(68)
Proceeds from sale of fixed assets	5	7
Proceeds from sale of unquoted equity instruments	5	168
Investments in unquoted equity instrument in wholly owned subsidiary	-	(272)
Investment in margin money deposits	120	(498)
Redemption / maturity of Inter Corporate Deposits	0	200
Interest received	199	104
Net cash flow from / (used in) investing activities (B)	**249**	**(359)**

Cash Flow Statement for the year ended 31 March 2014

		31 March 2014	31 March 2013
		₹ Millions	₹ Millions
Cash flows from financing activities			
Proceeds/(Repayment) from long-term borrowings		(12)	33
Proceeds/(Repayment) from short-term borrowings		(863)	1,434
Interest paid		(299)	(318)
Dividend paid on equity shares		-	(213)
Tax on equity dividend paid		-	(35)
Net cash flow from / (used in) in financing activities (C)		**(1,174)**	**901**
Net increase / (decrease) in cash and cash equivalents (A + B + C)		**(97)**	**(51)**
Effect of exchange differences on cash and cash equivalents held in foreign currency		-	4
Cash and cash equivalents at the beginning of the year		133	180
Cash and cash equivalents at the end of the year		**36**	**133**
Components of cash and cash equivalents			
Cash on hand		0	0
Cheques / drafts on hand		4	65
With banks- on current account		28	63
- unpaid dividend accounts*		4	5
Total cash and cash equivalents (note 17)		**36**	**133**
Summary of significant accounting policies	2.1		

*The Company can utilize these balances only towards settlement of the respective unpaid dividend liabilities.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

Notes to Financial Statements for the year ended 31 March 2014

1. Corporate information

AGC Networks Limited ('the Company') or 'AGC' is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing, trading and integrating network solutions and selling reputed brand of Video Conference, Voice and Data Products. The Company caters to both domestic and international markets. The Company also provides annual maintenance service for telecom, networking and electronic products.

2. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 (the 'Act'), read with General Circular 8/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs. The financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made. The accounting policies adopted in preparation of financial statements are consistent with those used in the previous year.

2.1 Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets and liabilities in future periods.

(b) Tangible assets

Tangible assets are stated at cost of acquisition or construction, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(c) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on straight-line basis using the rates arrived at based on useful life estimated by the management, or those prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher. The Company depreciates its assets over the useful lives as detailed below:

Assets	No. of Years
Buildings	20 years
Plant and Equipment	3 to 5 years
Furniture and Fixtures	5 years
Office Equipments	3 to 5 years
Computers	4 years
Vehicles	4 years
Electrical Installations	5 years

Cost of leasehold land is amortised over the period of lease (generally 99 years).
Assets purchased specifically for projects are depreciated over the life of the projects.

Notes to Financial Statements for the year ended 31 March 2014

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized on a straight line basis over the estimated useful economic life. The amortization period and the amortization method are reviewed at least at each financial year end. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

A summary of amortization policies applied to the company's intangible assets is as below:

Assets	No. of Years
Computer Softwares	4 years

(e) Impairment of tangible and intangible assets

The carrying amounts of tangible assets are reviewed at each reporting date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(f) Investments

Recognition and Measurement

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

Presentation and Disclosure

Investments, which are readily realizable and intended to be held for not more than one year from the balance sheet date are classified as current investments. All other investments are classified as long-term investments.

(g) Inventories

Inventories are valued at cost or net realisable value, whichever is lower. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and finished goods, cost also includes costs of conversion.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(h) Provisions

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provision for warranties

Provisions for warranty-related costs are recognized when the product is sold or service provided. Provision is based on historical experience. The estimate of such warranty-related costs is revised annually.

(i) Foreign currency translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.
2. All other exchange differences are recognized as income or as expenses in the period in which they arise.

(j) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sale of product is recognized when the significant risk and rewards of ownership and title of the product is transferred to the buyer which generally coincides with delivery. Sales include excise duty but excludes sales tax.

The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services

1. Services including "installation and commissioning" related to products supplied or on a stand-alone basis are recognized based on proportionate completion method where revenue is recognized proportionately with the degree of completion of services. The purchase price of the products and services sold directly typically includes a warranty for a period up to one year.
2. Revenue from maintenance contracts are recognized pro-rata over the period of the contract as and when services are rendered.
3. Service Income is recognized on performance of the services as defined in the contractual terms.

Notes to Financial Statements for the year ended 31 March 2014

4. Service Income of a periodic nature which is not accrued during the year is disclosed as Unearned Revenue.
5. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head “ Other income “ in the statement of profit and loss.

Other Income

Other income is accounted on accrual basis except where receipt of income is uncertain.

(k) Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that can be realised against future taxable profits.

At each reporting date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(l) Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(m) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates one defined benefit plan for its employees, viz., gratuity. The costs of providing benefit under this plan is determined on the basis of actuarial valuation at each year-end. Actuarial valuation is carried

Notes to Financial Statements for the year ended 31 March 2014

out using the projected unit credit method. Actuarial gains and losses for defined benefit plan is recognized in full in the period in which it occurs in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

(n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(o) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(p) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(q) Segment reporting

Identification of segments

The Company operates in single segment as Technology and Network Solution Integrator. The analysis of geographical segments is based on the areas in which major operating divisions of the company operate.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Notes to Financial Statements for the year ended 31 March 2014

3. Share capital

	31 March 2014	31 March 2013
Authorised shares	**₹ Millions**	**₹ Millions**
3,00,00,000 (31 March 2013: 3,00,00,000) equity shares of ₹ 10 / - each	300	300
10,00,000 (31 March 2013: 10,00,000) cumulative redeemable preference shares of ₹ 100/- each	100	100
Issued, subscribed and fully paid-up shares		
2,84,66,464 (31 March 2013: 2,84,66,464) equity shares of ₹ 10/- each fully paid up	285	285
Total issued, subscribed and fully paid-up share capital	**285**	**285**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	31 March 2014		31 March 2013	
	No. of shares	**₹ Millions**	**No. of shares**	**₹ Millions**
At the beginning of the period	28,466,464	285	14,233,232	142
Issued during the period - Bonus issue	-	-	14,233,232	143
Outstanding at the end of the period	**28,466,464**	**285**	**28,466,464**	**285**

During the previous year, the Company had allotted 14,233,232 Bonus shares in the proportion of 1:1. One new equity bonus share of ₹ 10/- each was issued for every 1 existing equity share of ₹ 10/- each fully paid-up by capitalization of Securities premium account, based on shareholders' approval.

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below:

Name of shareholder	31 March 2014	31 March 2013
	₹ Millions	**₹ Millions**
Essar Telecom Limited (Holding Company w.e.f. 28 March 2014)		
21,349,848 (31 March 2013 : Nil) equity shares of ₹ 10 each fully paid	213	-
Aegis Limited, (Holding Company upto 28 February 2014)		
Nil (31 March 2013 : 21,349,848) equity shares of ₹ 10 each fully paid	-	213

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

	31 March 2014	31 March 2013
	No. of shares	**No. of shares**
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	14,233,232	14,233,232

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	No. of shares	**% holding in the class**	**No. of shares**	**% holding in the class**
Equity shares of ₹ 10 each fully paid				
Essar Telecom Limited (Holding Company w.e.f. 28 March 2014)	21,349,848	75.00%	-	-
Aegis Limited, (Holding Company upto 28 February 2014)	-	-	21,349,848	75.00%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Notes to Financial Statements for the year ended 31 March 2014

4. Reserves and surplus

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Capital reserve		
Balance as per the last financial statements	**226**	**226**
Securities premium account		
Balance as per the last financial statements	321	463
Less: Amounts utilized towards issue of fully paid bonus shares	-	142
Closing Balance	**321**	**321**
General reserve		
Balance as per the last financial statements	**1,006**	**1,006**
Surplus in the statement of profit and loss		
Balance as per last financial statements	552	784
Loss for the year	(1,451)	(232)
Net surplus / (deficit) in the statement of profit and loss	**(899)**	**552**
Total reserves and surplus	**654**	**2,105**

5.1. Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Term loan				
Loan from Cisco Systems Capital (I) Private Ltd (Unsecured)*	9	21	12	12
	9	**21**	**12**	**12**
The above amount includes				
Unsecured borrowings	9	21	12	12
Amount disclosed under the head "other current liabilities" (note 8)	-	-	(12)	(12)
Net amount	**9**	**21**	**-**	**-**

* Interest free loan from Cisco Systems Capital (I) Private Ltd. is repayable in 12 quarterly installments of ₹ 3 Million each starting from 14 February 2013.

Notes to Financial Statements for the year ended 31 March 2014

5.2. Short-term borrowings

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Cash credit from banks (Secured)	1,458	1,560
Buyers credit from banks (Secured)	-	362
Indian Rupee Term loan from bank (Secured)	-	400
	1,458	**2,322**
The above amount includes		
Secured borrowings	1,458	2,322
Unsecured borrowings	-	-

Cash credit and buyers credit from banks is secured by first exclusive charge on entire current assets of the Company (present and future) including stocks of raw material, WIP, finished goods, book debts, insurances, etc. and by second charge on all moveable fixed assets of the Company. The cash credit is repayable on demand and carries average interest @ 13.5% p.a.. Buyers credit is repayable on due date.

6. Other long-term liabilities

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Unearned revenue	34	-
	34	**-**

7. Provisions

	Long- term		Short- term	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Provision for employee benefits				
Provision for gratuity (note 28)	35	30	-	-
Provision for leave benefits	32	47	3	4
	67	**77**	**3**	**4**
Other provisions				
Provision for warranties	-	-	5	10
Provision for tax	-	-	29	29
	-	-	34	39
	67	**77**	**37**	**43**

Provision for warranties

A provision is recognized for expected warranty claims on products sold during the last one year, based on past experience of the level of repairs and returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within a year after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold. The table below gives information about movement in warranty provisions.

Notes to Financial Statements for the year ended 31 March 2014

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
At the beginning of the year	10	15
Arising during the year	5	10
Utilized during the year	-	-
Unused amounts reversed	(10)	(15)
At the end of the year	**5**	**10**
Current portion	**5**	**10**
Non-current portion	**-**	**-**

8. Other current liabilities

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Trade payables (including acceptances) (refer note no. 36 for details of dues for micro and small enterprises)	1,575	1,935
Other liabilities		
Current maturities of long-term borrowings (note 5.1)	12	12
Interest accrued but not due on borrowings	4	5
Accrued expenses	325	306
Unearned revenue on AMC Services	107	56
Unearned revenue on Others	435	112
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	4	5
Advances from customers	98	282
Statutory Dues Payable	12	37
TDS payable	24	68
Other current liabilities	89	172
	1,110	**1,055**
	2,685	**2,990**

Notes to Financial Statements for the year ended 31 March 2014

9. Tangible assets

₹ Millions

	Leasehold Land	Freehold Land	Buildings	Plant and equipment	Computers	Electrical Installations	Furniture and fixtures	Office Equipments	Vehicles	Total
Cost or valuation										
At 01 April 2012	4	1	32	376	122	29	47	145	3	759
Additions	-	-	-	55	9	1	1	2	-	68
Disposals	-	-	-	6	25	4	5	6	1	47
At 31 March 2013	**4**	**1**	**32**	**425**	**106**	**26**	**43**	**141**	**2**	**780**
Additions	-	-	-	35	1	0	1	1	-	38
Disposals	-	-	-	4	24	4	1	12	-	45
At 31 March 2014	**4**	**1**	**32**	**456**	**83**	**22**	**43**	**130**	**2**	**773**
Depreciation										
At 01 April 2012	1	-	21	217	104	18	23	120	2	506
Charge for the year	0	-	1	71	8	4	7	10	0	101
Disposals	-	-	-	6	18	4	5	6	1	40
At 31 March 2013	**1**	**-**	**22**	**282**	**94**	**18**	**25**	**124**	**1**	**567**
Charge for the year	0	-	1	65	4	2	6	6	0	84
Disposals	-	-	-	3	23	3	1	11	-	41
Other adjustments	-	-	-	2	-	-	-	-	-	2
At 31 March 2014	**1**	**-**	**23**	**346**	**75**	**17**	**30**	**119**	**1**	**612**
Net Block										
At 31 March 2013	**3**	**1**	**10**	**143**	**12**	**8**	**18**	**17**	**1**	**213**
At 31 March 2014	**3**	**1**	**9**	**110**	**8**	**5**	**13**	**11**	**1**	**161**

Building includes those constructed on leasehold land.

Notes to Financial Statements for the year ended 31 March 2014

10. Intangible assets

₹ Millions

	Computer Software	Total
Gross Block		
At 01 April 2012	109	109
Purchases	-	-
At 31 March 2013	**109**	**109**
Purchases	17	17
Disposals	6	6
At 31 March 2014	**120**	**120**
Amortization		
At 01 April 2012	87	87
Charge for the year	10	10
At 31 March 2013	**97**	**97**
Charge for the year	6	6
Disposals	6	6
Other adjustments	(2)	(2)
At 31 March 2014	**95**	**95**
Net Block		
At 31 March 2013	**12**	**12**
At 31 March 2014	**25**	**25**

11. Investments

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Trade investments (valued at cost unless stated otherwise)				
Unquoted equity instruments				
Investment in subsidiaries				
100 (31 March 2013: 100) ordinary shares of SGD 1 each, 4 (31 March 2013 : 4) ordinary shares of SGD 481,111 each, 10 (31 March 2013 : 10) ordinary shares of SGD 607,870 each fully paid-up in AGC Networks Pte. Ltd.	342	342	-	-
42,24,993 (31 March 2013: 42,24,993) equity shares of AUD 1 each fully paid-up in AGC Networks Australia Pty. Limited	145	145	-	-
	487	**487**	**-**	**-**
Non-trade investments (valued at cost unless stated otherwise)				
Government and trust securities (unquoted)				
Investment in Rural Electrification Corporation Limited Bonds	-	5	-	-
	-	**5**	**-**	**-**
	487	**492**	**-**	**-**
Aggregate amount of unquoted investments	487	492	-	-

12. Deferred tax assets (net)

The Company has not created deferred tax assets as it has incurred losses in the current year and there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Notes to Financial Statements for the year ended 31 March 2014

13. Loans and advances

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Capital advances				
Unsecured, considered good	0	0	-	-
	0	**0**	**-**	**-**
Deposits				
Unsecured, considered good	40	36	31	36
	40	**36**	**31**	**36**
Loan and advances to related parties (refer note 31)				
Unsecured, considered good	27	27	189	1,034
	27	**27**	**189**	**1,034**
Advances recoverable in cash or kind				
Unsecured, considered good	34	20	148	239
	34	**20**	**148**	**239**
Other loans and advances				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	702	582	-	-
Prepaid expenses	10	24	80	98
Balances with statutory / government authorities	-	-	77	58
	712	**606**	**157**	**156**
	813	**689**	**525**	**1,465**

14. Other assets

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 17)	**59**	**11**	**-**	**-**
Others				
Interest accrued on fixed deposits	-	0	63	41
Interest accrued on investments	-	0	-	-
Interest accrued on others	-	-	-	36
	-	**0**	**63**	**77**
	59	**11**	**63**	**77**

15. Inventories (valued at lower of cost and net realizable value)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Raw materials and components (includes in transit of ₹ 8 Millions (31 March 2013: ₹ 9 Millions)) (refer note 20)	10	13
Work-in-progress (refer note 21)	51	60
Traded goods (including stock-in-transit of ₹ 3 Millions (31 March 2013: ₹ 6 Millions)) (refer note 21)	190	517
Traded goods - Stock at Customer site (pertaining to unearned revenue) (refer note 21)	386	188
	637	**778**

Notes to Financial Statements for the year ended 31 March 2014

16. Trade receivables

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Non-current		
Unsecured, considered good	25	-
	25	**-**
Current		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	254	816
Doubtful	284	227
	538	**1,043**
Provision for doubtful receivables	284	227
	254	**816**
Other receivables		
Unsecured, considered good	1,434	2,353
Doubtful	75	-
	1,509	**2,353**
Provision for doubtful receivables	75	-
	1,434	**2,353**
	1,688	**3,169**

17. Cash and bank balances

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	28	63
– On unpaid dividend account	-	-	4	5
Cheques / drafts on hand	-	-	4	65
Cash on hand	-	-	0	0
	-	**-**	**36**	**133**
Other bank balances				
Margin money deposit*	59	11	685	804
	59	**11**	**685**	**804**
	59	**11**	**721**	**937**
Amount disclosed under other non-current assets (note 14)	**(59)**	**(11)**	**-**	**-**
	-	**-**	**721**	**937**

***Margin money deposits given as security**

Margin money deposits with a carrying amount of ₹ 59 Millions (31 March 2013 : ₹ 11 Millions) are given against bank guarantees issued.

Fixed Deposits with a carrying amount of ₹ 685 Millions (31 March 2013 : ₹ 804 Millions) are given as security against cash credit facility.

It includes deposit with the original maturity of less than 12 months which is rolled over till the maturity of the bank guarantee.

Notes to Financial Statements for the year ended 31 March 2014

18. Revenue from operations

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Revenue from operations		
Sale of products		
- Finished goods	97	306
- Traded goods	1,737	3,377
Sale of services	1,192	2,227
	3,026	5,910
Other operating revenue		
Liabilities for earlier years no longer required written back	35	50
Other miscellaneous income	2	16
Revenue from operations (gross) (refer note 1 below)	**3,063**	**5,976**
Less: Excise duty #	10	32
Revenue from operations (net)	**3,053**	**5,944**

Note : During the year, the Company has reversed the sales pertaining to earlier years aggregating to ₹ 180 Millions (31 March 2013 : ₹ Nil Million)

Excise duty on sales amounting to ₹ 10 Millions (31 March 2013 : ₹ 32 Millions) has been reduced from sales in the statement of profit and loss account and excise duty on increase/decrease in stock amounting to ₹ 1 Million (31 March 2013 : ₹ 1 Million) has been considered as expense in the statement of profit and loss.

Detail of products sold

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Finished goods sold		
Enterprise Communication and Solution Integration	97	306
	97	**306**
Traded goods sold		
Enterprise Communication and Solution Integration	1,737	3,377
	1,737	**3,377**
	1,834	**3,683**

Detail of services rendered

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Maintenance services	760	1,677
Implementation services	432	550
	1,192	**2,227**

19. Other income

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Interest income on		
Bank deposits	79	83
Long-term investments	0	0
Inter-Corporate Deposits	10	23
Interest received on Income Tax refund	10	15
Others	86	37
Profit on sale of fixed assets	-	0
Net gain on sale of current investments	-	263
	185	**421**

Notes to Financial Statements for the year ended 31 March 2014

20. Cost of raw material and components consumed

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Inventory at the beginning of the year	13	3
Add: Purchases	41	237
	54	240
Less: Inventory at the end of the year	10	13
Cost of raw material and components consumed	**44**	**227**

Details of raw material and components consumed

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Printed circuit boards	24	105
Static converters	2	7
Cabinet	14	47
Peripherals	2	5
Others	2	63
	44	**227**

21. (Increase) / decrease in inventories

	31 March 2014	31 March 2013	(Increase) / decrease
	₹ Millions	₹ Millions	₹ Millions
Inventories at the end of the year			31 March 2014
Traded goods	190	517	327
Stocks at Customer sites	386	188	(198)
Work-in-progress	51	60	9
	627	**765**	**138**
Exceptional items (refer note 26)			(110)
			28
Inventories at the beginning of the year			31 March 2013
Traded goods	517	394	(123)
Stocks at Customer sites	188	165	(23)
Work-in-progress	60	44	(16)
	765	**603**	**(162)**
	138	**(162)**	
Exceptional items (refer note 26)	(110)	-	
	28	**(162)**	

Details of inventory

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Traded goods and stock at customer site		
Enterprise Communication and Solution Integration	576	705
	576	**705**
Work-in-progress		
Enterprise Communication and Solution Integration	51	60
	51	**60**
	627	**765**
Details of Purchase of Traded goods		
Enterprise Communication and Solution Integration	1,625	3,142
	1,625	**3,142**

Notes to Financial Statements for the year ended 31 March 2014

22. Employee benefits expense

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Salaries, wages and bonus	723	1,054
Contribution to provident and other funds	11	15
Gratuity expenses (refer note 28)	5	18
Staff welfare expenses	23	55
	762	**1,142**

23. Depreciation and amortization expense

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Depreciation of tangible assets	84	101
Amortization of intangible assets	6	10
	90	**111**

24. Finance costs

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Interest and other charges	297	323
	297	**323**

25. Other expenses

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Service charges	855	998
Installation and commissioning expenses	25	36
	880	1,034
Consumption of stores and spares	0	1
Power and water charges	20	19
Rent	123	123
Rates and taxes	23	16
Insurance	10	13
Repairs and maintenance:		
- Plant and Machinery	-	1
- Other	54	50
Travelling and conveyance	130	179
Telephone, telex and fax	26	39
Printing and stationery	2	5
Legal and professional fees	15	21
Advertisement and sales promotion	5	17
Outward freight, clearing and forwarding charges	21	32
Commission to others	17	12

Notes to Financial Statements for the year ended 31 March 2014

25. Other expenses (Contd)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Directors' sitting fees	1	1
Payment to auditor (refer details below)	8	7
Exchange differences (net)	138	25
Provision for doubtful debts and advances	235	97
Loss on sale of fixed assets (net)	0	-
Other expenses	37	43
	1,745	**1,735**

Payment to auditor

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
As auditor:		
Audit fee	5	4
Limited review	2	2
In other capacity:		
Other services (certification fees)	1	1
Reimbursement of expenses	0	0
	8	**7**

26. Exceptional items

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Obsolete/slow moving/non-moving Inventory (refer note a below)	110	-
Earlier year expense provision (refer note b below)	54	-
Reversal of provision for doubtful debts on sale of trade receivable (refer note c below)	(69)	-
	95	-

Notes:

a) During the year, the Company has made provision for identified obsolete/slow moving/non-moving inventories aggregating to ₹ 110 Millions.

b) During the year, the Company has provided the amounts arising out of vendor reconciliations aggregating to ₹ 54 Millions pertaining to earlier years.

c) During the year, the Company entered into an agreement with a group company, whereby it sold certain trade receivables totaling to ₹ 178 Millions at a discounted value for cash consideration of ₹ 145 Millions on a fully non-recourse basis. Of the total receivables sold, ₹ 102 Millions represented old overdue balances for which the Company had previously recorded an allowance for doubtful debts. Accordingly the Company has reversed the doubtful debt provision and recorded ₹ 69 Millions (net of discount of ₹ 33 Millions) as an exceptional item in the financial statements.

Notes to Financial Statements for the year ended 31 March 2014

27. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Total operations for the year from continuing operations		
Net loss for calculation of basic and diluted EPS	(1,451)	(232)
	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic and diluted EPS	28,466,464	28,466,464
Basic and diluted earnings per share (in ₹)	**(50.97)**	**(8.16)**
Nominal Value per share (in ₹)	10.00	10.00

28. Employee benefits plan

(a) Defined contribution plan - The Company has recognised the following amount in the statement of profit and loss for the year ended:

Particulars	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Contribution to provident fund	11	15

Above amount has been included in the line item 'Contribution to provident and other funds' in note 22 to the financial statements.

(b) Defined benefit plan - The Company has one defined plan, i.e. Gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Gratuity	
	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Current service cost	11	9
Interest cost on benefit obligation	4	4
Expected return on plan assets	(2)	(3)
Net actuarial (gain) / loss recognized in the year	(6)	8
Acquisition / business combination	(2)	-
Net benefit expense	**5**	**18**

Balance sheet

Benefit asset / liability

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Present value of defined benefit obligation	45	58
Fair value of plan assets	10	28
Funded status [surplus / (deficit)]	(35)	(30)
Plan asset / (liability)	**(35)**	**(30)**

Notes to Financial Statements for the year ended 31 March 2014

28. Employee benefits plan (Contd.)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Opening defined benefit obligation	58	48
Current service cost	11	9
Interest cost	4	4
Benefits paid	(20)	(11)
Acquisition Cost / (Credits)	(2)	-
Actuarial (gains) / losses on obligation	(6)	8
Closing defined benefit obligation	**45**	**58**

Changes in the fair value of plan assets are as follows:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Opening fair value of plan assets	28	36
Expected return	2	3
Contributions by employer	-	-
Benefits paid	(20)	(11)
Actuarial gains / (losses)	(0)	-
Closing fair value of plan assets	**10**	**28**

The Company expects to contribute ₹ Nil to gratuity in the next year (31 March 2013 : ₹ Nil).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity	
	31 March 2014	31 March 2013
Investments with insurer	100%	100%

Following are the principal assumptions used as at the Balance Sheet date:

	Gratuity	
	31 March 2014	31 March 2013
Discount rate	9.20%	8.20%
Expected rate of return on assets	8.50%	8.50%
Salary escalation rate	7.00%	6.00%
Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate
Withdrawal rate	Upto age 26 years 5%	Upto age 26 years 0.10%
	Upto age 27-34 years 12%	Upto age 27-34 years 2.50%
	Upto age 35-44 years 5%	Upto age 35-44 years 6.50%
	Above age 44 years 1%	Upto age 45-54 years 1.50%
		Above age 54 years 0.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

Notes to Financial Statements for the year ended 31 March 2014

28. Employee benefits plan (Contd.)

Amounts for the current and previous four periods are as follows:

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	30 September 2010
	₹ Millions	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Gratuity					
Defined benefit obligation	45	58	48	65	53
Plan assets	10	28	36	52	53
Deficit/(surplus)	35	30	12	13	-
Present value of unfunded obligations	35	30	12	13	-
Experience adjustments on plan liabilities	4	(7)	(10)	-	-
Experience adjustments on plan assets	-	-	1	-	-
Actuarial gain / (loss) due to change in assumptions	2	(1)	-	-	-

29. Leases

Operating lease: company as lessee

The Company has entered into various leasing agreement classified as operating leases for residential, office, warehouse premises and vehicles which are renewable by mutual consent on mutually agreeable terms. These agreement generally range between 11 months to 5 years. The Company does not have sub-leasing agreements. Lease payments are recognised in the statement of profit and loss under 'Rent' in note 25.

The future minimum lease payments under non-cancellable operating leases are:-

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Within one year	71	76
After one year but not more than five years	44	113

30. Segment information

The Company operates as technology and network solution integrators and thus there is only one business segment i.e., technology and networks solution. All the fixed assets are lying in India and the Company operates its facilities from India, hence there is one geographical segment viz. India.

Notes to Financial Statements for the year ended 31 March 2014

31. Related party disclosures

Names of related parties and related party relationship

Related parties where control exists

Holding company	Essar Telecom Limited (Subsidiary of Essar Global Fund Limited) (w.e.f. 28 March 2014) Aegis Limited (upto 28 February 2014)
Ultimate holding company	Essar Global Fund Limited
Subsidiaries	AGC Networks Australia Pty. Limited AGC Networks Pte. Ltd. AGC Networks Inc.

Related parties with whom transactions have taken place

Fellow subsidiaries	Aegis Tech Limited Actionline De Argentina S.A. Aegis Communication Group LLC Aegis Services Australia Pty Ltd Aegis Services Philippines Inc. Aegis Aspire Consultancy Services Ltd Aegis BPO (Costa Rica) SRL Aegis Outsourcing UK Ltd Global Vantedge Private Limited Equinox Business Parks Pvt Limited Essar Oil Limited Essar Projects (India) Limited Essar Power (Orissa) Limited Essar Bulk Terminal (Salaya) Limited Essar Steel India Limited Essar Telecom Kenya Limited Essar Power Transmission Company Limited Vadinar Power Company Limited
Key management personnel	Mr. S. K. Jha - Managing Director (upto 22 April 2014)

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

a. Remuneration to key managerial personnel

	31 March 2014	31 March 2013
	₹ Millions	**₹ Millions**
Mr. S. K. Jha - Managing Director		
Salary, bonus and contribution to P. F.	32	20
Payable	11	4

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

Notes to Financial Statements for the year ended 31 March 2014

b. Transactions and Balances with Related Parties

₹ Millions

	Year ended	Sale of goods (Based on Invoicing)	Sale of services (Based on invoicing)	Purchase of traded goods	Services received	Interest received/ receivable	Expenses reim-bursement received	Investment purchased	Loans & advances and other assets	Investment made	Investment sold	Sale of Investment to	Profit on Sale of Investment	Inter-Corporate Deposits withdrawn	Trade receivables	Amount owed to related parties*
Holding and ultimate holding companies																
Aegis Limited	31 March 14	14	6	-	83	10	-	-	-	-	-	-	-	648	5	37
	31 March 13	48	126	4	78	-	-	-	2	-	800	-	-	-	-	248
Subsidiaries																
AGC Networks Australia Pty. Limited	31 March 14	1	1	-	-	-	-	-	-	-	-	-	-	-	-	0
	31 March 13	-	2	-	-	-	-	-	-	145	-	-	-	-	-	-
AGC Networks Pte. Ltd.	31 March 14	-	2	54	2	-	25	-	25	-	-	-	-	-	2	95
	31 March 13	-	0	17	-	-	139	342	128	342	-	-	-	-	25	156
AGC Networks Inc.	31 March 14	-	2	1	0	-	-	-	9	-	-	-	-	-	-	24
	31 March 13	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Fellow subsidiaries																
Aegis Tech Limited	31 March 14	-	-	-	-	121	-	-	-	-	-	-	-	-	-	-
	31 March 13	-	-	20	-	36	-	-	931	-	-	1,063	263	-	-	41
Actionline De Argentina S.A.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
Aegis Communication Group LLC	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
	31 March 13	-	17	-	-	-	-	-	-	-	-	-	-	-	20	14
Aegis Services Australia Pty Ltd.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	95	-	-	-	-	-	-	-	-	-	-	-	-	1	25
Aegis Services Philippines Inc	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Global Vantedge Private Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	-	-	-	-	23	-	-	-	-	-	-	-	200	-	-
Aegis BPO (Costa Rica) SRL	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aegis Outsourcing UK Ltd	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	9	-
	31 March 13	8	-	-	-	-	-	-	-	-	-	-	-	-	8	-
Aegis Aspire Consultancy Services Ltd	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	31 March 13	-	-	-	0	-	-	-	-	-	-	-	-	-	-	0
Equinox Business Parks Pvt Limited	31 March 14	-	-	-	71	-	-	-	169	-	-	-	-	-	-	11
	31 March 13	6	-	-	59	-	-	-	28	-	-	-	-	-	-	-
Essar Oil Limited	31 March 14	8	1	-	-	-	-	-	-	-	-	-	-	-	9	-
	31 March 13	11	2	-	-	-	-	-	-	-	-	-	-	-	6	-

b. Transactions and Balances with Related Parties

₹ Millions

	Year ended	Sale of goods (Based on Invoicing)	Sale of services (Based on invoicing)	Purchase of traded goods	Services received	Interest received/ receivable	Expenses reim-bursement received	Investment purchased	Loans & advances and other assets	Investment made	Investment sold	Sale of Investment to	Profit on Sale of Investment	Inter-Corporate Deposits withdrawn	Trade receivables	Amount owed to related parties*
Essar Bulk Terminal (Salaya) Limited	31 March 14	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Essar Power (Orissa) Ltd.	31 March 14	0	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Essar Power Transmission Company Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	0	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Essar Projects (India) Limited	31 March 14	-	-	-	-	-	-	-	13	-	-	-	-	-	8	-
	31 March 13	3	-	-	-	-	-	-	8	-	-	-	-	-	8	-
Essar Steel India Limited	31 March 14	0	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	31 March 13	8	2	-	-	-	-	-	-	-	-	-	-	-	1	-
Essar Telecom Kenya Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Vadinar Power Company Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* These amounts includes trade payables, other liabilities and advance from customers.

Notes to Financial Statements for the year ended 31 March 2014

32. Capital and other commitments

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 1 Million (31 March 2013: ₹ Nil Million)

(b) For commitments relating to lease arrangements, please refer note 29.

33. Remuneration to Managing Director

Approval from the Central Government of India is awaited for the amount of ₹ 5 Millions paid/payable to the Managing Director of the Company for the period ended 31 March 2011 in excess of the limits specified under the Companies Act, 1956. The Company had filed the application on 20 May 2011.

34. Contingent liabilities

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Contingent liabilities		
I. In respect of disputed demands of:		
(a) Income tax authorities (refer note (i) below)	262	194
(b) Excise and Customs authorities (refer note (ii) below)	237	242
(c) Sales tax matters (refer note (iii) below)	14	16
II. Corporate Guarantee The Company has given a corporate guarantee of USD 18 Millions equivalent to ₹ 1,082 Millions (31 March 2013 : Nil Millions) towards the financial obligation of M/s AGC Networks Pte. Limited, Singapore.	1,082	-
III. Claims against the Company not acknowledge as debt	10	10

(i) Income tax:

The demand is raised mainly on deferred profit due to change in revenue recognition policy and other cases for the assessment years 2005-06 till 2010-11 for ₹ 262 Millions (31 March 2013 ₹ 194 Millions). This is a timing difference liability and appeal is filed before Commissioner of appeals and other adjudicating authorities as required.

(ii) Excise, Service tax and Customs:

The amount is reported as contingent liability as an abundant caution for :

₹ 67 Millions (31 March 2013 ₹ 67 Millions) for applicability of Custom duty on royalty remittance, appeal is filed by the Customs department with CESTAT, the order from the lower authority is issued in favour of the Company.

₹ 7 Millions (31 March 2013 ₹ 7 Millions) for demand of Service tax on Royalty payments, the matter is pending before the Commissioner Appeals.

₹ 4 Millions (31 March 2013 ₹ 4 Millions) for Service tax Demand on RTU Charges, the matter is remanded back by Commissioner Appeals for fresh adjudication.

₹ 0 Million (31 March 2013 ₹ 5 Millions) related to Excise duty demand on sales of Software. The Company has filed appeal before CESTAT.

₹ 42 Millions (31 March 2013 ₹ 42 Millions) for Service tax Demand on RTU Charges, the matter is pending before the CESTAT.

₹ 47 Millions (31 March 2013 ₹ 47 Millions), related to order passed by Commissioner of Central Excise towards excise duty on CT3 cases and incorrect input tax credit of service tax paid on foreign service providers for the matter is pending before CESTAT.

₹ 70 Millions (31 March 2013 ₹ 70 Millions), related to incorrect utilization of Input Credit of Service tax, the CESTAT has remanded back the matter to the Commissioner for fresh adjudication.

(iii) Sales tax:

This represents ₹ 8 Millions (31 March 2013 ₹ 8 Millions) on account of non-receipt of ‘F’ form which is out of abundant precaution. ‘F’ forms are to be received from Company’s own branches. Balance amount of ₹ 6 Millions (31 March 2013 ₹ 8 Millions) is sales tax liability in the state of Kerala, West Bengal, Uttar Pradesh and Gujarat against which the Company has filed appeal before competent authority.

The Company is contesting all of the above demands in respect of Income tax, Excise, Service tax, Custom duty and Sales tax and the management, believe that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of operations and hence no provision has been made.

Notes to Financial Statements for the year ended 31 March 2014

35.1 Hedged foreign currency exposure

Details of foreign currency exposures that are hedged by a derivative instrument or otherwise are as follows:

	31 March 2014		31 March 2013	
	Foreign Currency	**₹ Millions**	**Foreign Currency**	**₹ Millions**
Trade Payables	-	-	3,785,593 USD	206

35.2 Unhedged foreign currency exposure

Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

	31 March 2014		31 March 2013	
	Foreign Currency	**₹ Millions**	**Foreign Currency**	**₹ Millions**
Trade Payables	15,468,400 USD	930	7,563,080 USD	411
	65,765 GBP	6	43,844 GBP	4
Bank Balances	148,141 USD	9	282,122 USD	15
	6,502 KES	0	-	-
Trade Receivables	1,409,081 USD	85	2,599,161 USD	141
	90,000 AED	1	-	-
Short term borrowings	-	-	6,653,002 USD	362
Short term loans and advances	421,765 USD	25	2,361,196 USD	128
Other current liabilities	-	-	2,457,870 USD	134

36. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Sundry creditors include –

	31 March 2014	31 March 2013
	₹ Millions	**₹ Millions**
Total outstanding dues of micro and small enterprises	19	32

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

		31 March 2014	31 March 2013
		₹ Millions	**₹ Millions**
1. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	a. Principal	18	32
	b. Interest	1	0
	Total	**19**	**32**
2. The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	a. Principal	15	20
	b. Interest	-	-
	Total	**15**	**20**

Notes to Financial Statements for the year ended 31 March 2014

36. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 (Contd.)

		31 March 2014	31 March 2013
		₹ Millions	₹ Millions
3. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.		-	-
4. The amount of interest accrued and remaining unpaid at the end of the year.	a. Total Interest accrued	1	0
	b. Total Interest unpaid	1	0
The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Included in S. No. 4(b) above is ₹ 1 Million (31 March 2013 ₹ Nil Million) being interest on amounts outstanding as at the beginning of the accounting year.		

The informaion has been given in respect of such vendors to the extent they could be identified as “Micro and Small Enterprises” on the basis of information available with the Company.

37. Value of imports calculated on CIF basis

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Raw materials and components	0	12
Traded goods	1,730	1,674
Capital goods	16	14
	1,746	**1,700**

38. Expenditure in foreign currency (accrual basis)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
AMC Services	273	147
Travelling expenses	28	35
Other matters	0	0
	301	**182**

39. Earning in foreign currency (accrual basis)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Sales proceeds from overseas branch/Export Oriented Unit	187	407
	187	**407**

Notes to Financial Statements for the year ended 31 March 2014

40. Imported and indigenous raw materials, components and spare parts consumed

	31 March 2014		31 March 2013	
	% of total consumption	Value ₹ Millions	% of total consumption	Value ₹ Millions
Imported	87	38	94	213
Indigenous	13	6	6	14
	100	**44**	**100**	**227**

41. As per the transfer pricing rules, the Company is examining domestic and international transactions and documentation in respect thereof to ensure compliance with the said rules. The management does not anticipate any material adjustments with regard to the transaction involved.

42. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

43. All amounts are in Rupees (in Million) except otherwise stated specifically - '0' denotes amounts less than a Million rupees.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of
AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

INDEPENDENT AUDITOR'S REPORT CONSOLIDATED

To
The Board of Directors of AGC Networks Limited

We have audited the accompanying consolidated financial statements of AGC Networks Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The Company has certain trade and other receivables aggregating to Rs.386 million, which in our opinion are doubtful of recovery. Had the Company recorded a provision on these receivables in the consolidated financial statements, the consolidated loss after tax for the year would have been higher by Rs. 386 million, trade and other receivables and reserves and surplus would have been lower by Rs.386 million.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit total assets of Rs. 257 million as at March 31, 2014, total revenues of Rs. 424 million and net cash inflows amounting to Rs. 36 million for the year then ended, included in the accompanying consolidated financial statements in respect of one subsidiary, whose financial statements and other financial information have been audited by other auditors and whose report has been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiary is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Shyamsundar Pachisia
Partner
Membership Number: 49237

Place: Mumbai
Date: 30 May 2014

Consolidated Balance Sheet as at 31 March 2014

	Notes	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Equity and liabilities			
Shareholders' funds			
Share capital	3	285	285
Reserves and surplus	4	455	2,771
		740	**3,056**
Non-current liabilities			
Long-term borrowings	5.1	17	37
Other long-term liabilities	6	34	-
Deferred tax liabiliity (net)	7.1	-	28
Long-term provisions	8	71	79
		122	**144**
Current liabilities			
Short-term borrowings	5.2	2,338	3,127
Trade payables	9	2,639	3,604
Other current liabilities	9	2,412	1,978
Short-term provisions	8	74	123
		7,463	**8,832**
TOTAL		**8,325**	**12,032**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	471	512
Intangible assets	11	703	775
Capital work-in-progress		25	0
Non-current investments	12	-	5
Trade receivables	13	25	-
Loans and advances	14	877	701
Other non-current assets	15	58	11
		2,159	**2,004**
Current assets			
Inventories	16	1,409	1,432
Trade receivables	13	2,938	5,720
Cash and bank balances	17	1,049	1,155
Loans and advances	14	707	1,644
Other current assets	15	63	77
		6,166	**10,028**
TOTAL		**8,325**	**12,032**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of
AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

Consolidated Statement of Profit and Loss
for the year ended 31 March 2014

	Notes	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Continuing operations			
Income			
Revenue from operations (gross)	18	7,758	10,533
Less: Excise duty	18	10	32
Revenue from operations (net)		**7,748**	**10,501**
Other income	19	196	426
Total revenue (I)		**7,944**	**10,927**
Expenses			
Cost of raw material and components consumed	20	44	227
Purchase of traded goods	21	4,149	6,390
(Increase) / decrease in inventories of finished goods, work-in-progress and stock at customer sites	21	(190)	(734)
Excise duty	18	1	1
Employee benefits expense	22	2,282	1,823
Depreciation and amortization expense	23	402	163
Finance costs	24	364	362
Other expenses	25	3,257	2,538
Exceptional items	26	376	-
Total expenses (II)		**10,685**	**10,770**
Profit / (Loss) before tax (I-II)		**(2,741)**	**157**
Tax expenses			
Current tax		3	70
Short / (Excess) provision of tax for earlier years		2	(47)
Deferred tax		(30)	97
Total tax expense		**(25)**	**120**
Profit / (loss) for the year from continuing operations (A)		**(2,716)**	**37**
Discontinuing operations	27		
Profit / (loss) before tax from discontinuing operations		(106)	(256)
Tax expense of discontinuing operations		-	-
Profit / (loss) after tax from discontinuing operations (B)		**(106)**	**(256)**
Profit / (loss) for the year (A+B)		**(2,822)**	**(219)**
Earnings per equity share [nominal value of share ₹ 10 (31 March 2013 : ₹ 10)]	28		
Basic and diluted earning per share (in ₹)			
Computed on the basis of profit from continuing operations		(95.41)	1.31
Computed on the basis of total profit for the year		(99.14)	(7.68)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

AGC
Enabling Experience

Consolidated Cash Flow Statement for the year ended 31 March 2014

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Cash flow from operating activities		
Profit before tax from continuing operations	(2,741)	157
Profit before tax from discontinuing operations	(106)	(256)
Profit before tax	**(2,847)**	**(99)**
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation / amortization	402	163
Loss / (profit) on sale of fixed assets	4	(0)
Provision for diminution in value of investments in subsidiary company	-	-
Provision for warranties	(5)	(4)
Provision for doubtful debts and advances	629	335
Liabilities for earlier years no longer required written back	(34)	(73)
Unrealized foreign exchange loss / (gain)	48	17
Net (gain) / loss on sale of current investments	-	(263)
Interest expense	364	362
Interest income	(189)	(161)
Exceptional items	376	-
Operating profit before working capital changes	**(1,252)**	**277**
Movements in working capital :		
Increase / (decrease) in trade payables	(1,122)	265
Increase / (decrease) in long-term provisions	(8)	31
Increase / (decrease) in short-term provisions	(21)	38
Increase / (decrease) in other current liabilities	975	389
Increase / (decrease) in other long-term liabilities	34	(40)
Decrease / (increase) in trade receivables (non-current)	(25)	-
Decrease / (increase) in trade receivables (current)	2,022	(616)
Decrease / (increase) in inventories	(186)	(643)
Decrease / (increase) in long-term loans and advances	(8)	(55)
Decrease / (increase) in short-term loans and advances	916	13
Decrease / (increase) in other non-current assets	(47)	(4)
Cash generated from / (used in) operations	1,278	(345)
Direct taxes paid (net of refunds)	(195)	(263)
Net cash flow from / (used in) operating activities (A)	**1,083**	**(608)**
Cash flows from investing activities		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(222)	(194)
Proceeds from sale of fixed assets	2	7
Proceeds from sale of unquoted equity instruments in holding company	-	168
Proceeds from sale of unquoted equity instruments	5	-
Acquisition of subsidiary, net of cash acquired (refer note 38)	-	(440)
Acquisition of business, net of cash acquired (refer note 38)	(8)	-
Redemption / maturity of margin money deposits	(9)	(505)
Redemption / maturity of Inter Corporate Deposits	-	200
Interest received	204	107
Net cash flow from / (used in) investing activities (B)	**(28)**	**(657)**

Consolidated Cash Flow Statement for the year ended 31 March 2014 (Contd.)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Cash flows from financing activities		
Proceeds / (Repayments) from long-term borrowings	(19)	33
Proceeds / (Repayments) from short-term borrowings	(789)	1,853
Interest paid	(362)	(354)
Dividend paid on equity shares	-	(213)
Tax on equity dividend paid	-	(35)
Net cash flow from / (used in) in financing activities (C)	**(1,170)**	**1,284**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**(115)**	**19**
Effect of exchange differences on cash and cash equivalents held in foreign currency	-	4
Cash and cash equivalents at the beginning of the year	344	321
Cash and cash equivalents at the end of the year	**229**	**344**
Components of cash and cash equivalents		
Cash on hand	0	0
Cheques / drafts on hand	4	65
With banks- on current account	220	274
- unpaid dividend accounts*	5	5
Total cash and cash equivalents (refer note 17)	**229**	**344**
Summary of significant accounting policies 2.1		

* The Company can utilize these balances only towards settlement of the respective unpaid dividend liabilities.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

1. Corporate information

AGC Networks Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in manufacturing and integrating network solutions and selling reputed brand of Video Conference, Voice and Data Products. The Company caters to both domestic and international markets. The Company also provides annual maintenance service for electronic products.

2. Basis of preparation of financial statements

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 (the 'Act'), read with General Circular 8/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs. The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made. The accounting policies adopted in preparation of consolidated financial statements are consistent with those used in the previous year.

2.1 Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS-21) on 'Consolidated Financial Statements' and on the basis of the separate audited financial statements of AGC Networks Limited and its subsidiaries. Reference in the notes to 'the Company' shall mean to include AGC Networks Limited and 'Group' shall include AGC Networks Limited and its subsidiaries consolidated in these financial statements unless otherwise stated.

The consolidated financial statements of the Group are combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with AS-21.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, have been made in consolidated financial statements.

Foreign subsidiaries considered in the consolidated financial statements

Name of the subsidiary	Country of incorporation	Extent of holding as on 31 March 2014	Extent of holding as on 31 March 2013
AGC Networks Australia Pty Limited*	Australia	100%	100%
AGC Networks Pte Ltd.**	Singapore	100%	100%
AGC Networks Inc.*** (wholly owned subsidiary of AGC Networks Pte. Ltd.)	USA	100%	100%

* Incorporated on September 03, 2004 under the Corporation Act, 2001, Australia.
** Acquisition on May 01, 2011, the Company incorporated in Singapore.
*** Incorporated on February 22, 2012, the Company registered in Delaware, USA.

Foreign Currency Translation:

The consolidated financial statements are prepared in Indian Rupees which is the reporting currency for AGC Networks Limited. However, AUD is the reporting currency for its foreign subsidiary located in Australia and USD is the reporting currency for its foreign subsidiaries located in Singapore and USA. The translation of the reporting currency of the foreign subsidiary into the reporting currency is performed:

(a) for assets and liabilities using the exchange rate in effect at the balance sheet date

(b) for revenues, costs and expenses using average rate prevailing during the reporting months and

(c) for share capital, using the exchange rate at the date of transaction.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

The resultant translation exchange gain/loss has been disclosed as Foreign Currency Translation Reserve under Reserves and Surplus.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets and liabilities in future periods.

(c) Tangible assets

Tangible assets are stated at cost of acquisition or construction, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(d) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on straight-line basis using the rates arrived at based on useful life estimated by the management, or those prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher. The Group depreciates its assets over the useful lives as detailed below:

Assets	No. of Years
Leasehold improvements	6 years
Buildings	20 years
Plant and Equipment	3 to 5 years
Furniture, Fixtures	5 years
Office Equipments	3 to 5 years
Computers	4 years
Vehicles	4 years
Electrical Installations	5 years

Cost of leasehold land is amortised over the period of lease (generally 99 years).

Assets purchased specifically for projects are depreciated over the life of the projects.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized on a straight line basis over the estimated useful economic life. The amortization period and the amortization method are reviewed at least at each financial year end. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

A summary of amortization policies applied to the company's intangible assets is as below:

Assets	No. of Years
Computer Softwares	4 years
Goodwill on acquisition	5 years

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

(f) Impairment of tangible and intangible assets

The carrying amounts of tangible assets are reviewed at each reporting date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(g) Investments

Recognition and Measurement

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the consolidated financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

Presentation and Disclosure

Investments, which are readily realizable and intended to be held for not more than one year from the balance sheet date are classified as current investments. All other investments are classified as long-term investments.

(h) Inventories

Inventories are valued at cost or net realisable value, whichever is lower. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and finished goods, cost also includes costs of conversion.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(i) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Provision for warranties

The Company accrues provision for estimated future warranty costs based upon its historical relationship of warranty claims to sales. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty provision, for actual experience. The estimate of such warranty-related costs is revised annually.

(j) Foreign currency translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Notes to Consolidated Financial Statements
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(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.
2. All other exchange differences are recognized as income or as expenses in the period in which they arise.

(k) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sale of product is recognized when the significant risk and rewards of ownership and title of the product is transferred to the buyer which generally coincides with delivery. Sales include excise duty but excludes sales tax.

The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services

1. Services including "installation and commissioning" related to products supplied or on a stand-alone basis are recognized based on proportionate completion method where revenue is recognized proportionately with the degree of completion of services. The purchase price of the products and services sold directly typically includes a warranty for a period up to one year.
2. Revenue from maintenance contracts are recognized pro-rata over the period of the contract as and when services are rendered.
3. Service Income is recognized on performance of the services as defined in the contractual terms.
4. Service Income of a periodic nature which is not accrued during the year is disclosed as Unearned Revenue.
5. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head " Other income " in the statement of profit and loss.

Other Income

Other income is accounted on accrual basis except where receipt of income is uncertain.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

(l) Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Tax rate and tax laws used to compute the amount are those that are enacted by the reporting date. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(m) Leases

Where the company is lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

(n) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Notes to Consolidated Financial Statements
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The Company operates one defined benefit plans for its employees, viz., gratuity. The costs of providing benefit under this plan is determined on the basis of actuarial valuation at each year-end. Actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plan is recognized in full in the period in which it occurs in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

(o) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(p) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(q) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(r) Segment reporting

Identification of segments

The Company operating in single segment as Technology and Network Solution Integrator. The analysis of geographical segments is based on the areas in which major operating divisions of the company operate.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the company as a whole.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

3. Share capital

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Authorized shares		
3,00,00,000 (31 March 2013: 3,00,00,000) equity shares of ₹ 10/- each	300	300
10,00,000 (31 March 2013: 10,00,000) cumulative redeemable preference shares of ₹ 100/- each	100	100
Issued, subscribed and fully paid-up shares		
2,84,66,464 (31 March 2013 : 2,84,66,464) equity shares of ₹ 10/- each fully paid up	285	285
Total issued, subscribed and fully paid-up share capital	**285**	**285**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31 March 2014		31 March 2013	
	No. of shares	₹ Millions	No. of shares	₹ Millions
At the beginning of the period	28,466,464	285	14,233,232	142
Issued during the period - Bonus issue	-	-	14,233,232	143
Outstanding at the end of the period	**28,466,464**	**285**	**28,466,464**	**285**

During the previous year, the Company had allotted 14,233,232 Bonus shares in the proportion of 1:1. One new equity bonus share of ₹ 10/- each was issued for every 1 existing equity share of ₹ 10/- each fully paid-up by capitalization of securities premium account, based on shareholders' approval.

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below:

Name of shareholder	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Essar Telecom Limited (Holding Company w.e.f. 28 March 2014)		
21,349,848 (31 March 2013 : Nil) equity shares of ₹ 10 each fully paid	213	-
Aegis Limited, (Holding Company upto 28 February 2014)		
Nil (31 March 2013: 21,349,848) equity shares of ₹ 10 each fully paid	-	213

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

	31 March 2014	31 March 2013
	No. of shares	No. of shares
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	14,233,232	14,233,232

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 10 each fully paid				
Essar Telecom Limited (Holding Company w.e.f. 28 March 2014)	21,349,848	75.00%	-	-
Aegis Limited, (Holding Company upto 28 February 2014)	-	-	21,349,848	75.00%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

4. Reserves and surplus

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Capital reserve		
Balance as per the last financial statements	**380**	**380**
Securities premium account		
Balance as per the last financial statements	321	463
Less: Amounts utilized towards issue of fully paid bonus shares	-	142
Closing Balance	**321**	**321**
Foreign currency translation reserve		
Balance as per the last financial statements	118	69
Add: Additions during the year	113	49
Closing Balance	**231**	**118**
General reserve		
Balance as per the last financial statements	**1,006**	**1,006**
Surplus in the statement of profit and loss		
Balance as per last financial statements	946	1,165
Profit / (loss) for the year	(2,822)	(219)
Less: Appropriations		
Profit on demerger (refer note 27)	(393)	0
Total appropriations	**(393)**	**0**
Net surplus / (deficit) in the statement of profit and loss	**(1,483)**	**946**
Total reserves and surplus	**455**	**2,771**

5.1. Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Term loan				
Loan from Cisco Systems Capital (I) Private Ltd (unsecured)*	9	21	12	12
Other loans and advances				
Finance lease obligation (secured)**	8	16	12	11
	17	37	24	23

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

5.1. Long-term borrowings (Contd.)

	Non-current portion		Current maturities	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
The above amount includes				
Secured borrowings	8	16	12	11
Unsecured borrowings	9	21	12	12
Amount disclosed under the head “other current liabilities” (note 9)	-	-	(24)	(23)
Net amount	**17**	**37**	**-**	**-**

*Interest free loan from Cisco Systems Capital (I) Private Ltd. is repayable in 12 quarterly installments of ₹ 3 Million each starting from 14 February 2013.

**Finance lease obligation is secured by fixed assets taken on lease. The interest rate implicit in the lease is 8% p.a. The gross investment in lease, i.e., lease obligation plus interest, is payable in 37 monthly installments of ₹ 0.8 Million each.

5.2. Short-term borrowings

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Cash credit from banks (Secured)	2,338	2,365
Buyers credit from banks (Secured)	-	362
Indian Rupee Term loan from bank (Secured)	-	400
	2,338	**3,127**
The above amount includes		
Secured borrowings	2,338	3,127
Unsecured borrowings	-	-

Cash credit and buyers credit from banks is secured by first exclusive charge on entire current assets of the Company (present and future) including stocks of raw material, WIP, finished goods, book debts, insurances, etc. and by second charge on all moveable fixed assets of the Company. The cash credit is repayable on demand and carries average interest @ 13.5% p.a. Buyers credit is repayable on due date.

Cash credit facility of ₹ 764 Millions (31 March 2013 : ₹ 805 Millions) from Axis Bank is fully secured by first lien security interest of equivalent margin money deposit.

6. Other long-term liabilities

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Unearned revenue	34	-
	34	**-**

7.1. Deferred tax liability (net)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Deferred tax liability		
Deferred tax liability on non-repatriation of profits	-	28
Gross deferred tax liability	**-**	**28**
Gross deferred tax assets	**-**	**-**
Deferred tax liability (Net)	**-**	**28**

The Company has not created deferred tax assets as it has incurred losses in the current year and there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

8. Provisions

	Long-term		Short-term	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Provision for employee benefits				
Provision for gratuity (refer note 29)	39	30	-	-
Provision for superannuation benefit	-	-	1	4
Provision for leave benefits	32	49	30	49
	71	**79**	**31**	**53**
Other provisions				
Provision for warranties	-	-	14	18
Provision for tax	-	-	29	52
	-	**-**	**43**	**70**
	71	**79**	**74**	**123**

Provision for warranties

A provision is recognized for expected warranty claims on products sold during the last one year, based on past experience of the level of repairs and returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within a year after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold. The table below gives information about movement in warranty provisions.

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
At the beginning of the year	18	22
Arising during the year	14	18
Utilized during the year	-	-
Unused amounts reversed	(18)	(22)
At the end of the year	**14**	**18**
Current portion	14	18
Non-current portion	-	-

9. Other current liabilities

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Trade payables (including acceptances)	2,639	3,604
Other liabilities		
Current maturities of long-term borrowings (note 5.1)	24	23
Interest accrued but not due on borrowings	12	10
Accrued expenses	475	425
Unearned revenue on AMC Services	107	56
Unearned revenue on Others	1,253	457
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	4	5
Advances from customers	272	811
Statutory Dues Payable	35	68
TDS payable	24	68
Other current liabilities	206	55
	2,412	**1,978**
	5,051	**5,582**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

10. Tangible assets

₹ Millions

	Leasehold Land	Leasehold Improvement	Freehold Land	Buildings	Plant and equipment	Computers	Electrical Installations	Furniture and fixtures	Office Equipments	Vehicles	Total
Cost or valuation											
At 1 April 2012	4	-	1	32	376	232	29	47	246	3	970
Additions	-	9	-	-	144	14	1	1	9	-	178
Assets acquired on business combination	-	-	-	-	-	-	-	5	55	0	60
Disposals	-	-	-	-	6	25	4	5	6	1	47
– Exchange differences	0	(0)	-	-	1	27	0	0	2	1	31
At 31 March 2013	**4**	**9**	**1**	**32**	**515**	**248**	**26**	**48**	**306**	**3**	**1,192**
Additions	-	81	-	-	36	13	0	20	17	-	167
Assets acquired on business combination	-	0	-	-	-	1	-	1	0	-	2
Disposals	-	-	-	-	4	28	3	1	11	-	47
– Exchange differences	-	(18)	-	-	(0)	13	(0)	11	14	0	20
At 31 March 2014	**4**	**72**	**1**	**32**	**547**	**247**	**23**	**79**	**326**	**3**	**1,334**
Depreciation											
At 1 April 2012	1	-	-	21	217	137	18	23	142	2	561
Charge for the year	0	0	-	1	72	40	4	7	24	0	148
Disposals	-	-	-	-	6	18	4	5	6	1	40
– Exchange differences	0	(0)	-	-	1	9	0	0	1	0	11
At 31 March 2013	**1**	**0**	**-**	**22**	**284**	**168**	**18**	**25**	**161**	**1**	**680**
Charge for the year	0	10	-	1	64	41	2	12	90	0	220
Disposals	-	-	-	-	4	23	3	1	11	-	42
Other adjustments	-	-	-	-	2	1	-	1	2	-	6
– Exchange differences	-	(2)	-	-	0	6	(0)	2	(7)	(0)	(1)
At 31 March 2014	**1**	**8**	**-**	**23**	**346**	**193**	**17**	**39**	**235**	**1**	**863**
Net Block											
At 31 March 2013	**3**	**9**	**1**	**10**	**231**	**80**	**8**	**23**	**145**	**2**	**512**
At 31 March 2014	**3**	**64**	**1**	**9**	**201**	**54**	**6**	**40**	**91**	**2**	**471**

Building includes those constructed on leasehold land.

Notes to Consolidated Financial Statements
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11. Intangible assets

₹ Millions

	Goodwill	Computer Software	Total
Gross Block			
At 1 April 2012	-	109	109
Purchase	760	5	765
– Exchange differences	-	1	1
At 31 March 2013	**760**	**115**	**875**
Purchase	-	27	27
Additions through business purchase	-	0	0
Disposals	-	6	6
Exchange fluctuation on consolidation of non-integral foreign subsidiary	81	1	82
At 31 March 2014	**841**	**137**	**978**
Amortization			
At 1 April 2012	-	87	87
Charge for the year	-	13	13
At 31 March 2013	**-**	**100**	**100**
Charge for the year	172	10	182
Disposals	-	6	6
Other adjustment	-	(2)	(2)
Exchange fluctuation on consolidation of non-integral foreign subsidiary	3	(2)	1
At 31 March 2014	**175**	**100**	**275**
Net Block			
At 31 March 2013	**760**	**15**	**775**
At 31 March 2014	**666**	**37**	**703**

12. Investments

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Non-trade investments (valued at cost unless stated otherwise)				
Government and trust securities (unquoted)				
Investment in Rural Electrification Corporation Limited Bonds	-	5	-	-
	-	**5**	**-**	**-**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

13. Trade receivables

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Non-current		
Unsecured, considered good	25	-
	25	**-**
Current		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	639	1,315
Doubtful	942	471
	1,581	**1,786**
Provision for doubtful receivables	942	471
	639	**1,315**
Other receivables		
Unsecured, considered good	2,299	4,405
Doubtful	75	-
	2,374	**4,405**
Provision for doubtful receivables	75	-
	2,299	**4,405**
	2,938	**5,720**

14. Loans and advances

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Capital advances				
Unsecured, considered good	0	0	-	-
	0	**0**	**-**	**-**
Deposits				
Unsecured, considered good	50	42	31	36
	50	**42**	**31**	**36**
Loan and advances to related parties (note 32)				
Unsecured, considered good	27	27	166	947
	27	**27**	**166**	**947**
Advances recoverable in cash or kind				
Unsecured, considered good	34	20	324	425
	34	**20**	**324**	**425**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

14. Loans and advances (Contd.)

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Other loans and advances				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	755	587	-	-
Prepaid expenses	11	25	109	178
Balances with statutory / government authorities	-	-	77	58
	766	**612**	**186**	**236**
	877	**701**	**707**	**1,644**

15. Other assets

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 17)	**58**	**11**	**-**	**-**
Others				
Interest accrued on fixed deposits	-	0	63	41
Interest accrued on Inter-Corporate Deposits	-	-	-	-
Interest accrued on investments	-	0	-	-
Interest accrued on others	-	-	-	36
	-	**0**	**63**	**77**
	58	**11**	**63**	**77**

16. Inventories (valued at lower of cost and net realizable value)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Raw materials and components (includes in transit of ₹ 8 Millions (31 March 2013: ₹ 9 Millions)) (refer note 20)	10	13
Work-in-progress (refer note 21)	51	60
Traded goods (including stock-in-transit of ₹ 3 Millions (31 March 2013: ₹ 6 Millions)) (refer note 21)	403	1,025
Traded goods - Stock at Customer site (pertaining to unearned revenue) (refer note 21)	945	334
	1,409	**1,432**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

17. Cash and bank balances

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	220	274
– On unpaid dividend account	-	-	5	5
Cheques / drafts on hand	-	-	4	65
Cash on hand	-	-	0	0
	-	**-**	**229**	**344**
Other bank balances				
Margin money deposit*	58	11	820	811
	58	**11**	**820**	**811**
	58	**11**	**1,049**	**1,155**
Amount disclosed under other non-current assets (note 15)	(58)	(11)		
	-	**-**	**1,049**	**1,155**

***Margin money deposits given as security**

Margin money deposits with a carrying amount of ₹ 58 Millions (31 March 2013 : ₹ 11 Millions) are given against bank guarantees issued.

It includes deposit with the original maturity of less than 12 months which is rolled over till the maturity of the bank guarantee.

18. Revenue from operations

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Revenue from operations		
Sale of products		
Finished goods	97	306
Traded goods	4,516	6,688
Sale of services	3,104	3,450
	7,716	10,444
Other operating revenue		
Liabilities for earlier years no longer required written back	34	73
Other miscellaneous income	7	16
Revenue from operations (gross) (refer note below)	**7,758**	**10,533**
Less: Excise duty #	10	32
Revenue from operations (net)	**7,748**	**10,501**

Note : During the year, the Company has reversed the sales pertaining to earlier years aggregating to ₹ 217 Millions (31 March 2013 : ₹ Nil Million).

Excise duty on sales amounting to ₹ 10 Millions (31 March 2013 : ₹ 32 Millions) has been reduced from sales in statement of profit and loss and excise duty on increase/decrease in stock amounting to ₹ 1 Million (31 March 2013 : ₹ 1 Million) has been considered as expense in the statement of profit and loss.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

Detail of products sold

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Finished goods sold		
Enterprise Communication and Solution Integration	97	306
	97	**306**
Traded goods sold		
Enterprise Communication and Solution Integration	4,516	6,688
	4,516	**6,688**
	4,613	**6,994**
Detail of services rendered		
Maintenance services	1,925	2,100
Implementation services	1,179	1,350
	3,104	**3,450**

19. Other income

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Interest income on		
Bank deposits	79	83
Long-term investments	0	0
Inter-Corporate Deposits	10	23
Interest received on Income Tax refund	10	15
Others	90	40
Net gain on sale of current investments	-	263
Commission income	-	2
Profit on sale of fixed assets	-	0
Exchange differences (net)	7	-
	196	**426**

20. Cost of raw material and components consumed

	31 March 2014 ₹ Millions	31 March 2013 ₹ Millions
Inventory at the beginning of the year	13	3
Add: Purchases	41	237
	54	**240**
Less: Inventory at the end of the year	10	13
Cost of raw material and components consumed	**44**	**227**
Details of raw material and components consumed		
Printed circuit boards	24	105
Static converters	2	7
Cabinet	14	47
Peripherals	2	5
Others	2	63
	44	**227**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

21. (Increase) / decrease in inventories

	31 March 2014	31 March 2013	(Increase) / decrease
	₹ Millions	₹ Millions	₹ Millions
Inventories at the end of the year			31 March 2014
Traded goods	403	1,025	622
Stocks at Customer sites	945	334	(611)
Work-in-progress	51	60	9
	1,399	**1,419**	**20**
Exceptional items (refer note 26)			**(210)**
			(190)
Inventories at the beginning of the year			31 March 2013
Traded goods	1,025	462	(563)
Stocks at Customer sites	334	179	(155)
Work-in-progress	60	44	(16)
	1,419	**685**	**(734)**
	20	**(734)**	
Exceptional items (refer note 26)	(210)	-	
	(190)	**(734)**	

Details of purchase of traded goods

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Enterprise Communication and Solution Integration	4,149	6,390
	4,149	**6,390**

Details of inventory

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Traded goods and stock at customer site		
Enterprise Communication and Solution Integration	1,348	1,359
	1,348	**1,359**
Work-in-progress		
Enterprise Communication and Solution Integration	51	60
	51	**60**

22. Employee benefits expense

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Salaries, wages and bonus	2,209	1,726
Contribution to provident and other funds	11	15
Gratuity expenses (refer note 29)	5	18
Staff welfare expenses	57	64
	2,282	**1,823**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

23. Depreciation and amortization expense

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Depreciation of tangible assets	220	150
Amortization of intangible assets	182	13
	402	**163**

24. Finance costs

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Interest and other charges	364	362
	364	**362**

25. Other expenses

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Service charges	1,550	1,372
Installation and commissioning expenses	41	56
	1,591	1,428
Consumption of stores and spares	0	1
Power and water charges	25	22
Rent	202	155
Rates and taxes	60	16
Insurance	19	14
Repairs and maintenance:		
- Plant and Machinery	-	1
- Other	78	65
Travelling and conveyance	176	204
Telephone, telex and fax	59	54
Printing and stationery	6	7
Legal and professional fees	88	50
Advertisement and sales promotion	20	24
Outward freight, clearing and forwarding charges	63	73
Commission to others	26	14
Directors' sitting fees	1	1
Exchange differences (net)	138	26
Provision for doubtful debts and advances	629	335
Loss on sale of fixed assets (net)	4	-
Other expenses	72	48
	3,257	**2,538**

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

26. Exceptional items

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Obsolete/slow moving/non-moving Inventory (refer note a below)	210	-
Earlier year expense provision (refer note b below)	235	-
Reversal of provision for doubtful debts on sale of trade receivable (refer note c below)	(69)	-
	376	**-**

Notes

a) During the year, the Group has made provision for identified obsolete/slow moving/non-moving Inventories aggregating to ₹ 210 Millions.

b) During the year, the Group has provided the amounts arising out of vendor reconciliations aggregating to ₹ 235 Millions pertaining to earlier years.

c) During the year, the Group entered into an agreement with a group company, whereby it sold certain trade receivables totaling to ₹ 178 Millions at a discounted value for cash consideration of ₹ 145 Millions on a fully non-recourse basis. Of the total receivables sold, ₹ 102 Millions represented old overdue balances for which the Company had previously recorded an allowance for doubtful debts. Accordingly the Company has reversed the doubtful debt provision and recorded ₹ 69 Millions (net of discount of ₹ 33 Millions) as an exceptional item in the consolidated financial statements.

27. Discontinuing operation

Demerger of the Specialised Managed Services Division

In order to ensure focused operational approach on technology business, the Board of Directors of AGC Networks Inc. on 08 July 2013 has approved the demerger of the Specialised Managed Services Division (Captive Division) of the Company. The Company has transferred the specialized resources of the said division along with identified assets and liabilities, to Aegis Global Inc. at carrying value, for USD 1,000 with effect from 01 April 2012.

The demerger of the Division from AGC Networks Inc. will help the Company to focus on developing customer relationship in technology space to enhance profitability and tapping high market potential.

The consolidated financial statements of the Group are drawn up after giving retrospective effect and to reflect the impact of transfer, the Captive Division had a net liability of ₹ 393 Millions which has been recorded by the Company as a credit to reserves. Discontinued operations disclosure with respect to the Captive Division as required under Accounting Standard - 24 is given below:

The following statement shows the revenue and expenses of discontinuing operations:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Revenue from operations (net)	53	168
Employee benefits expense	(131)	(373)
Other expenses	(28)	(51)
Profit / (loss) before tax	**(106)**	**(256)**
Income-tax expense	-	-
Profit / (loss) after tax	**(106)**	**(256)**

The carrying amounts of the total assets and liabilities on the date of disposal are as follows.

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Assets		
Trade receivables	170	67
Liabilities		
Trade payables	99	88

Notes to Consolidated Financial Statements
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27. Discontinuing operation (Contd.)

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Other current liabilities	464	235
Net Liabilities	**393**	**256**

The net cash flows of Specialised Managed Services Division (Captive Division) are as below:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Operating activities	(243)	-
Investing activities	-	-
Financing activities	-	-
Net cash inflows / (outflows)	**(243)**	**-**

28. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Total operations for the year		
Net Profit / (Loss) for calculation of basic and diluted EPS	(2,822)	(219)
	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic and diluted EPS	28,466,464	28,466,464
Basic and diluted earnings per share computed on the basis of profit/(loss) from total operations for the year (in ₹)	(99.14)	(7.68)
Nominal Value per share (in ₹)	10.00	10.00

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Total operations for the year from Continuing operations		
Net Profit / (Loss) for calculation of basic and diluted EPS	(2,716)	37
	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic and diluted EPS	28,466,464	28,466,464
Basic and diluted earnings per share computed on the basis of profit/(loss) from continuing operations for the year (in ₹)	(95.41)	1.31
Nominal Value per share (in ₹)	10.00	10.00

29. Employee benefits plan

(a) Defined contribution plan - The Group has recognised the following amount in the statement of profit and loss for the year ended:

Particulars	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Contribution to provident fund	11	15

Above amount has been included in the line item 'Contribution to provident and other funds' in note 22 to the consolidated financial statements.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

(b) Defined benefit plan - The Company has one defined plan, i.e. Gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost	**Gratuity**	
	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Current service cost	11	9
Interest cost on benefit obligation	4	4
Expected return on plan assets	(2)	(3)
Net actuarial (gain) / loss recognized in the year	(6)	8
Acquisition / business combination	(2)	-
Net benefit expense	**5**	**18**

Balance sheet

Benefit asset / liability

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Present value of defined benefit obligation	45	58
Fair value of plan assets	10	28
Funded status [surplus / (deficit)]	(35)	(30)
Plan asset / (liability)	**(35)**	**(30)**

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Opening defined benefit obligation	58	48
Current service cost	11	9
Interest cost	4	4
Benefits paid	(20)	(11)
Acquisition Cost / (Credits)	(2)	-
Actuarial (gains) / losses on obligation	(6)	8
Closing defined benefit obligation	**45**	**58**

Changes in the fair value of plan assets are as follows:

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Opening fair value of plan assets	28	36
Expected return	2	3
Contributions by employer	-	-
Benefits paid	(20)	(11)
Actuarial gains / (losses)	(0)	-
Closing fair value of plan assets	**10**	**28**

The Company expects to contribute ₹ Nil to gratuity in the next year (31 March 2013 : ₹ Nil).

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The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity	
	31 March 2014	**31 March 2013**
Investments with insurer	100%	100%

Following are the principal assumptions used as at the Balance Sheet date:

	Gratuity	
	31 March 2014	**31 March 2013**
Discount rate	9.20%	8.20%
Expected rate of return on assets	8.50%	8.50%
Salary escalation rate	7.00%	6.00%
Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate
Withdrawal rate	Upto age 26 years 5%	Upto age 26 years 0.10%
	Upto age 27-34 years 12%	Upto age 27-34 years 2.50%
	Upto age 35-44 years 5%	Upto age 35-44 years 6.50%
	Above age 44 years 1%	Upto age 45-54 years 1.50%
		Above age 54 years 0.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

Amounts for the current and previous four periods are as follows:

	31 March 2014	**31 March 2013**	**31 March 2012**	**31 March 2011**	**30 September 2010**
	₹ Millions	**₹ Millions**	**₹ Millions**	**₹ Millions**	**₹ Millions**
Gratuity					
Defined benefit obligation	45	58	48	65	53
Plan assets	10	28	36	52	53
Deficit / (surplus)	35	30	12	13	-
Present value of unfunded obligations	35	30	12	13	-
Experience adjustments on plan liabilities	4	(7)	(10)	-	-
Experience adjustments on plan assets	-	-	1	-	-
Actuarial gain / (loss) due to change in assumptions	2	(1)	-	-	-

Notes to Consolidated Financial Statements
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30. Leases

Operating lease: company as lessee

The Group has entered into various leasing agreement classified as operating leases for residential, office, warehouse premises and vehicles which are renewable by mutual consent on mutually agreeable terms. These agreement generally range between 11 months to 5 years. The Group does not have sub-leasing agreements. Lease payments are recognised in the statement of profit and loss under 'Rent' in note 25.

The future minimum lease payments under non-cancellable operating leases are:-

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Within one year	117	104
After one year but not more than five years	178	199
More than five years	7	5

Finance lease: Group as lessee

The Group has finance leases for certain items of computer equipment. These leases has bargain purchase option at end of the term.

Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

	31 March 2014		31 March 2013	
	Minimum payments	Present value of MLP	Minimum payments	Present value of MLP
	₹ Millions	₹ Millions	₹ Millions	₹ Millions
Within one year	14	12	13	11
After one year but not more than five years	8	8	18	16
Total minimum lease payments	**22**	**20**	**31**	**27**
Less: amounts representing finance charges	2	-	4	-
Present value of minimum lease payments	**20**	**20**	**27**	**27**

31. Segment information

(a) Primary Segment

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed for Technology and Networks solutions integrations and accordingly there is only one Primary Business segment i.e. Technology and Networks solutions.

(b) Secondary Segment: Geographical segments

	31 March 2014	31 March 2013
	₹ Millions	₹ Millions
Revenues		
Within India	4,095	8,017
Within Singapore	176	91
Within USA	2,405	380
Others	1,163	2,027
Less: Intercompany transactions	123	71
Total	**7,716**	**10,444**

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The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the company's geographical segments:

Year ended 31 March 2014

	India	Singapore	USA	Others	Eliminations	Total
Revenue						
External sales	4,049	133	2,426	1,161	-	7,769
Inter segment sales	46	43	32	2	123	-
Less: Sales attributable to discontinuing operations	-	-	(53)	-	-	(53)
Total revenue	**4,095**	**176**	**2,405**	**1,163**	**123**	**7,716**
Segment assets	5,650	1,379	1,842	677	1,223	8,325
Total assets	**5,650**	**1,379**	**1,842**	**677**	**1,223**	**8,325**
Other segment information						
Capital expenditure:						
Tangible assets	38	-	113	16	-	167
Intangible assets	18	-	6	3	-	27
Capital work-in-progress	25	-	-	-	-	25

Year ended 31 March 2013

	India	Singapore	USA	Others	Eliminations	Total
Revenue						
External sales	8,003	50	545	2,014	-	10,612
Inter segment sales	14	41	3	13	71	-
Less: Sales attributable to discontinuing operations	-	-	(168)	-	-	(168)
Total revenue	**8,017**	**91**	**380**	**2,027**	**71**	**10,444**
Segment assets	8,534	1,572	1,779	1,465	1,318	12,032
Total assets	**8,534**	**1,572**	**1,779**	**1,465**	**1,318**	**12,032**
Other segment information						
Capital expenditure:						
Tangible assets	68	8	172	0	-	248
Intangible assets	-	-	765	-	-	765

32. Related party disclosures

Names of related parties and related party relationship

Related parties where control exists

Holding company	Essar Telecom Limited (Subsidiary of Essar Global Fund Limited) (w.e.f. 28 March 2014)
	Aegis Limited (upto 28 February 2014)
Ultimate holding company	Essar Global Fund Limited

Related parties with whom transactions have taken place during the year

Fellow subsidiaries	Aegis Tech Limited
	Aegis Tech Pty Ltd, Australia
	Actionline De Argentina S.A.
	Aegis Services Australia Pty Ltd
	Aegis Services Philippines Inc.

Notes to Consolidated Financial Statements
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	Aegis Philippines Inc.
	Aegis Aspire Consultancy Services Limited
	Aegis Outsourcing South Africa (Pty) Ltd
	Aegis BPO (Costa Rica) SRL
	Aegis Global Services FZ LLC
	Aegis Outsourcing UK Ltd
	Aegis People Support Inc.
	Aegis USA Inc., (Aegis Communication Group Inc., merged w.e.f. 31 December 2013)
	Contact Centre Company
	Global Vantedge Private Limited
	Equinox Business Parks Pvt Limited
	Essar Services (Mauritius)
	Essar Oil Limited
	Essar Project (India) Limited
	Essar Projects Singapore Pte Ltd
	Essar Power (Orissa) Limited
	Essar Bulk Terminal (Salaya) Limited
	Essar Steel India Limited
	Essar Telecom Kenya Limited
	Essar Power Transmission Company Limited
	Aegis Argentina S.A.
	Vadinar Power Company Limited
Key management personnel	Mr. S. K. Jha - Managing Director (upto 22 April 2014)

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

a. Remuneration to key managerial personnel

	31 March 2014	31 March 2013
	₹ Millions	**₹ Millions**
Mr. S. K. Jha - Managing Director		
Salary, bonus and contribution to P. F.	32	20
Payable	11	4

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

Notes to Consolidated Financial Statements
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b. Transactions and Balances with Related Parties

₹ Millions

	Year ended	Sale of goods (Based on Invoicing)	Sale of services (Based on invoicing)	Purchase of traded goods	Purchase of capital goods	Services received	Interest received/ receivable	Dividend Paid/ payable	Loans & advances and other assets	Investment made	Investment sold	Sale of Investment to	Profit on sale of Investment	Inter-Corporate Deposits withdrawn	Trade receivables	Amount owed to related parties*
Holding and ultimate holding companies																
Essar Global Limited	31 March 14	-	-	-	-	0	-	-	0	-	-	-	-	-	-	-
	31 March 13	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-
Aegis Limited	31 March 14	14	6	1	-	83	10	-	-	-	-	-	-	648	40	37
	31 March 13	162	126	4	-	129	-	-	2	-	800	-	-	-	52	299
Fellow subsidiaries																
Aegis Tech Limited	31 March 14	-	-	-	-	-	121	-	-	-	-	-	-	-	10	8
	31 March 13	-	-	20	-	-	36	-	932	-	-	1,063	263	-	9	48
Aegis Tech Pty Ltd, Australia	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	(0)	-	-	-	-	-	-	-	-	-	-	-	-	3	-
Actionline De Argentina S.A.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
Aegis Services Australia Pty Ltd	31 March 14	-	-	28	-	-	-	-	-	-	-	-	-	-	-	6
	31 March 13	338	-	-	-	30	-	-	24	-	-	-	-	-	118	226
Aegis Services Philippines Inc.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	1	8
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	1	29
Aegis Philippines Inc.	31 March 14	1	-	81	-	-	-	-	-	-	-	-	-	-	-	21
	31 March 13	108	-	38	-	0	-	-	-	-	-	-	-	-	106	38
Global Vantedge Private Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	-	-	-	-	-	23	-	-	-	-	-	-	200	-	-
Aegis Outsourcing South Africa (Pty) Ltd	31 March 14	-	-	-	-	1	-	-	-	-	-	-	-	-	106	1
	31 March 13	330	-	-	-	-	-	-	-	-	-	-	-	-	159	-
Aegis BPO (Costa Rica) SRL	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aegis Global Services FZ LLC	31 March 14	-	-	-	-	8	-	-	-	-	-	-	-	-	63	16
	31 March 13	32	-	-	-	11	-	-	-	-	-	-	-	-	88	6
Aegis Outsourcing UK Ltd	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	61	-
	31 March 13	15	-	-	-	-	-	-	-	-	-	-	-	-	55	-
Aegis People Support Inc	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	0	-	-	-	-	-	-	-	-	-	-	-	-	23	-
Aegis Aspire Consultancy Services Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	31 March 13	-	-	-	-	0	-	-	-	-	-	-	-	-	-	0

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

b. Transactions and Balances with Related Parties

₹ Millions

	Year ended	Sale of goods (Based on Invoicing)	Sale of services (Based on invoicing)	Purchase of traded goods	Purchase of capital goods	Services received	Interest received/ receivable	Dividend Paid/ payable	Loans & advances and other assets	Investment made	Investment sold	Sale of Investment to	Profit on sale of Investment	Inter-Corporate Deposits withdrawn	Trade receivables	Amount owed to related parties*
Aegis USA Inc.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	7	100
	31 March 13	304	17	-	42	98	-	-	-	-	-	-	-	-	187	376
Equinox Business Parks Pvt Limited	31 March 14	-	-	-	-	71	-	-	169	-	-	-	-	-	-	11
	31 March 13	6	-	-	-	59	-	-	28	-	-	-	-	-	-	-
Essar Services (Mauritius)	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Essar Oil Limited	31 March 14	13	1	-	-	-	-	-	-	-	-	-	-	-	12	-
	31 March 13	48	2	-	-	-	-	-	-	-	-	-	-	-	43	-
Essar Power Transmission Company Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	0	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Essar Project (India) Limited	31 March 14	-	-	-	-	-	-	-	13	-	-	-	-	-	8	-
	31 March 13	3	-	-	-	-	-	-	8	-	-	-	-	-	8	-
Essar Projects Singapore Pte Ltd	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	0	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Essar Power (Orissa) Limited	31 March 14	0	-	-	-	-	-	-	-	-	-	-	-	-	0	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Essar Bulk Terminal (Salaya) Limited	31 March 14	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-
	31 March 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Essar Steel India Limited	31 March 14	0	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	31 March 13	8	2	-	-	-	-	-	-	-	-	-	-	-	1	-
Essar Telecom Kenya Limited	31 March 14	-	-	-	-	0	-	-	3	-	-	-	-	-	0	-
	31 March 13	-	-	-	-	-	-	-	13	-	-	-	-	-	0	-
Vadinar Power Company Limited	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-
	31 March 13	18	-	-	-	-	-	-	-	-	-	-	-	-	18	-
Aegis Argentina S.A.	31 March 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	31 March 13	(21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contact Centre Company	31 March 14	85	-	7	-	17	-	-	-	-	-	-	-	-	31	18
	31 March 13	28	-	-	-	-	-	-	-	-	-	-	-	-	45	17

* These amounts includes trade payables, other liabilities and advance from customers.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

33. Capital and other commitments

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 1 Million (31 March, 2013: ₹ 13 Millions)

(b) For commitments relating to lease arrangements, please refer note 30.

34. Remuneration to Managing Director

Approval from the Central Government of India is awaited for the amount of ₹ 5 Millions paid/payable to the Managing Director of the Company for the period ended 31 March 2011 in excess of the limits specified under the Companies Act 1956. The Company had filed the application on 20 May 2011.

35. Contingent liabilities

	31 March 2014	31 March 2013
Contingent liabilities	**₹ Millions**	**₹ Millions**
I) In respect of disputed demands of:		
(a) Income tax authorities (refer note (i) below)	262	194
(b) Excise and Customs authorities (refer note (ii) below)	237	242
(c) Sales tax matters (refer note (iii) below)	14	16
II) Claims against the Company not acknowledge as debt	10	10

(i) Income tax:

The demand is raised mainly on deferred profit due to change in revenue recognition policy and other cases for the assessment years 2005-06 till 2010-11 for ₹ 262 Millions (31 March 2013: ₹ 194 Millions). This is a timing difference liability and appeal is filed before Commissioner of appeals and other adjudicating authorities as required.

(ii) Excise, Service tax and Customs :

The amount is reported as contingent liability as an abundant caution for :

₹ 67 Millions (31 March 2013: ₹ 67 Millions) for applicability of Custom duty on royalty remittance, appeal is filed by the Customs department with CESTAT, the order from the lower authority is issued in favour of the Company.

₹ 7 Millions (31 March 2013: ₹ 7 Millions) for demand of Service tax on Royalty payments, the matter is pending before the Commissioner Appeals.

₹ 4 Millions (31 March 2013: ₹ 4 Millions) for Service tax Demand on RTU Charges, the matter is remanded back by Commissioner Appeals for fresh adjudication.

₹ 0 Million (31 March 2013: ₹ 5 Millions) related to Excise duty demand on sales of Software. The Company has filed appeal before CESTAT.

₹ 42 Millions (31 March 2013: ₹ 42 Millions) for Service tax Demand on RTU Charges, the matter is pending before the CESTAT.

₹ 47 Millions (31 March 2013: ₹ 47 Millions), related to order passed by Commissioner of Central Excise towards excise duty on CT3 cases and incorrect input tax credit of service tax paid on foreign service providers for the matter is pending before CESTAT.

₹ 70 Millions (31 March 2013: ₹ 70 Millions), related to incorrect utilization of Input Credit of Service tax, the CESTAT has remanded back the matter to the Commissioner for fresh adjudication.

(iii) Sales tax:

This represents ₹ 8 Millions (31 March 2013: ₹ 8 Millions) on account of non-receipt of ‘F’ form which is based out of abundant precaution. ‘F’ forms are to be received from Company’s own branches. Balance amount of ₹ 6 Millions (31 March 2013: ₹ 8 Millions) is sales tax liability in the state of Kerala, West Bengal, Uttar Pradesh and Gujarat against which the Company has filed appeal before the competent authority.

The Company is contesting all of the above demands in respect of Income tax, Excise, Service tax, Custom duty and Sales tax and the management, believe that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company’s financial position and results of operations and hence no provision has been made.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

36.1. Hedged foreign currency exposure

Details of foreign currency exposures that are hedged by a derivative instrument or otherwise are as follows:

	31 March 2014		31 March 2013	
	Foreign Currency	**₹ Millions**	**Foreign Currency**	**₹ Millions**
Trade Payables	-	-	3,785,593 USD	206

36.2. Unhedged foreign currency exposure

Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

	31 March 2014		31 March 2013	
	Foreign Currency	**₹ Millions**	**Foreign Currency**	**₹ Millions**
Trade Payables	15,648,968 USD	940	7,563,335 USD	411
	70,538 GBP	6	106,856 GBP	9
	294,333 EUR	23	311,526 EUR	22
	1,786,527 SAR	29	3,148,543 SAR	46
	711,699 SGD	34	422,117 SGD	18
	29,341 HKD	0	29,341 HKD	0
	5,786 NZD	0	147,000 JPY	0
	2,557,593 AED	42	5,785 NZD	0
Bank Balances	599,924 USD	36	706,363 USD	38
	1,401,437 AED	23	490,953 AED	7
	6,502 KES	0	-	-
Trade Receivables	1,409,081 USD	85	2,599,161 USD	141
	4,702,397 AED	77	3,397,963 AED	50
	51,824 GBP	5	51,824 GBP	4
	694,459 SAR	11	33,304 SGD	1
Short term borrowings	-	-	6,653,002 USD	362
Short Term Loans & advances	421,765 USD	25	2,361,196 USD	128
Other current liabilities	-	-	2,457,870 USD	134

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

37. Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

₹ Millions

Sr. no.	Name of Subsidiary Company	Reporting currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments (excluding investment in subsidiaries)	Turnover	Profit/ (loss) before Taxation	Provision For Taxation	Profit/ (loss) After Taxation	Proposed Dividend	Country
1	AGC NETWORKS AUSTRALIA PTY LIMITED	AUD	55.4680	234	(113)	258	137	-	420	3	3	0	-	AUSTRALIA
2	AGC NETWORKS PTE LIMITED	USD	60.0998	395	(9)	2,293	1,907	-	2,056	(1,079)	(31)	(1,048)	-	SINGAPORE
3	AGC NETWORKS INC. USA	USD	60.0998	271	(220)	1,796	1,745	-	2,341	(312)	-	(312)	-	USA

NOTE:
The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rate as on 31 March 2014.

Notes to Consolidated Financial Statements
for the year ended 31 March 2014

38.1 During the year, on 01 June 2013, the Group has acquired business of Aegis New Zealand Limited, New Zealand. The details of the acquisition date financial information are as provided below:

Particulars	₹ Millions
Assets	
Fixed assets	2
Trade receivables	37
Cash and bank balances	40
Liabilities	
Other current liabilities	(47)
Net Liabilities acquired and purchase consideration paid	**32**

38.2 During the previous year, on 15 March 2013, the Group has acquired business of Transcend United Technologies, LLC, USA. The details of the acquisition date financial information are as provided below:

Particulars	₹ Millions
Assets	
Fixed assets	60
Inventories	101
Trade receivables	265
Cash and bank balances	12
Short-term loans and advances	68
Liabilities	
Long-term borrowings	(27)
Trade payables	(486)
Other current liabilities	(301)
Net Liabilities acquired	**(308)**
Purchase consideration paid	452
Goodwill on acquisition	760

The net liabilities of Transcend United Technologies, LLC, USA, as on 31 March 2013 was ₹ 313 Millions, net revenue for the period from 15 March 2013 to 31 March 2013 is ₹ 66 Millions and the net profit after tax during the period from 15 March 2013 to 31 March 2013 is ₹ 3 Millions.

39. As per the transfer pricing rules, the Group is examining domestic and international transactions and documentation in respect thereof to ensure compliance with the said rules. The management does not anticipate any material adjustments with regard to the transaction involved.

40. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

41. All amounts are in Rupees (in Million) except otherwise stated specifically - '0' denotes amounts less than a Million rupees.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per SHYAMSUNDAR PACHISIA
Partner
Membership no.: 49237

Place: Mumbai
Date : 30 May 2014

For and on behalf of the Board of Directors of
AGC Networks Limited

SANJEEV VERMA
Director

NEERAJ GUPTA
Director

PRATIK BHANUSHALI
Company Secretary

PRASAD SUBRAMANIAM
AVP - Finance

Place : Mumbai
Date : 30 May 2014

CEO / CFO Certificate

To,
The Board of Directors of
AGC Networks Limited

Dear Sirs,

Sub: CEO / CFO Certificate

(Issued accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the financial statements, read with cash flow statement of AGC Networks Limited for the year ended March 31, 2014 and that to the best of our knowledge and belief, we state that;

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) These statements together present a true and fair view of the company's affairs and are in compliance with current accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.

(d) We have indicated to the auditors and the Audit committee

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Yours sincerely,

Sanjeev Verma
Whole Time Director
AGC Networks Limited

Prasad Subramaniam
AVP - Finance
AGC Networks Limited

Place: Mumbai
Date: 30 May 2014

Financial Highlights - Consolidated

₹ Millions

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Fixed Assets (Net) and Investment	**1,199**	1,292	1,158	1,026	217	199	272	264	322	267
Net Current Assets	**1,897**	4,956	3,283	1,463	2,191	1,937	1,739	1,642	1,315	1,179
Total Capital Employed	**740**	3,056	3,225	2,627	2,530	2,257	2,154	2,040	1,733	1,513
Shareholders' Funds										
I. Equity	**285**	285	142	142	142	142	142	142	142	142
II. Reserves and Surplus	**455**	2,771	3,083	2,485	2,388	2,115	2,010	1,892	1,579	1,349
Total	**740**	3,056	3,225	2,627	2,530	2,257	2,152	2,034	1,721	1,491
Sales (including excise)	**7,758**	10,612	9,976	3,255	5,404	5,584	6,372	9,247	4,779	3,386
Other Income	**196**	515	129	31	103	42	34	83	166	48
Profit before tax	**(2,741)**	(99)	863	192	524	232	286	690	523	363
Provision for Tax										
I. Current Tax	**3**	70	217	76	178	51	108	282	227	160
II. Deferred Tax	**(28)**	50	11	(16)	-	21	(9)	(36)	(29)	(30)
III. Fringe Benefit Tax	**-**	-	-	-	-	5	12	17	17	-
Profit After Tax	**(2,716)**	(219)	635	132	346	155	175	427	309	233
Dividend (%)	**0**	0	150	22.50	45	35	35	67.50	45	45
Debt Equity Ratio	**-**	-	0.40	-	-	-	-	-	0	0
Earning per share (₹)	**(95.41)**	(7.69)	22.32	9.24	24.31	10.90	12.30	30.01	21.69	16.39
Cash Earning per share (₹)	**(81.21)**	(1.98)	52.85	11.94	29.79	18.13	20.80	42.29	29.25	23.90
Book Value per share (₹)	**48.50**	107.22	226.63	184.57	177.78	158.60	151.21	142.91	120.94	104.77

AGC NETWORKS LIMITED

Regd. Office: Equinox Business Park, (Peninsula Techno Park) Off.
Bandra Kurla Complex, LBS Marg Kurla West. Mumbai – 400070
Website – www.agcnetworks.com | CIN L32200MH1986PLC040652

ATTENDANCE SLIP

ANNUAL GENERAL MEETING - AUGUST 7, 2014 AT 11.00 A.M

REGD. FOLIO NO. CLIENT ID:
DP ID NO: NO. OF SHARES:
NAME & ADDRESS OF REGISTERED SHARE HOLDER:

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the TWENTY-EIGHTH ANNUAL GENERAL MEETING of the Company at Rangaswar Hall, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021 on Thursday, August 7, 2014.

NAME OF THE SHAREHOLDER (IN BLOCK CAPITALS)	SIGNATURE OF THE SHAREHOLDER OR PROXY
	Note: Please complete this and hand it over at the entrance of the hall.

AGC NETWORKS LIMITED

Regd. Office: Equinox Business Park, (Peninsula Techno Park) Off.
Bandra Kurla Complex, LBS Marg Kurla West. Mumbai – 400070
Website – www.agcnetworks.com | CIN L32200MH1986PLC040652

PROXY FORM

ANNUAL GENERAL MEETING AUGUST 7, 2014 AT 11.00 A.M

I/We .... of ....
in the district of ....being a member/members of AGC NETWORKS LIMITED hereby appoint .... of .... in the district of ....or failing him ....of ....in the district of ....as my/our proxy to vote for me/us on my/our behalf at the TWENTY- EIGHTH ANNUAL GENERAL MEETING of the Company to be held Rangaswar Hall, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021 on Thursday, August 7, 2014 and at any adjournment thereof.

Signed this .... day of .... 2014.

Reg. Folio/Client ID No.:
DP ID No.:
No. of Shares:
Signature of the Proxy Holder: .... Signature of the Member:.......................... Affix a 1 Rupee Revenue Stamp ....

This form is to be used * In favour / * against of the resolution. Unless otherwise instructed, the proxy will act as he/she thinks fit.

* Strike out which ever not desired

Note:
1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. E-Voting instructions and details, if applicable, shall be sent as an addendum.

AGC

Enabling Experience

Registered Office

Equinox Business Park, Tower 1,
Off BKC, LBS Marg,
Kurla (West), Mumbai - 400 070. India.
Email - info@agcnetworks.com

CIN L32200MH1986PLC040652

www.agcnetworks.com

Download the report here:
http://www.agcnetworks.com/AR-2014

Prism Strategic Communications (www.prism.net.in)

print@parksonsgraphics.com