वार्षिक रिपोर्ट
ANNUAL REPORT
2014-15

नेशनल इंफोर्मेटिक्स सेंटर सर्विसिज इंक
नई दिल्ली
National Informatics Centre Services Inc.
New Delhi

BOARD OF DIRECTORS

(As on 31-03-2015)

Chairman	:	Shri Tapan Ray Additional Secretary, DeitY
Director	:	Shri Raj Kumar Goyal Joint Secretary, DeitY
		Dr. Gulshan Rai Director General, ICERT, DeitY
		Dr. Neena Pahuja Director General, ERNET India
		Ms. Anuradha Mitra, JS & FA, DeitY
		Shri Rajesh Gera Deputy Director General, NIC
		Dr. (Smt.) Shefali S. Dash Deputy Director General, NIC
		Dr. Ambreesh Kumar Deputy Director General, NIC
		Shri Vishnu Chandra Deputy Director General, NIC & FA/CA, NICSI
		Shri R. S. Mani, STD, NIC
		Smt. Rachna Srivastava, STD, NIC
		Shri Rajesh Bahadur, MD
Company Secretary	:	Shri Girish Kumar
Auditors	:	Goel Garg & Co., Chartered Accountants 18 Ground Floor, National Park, Lajpat Nagar - IV. New Delhi-110024
Registered Office	:	Hall No. 2 & 3, 6th Floor, NBCC Tower, 15th, Bhikaiji Cama Place, New Delhi-110066
Bankers	:	Corporation Bank, CGO Complex, Lodhi Road, Corporation Bank, Bhikaiji Cama Place, State Bank of Travancore, Bhikaiji Cama Place, Punjab National Bank, Bhikaiji Cama Place, Bank of India, CGO Complex, Lodhi Road, State Bank of India, Bhikaiji Cama Place, New Delhi, Indusind Bank and ICICI Bank Ltd.

BOARD OF DIRECTORS
(As on 30-09-2015)

Chairman	:	Shri Tapan Ray Additional Secretary, DeitY
Director	:	Dr. M. R. Anand Senior Economic Advisor, DeitY
		Shri B. J. Srinath Director General (Additional Charge), ICERT, DeitY
		Dr. Neena Pahuja Director General, ERNET India
		Ms. Anuradha Mitra, JS & FA, DeitY
		Shri Rajesh Gera Deputy Director General, NIC
		Dr. (Smt.) Shefali S. Dash Deputy Director General, NIC
		Dr. Ambreesh Kumar Deputy Director General, NIC
		Shri Vishnu Chandra Deputy Director General, NIC & FA/CA, NICSI
		Shri R. S. Mani, STD, NIC
		Smt. Rachna Srivastava, STD, NIC
		Shri Rajesh Bahadur, MD
Company Secretary	:	Shri Girish Kumar
Auditors	:	Goel Garg & Co., Chartered Accountants 18 Ground Floor, National Park, Lajpat Nagar - IV. New Delhi-110024
Registered Office	:	Hall No. 2 & 3, 6th Floor, NBCC Tower, 15th, Bhikaiji Cama Place, New Delhi-110066
Bankers	:	Corporation Bank, CGO Complex, Lodhi Road, Corporation Bank, Bhikaiji Cama Place, State Bank of Travancore, Bhikaiji Cama Place, Punjab National Bank, Bhikaiji Cama Place, Bank of India, CGO Complex, Lodhi Road, State Bank of India, Bhikaiji Cama Place, New Delhi, Indusind Bank and ICICI Bank Ltd.

20th ANNUAL GENERAL MEETING

Notice is hereby given to the Members of National Informatics Centre Services Incorporated (NICSI) that its 20th Annual General Meeting is scheduled to be held on Wednesday 23rd September, 2015 at 11:30 AM at Hall No. 2 & 3, 6th Floor, NBCC Tower-15, Bhikaji Cama Place, New Delhi-110066, to carry out the following business:

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2015, the Income and Expenditure Account of the Company for the year ended 31st March 2015, the Directors' Report along with the Auditor's Report and comments of the Comptroller and Auditor General of India thereon.
2. To Fix the Remuneration of Statutory Auditors appointed by the Comptroller and Auditor General of India under section 142 of the Companies Act, 2013 for Financial Year 2014-15.

For and on behalf of the Board of Directors
National Informatics Centre Services Inc.

(Girish Kumar)
Company Secretary

Place: New-Delhi
Date: September 7, 2015

NOTE:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself.
2. As per rule 19(1) of the Companies (Management and Administration) Rules, 2014, a member of a company registered under section 8 of the Companies Act, 2013 (earlier section 25 of the Companies Act, 1956) shall not be entitled to appoint any other person as his/her proxy unless such other person is also a member of such company.
3. 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.

For and on behalf of the Board of Directors
National Informatics Centre Services Inc.

(Girish Kumar)
Company Secretary

Place: New-Delhi
Date: September 7, 2015

Directors' Report

Dear Shareholders,

Your Directors have immense pleasure in presenting the Twentieth Annual Report on the business and operations of the Company with the Audited Statement of Accounts and the Auditors' Report thereon for the Financial Year ended 31st March 2015.

The Summarized Financial Results for the year ended 31st March 2015, as compared with the earlier year 2013-14, is as under:

(1) Financial Highlights:

(Rupees in Crores)

S. No.	Description	2014-15	2013-14
(A)	**Receipts:**		
1	Stock & Sales	403.22	274.38
2	Services & Support	411.34	248.26
3	Operating Margin*	3.95	11.25
4	Interest / Other Income Less: Interest paid on Grant in Aid and NKN Projects amounting to Rs. 10.76 Crores (P.Y. Rs. 10.08 Crores)	83.94	79.01
	Total (A)	**902.45**	**612.90**
(B)	**Payments:**		
1	Cost of Goods Sold	384.82	257.19
2	Services & Support	350.05	210.79
3	Cost of Stock-in-trade	-	1.06
4	Employees Remuneration and Benefits	7.71	7.50
5	Other Expenses	48.99	59.39
6	Depreciation	8.35	7.24
	Total (B)	**799.93**	**543.17**
	Gross Surplus (A) – (B)	**102.53**	**69.72**
7	Less: Interest on Grant in Aid Project (Prior Period)	-	0.20
	Reversal of Cenvat Credit	3.06	7.81
8	Interest on Service Tax (Prior Period)	13.99	0.05
9	Prior period expense / (income)	1.16	(1.73)
10	Doubtful Debts Written back	-	(0.97)
11	Provision for Tax	(31.77)	(28.27)
12	**Net Surplus**	**52.55**	**36.09**
13	**Reserves and Surplus as per last year Balance Sheet**	**407.05**	**370.96**
	Total Reserves and Surplus (12+13)	**459.60**	**407.05**

* The above income is through Operating Margin (earlier known as administrative charges) on Projects from supply of Hardware Items other than Stock & Sales. The Operating Margin of NICSI varies from 3 to 8 % (w.e.f. 15.01.2015 - 5% or 7%) depending upon the Value of Project.

(2) Dividend

The company is registered under Section 25 of the Companies Act, 1956, (Now Section 8 of the Companies Act, 2013) and as per the provisions of the Section, the Company is prohibited from the payment of any dividend to its members.

(3) Transfer to reserves

The Company has not transferred any amount to reserves.

(4) Grading By DPE

NICSI enters into a MoU every year with its Administrative Department i.e. DeitY, based on the guidelines issued by Department of Public Enterprises (DPE) and negotiations in the Task Force meeting. For F.Y. 2014-15, NICSI had signed the MoU with DeitY on 24.03.2014, which consisted of the targets for that year, based on both financial and non-financial parameters. After the close of financial year and the audit on its accounts, the information in the prescribed proformas is submitted to the DPE for each year. NICSI has since submitted the information towards its achievements against each parameters for evaluation of NICSI's performance in F.Y. 2014-15. NICSI's grading based on its performance would be carried out by DPE in the month of December, 2015. However, based on achievements of financial and non-financial parameters against actual performance of NICSI for F.Y. 2013-14, NICSI has been graded as "Very Good" by the DPE.

(5) Ongoing Key Projects

National Knowledge Network (NKN)

Under NKN Project, all the Knowledge Institutions across the country are to be inter connected through high speed data communications network to encourage sharing of resources and collaborative research. It will facilitate creation, acquisition and sharing of knowledge resources amongst the large number of participating institutions, country -wide class rooms and help the country to evolve a Knowledge Society. Under the project, 1500 Knowledge Institutions are to be interconnected in the field of education, R&D, Health Services, Agriculture, Life Skills Research and Libraries. NICSI, with the support of NIC facilitates in designing and implementation of internal network capable of providing secure and reliable connectivity with ultra-high speed core with multiple 2.5/10G to 40/100 Gbps.

Implementation of State Wide Area Network (SWAN) in 9 States / UTs

NICSI with the support of DeitY and NIC has implemented SWAN Projects in 9 States under the National e-Governance Plan of Government of India, Department of Electronics and Information Technology (DeitY) through NIC. While the project is closed in Delhi and Sikkim States, it is under implementation at Uttaranchal, Uttar Pradesh, Manipur, Tripura and Lakshadweep and it is being implemented at Chandigarh and Puducherry with the financial assistance from the respective Government.

Smart card based Driving License project in Rajasthan and UP

- NICSI is engaged by department of Rajasthan and UP State Transport Department to implement Smart Card based Driving License project.
- Project involves issuance of smart card based driving licenses covering Transport Authorities in Rajasthan and UP State for a period of three / five years.

Rajasthan State Cooperative Bank

- Rajasthan State Cooperative Bank' had got its few branches computerized through NICSI on pilot basis.
- Based on its success, the bank had proposed to get all its 451 branches (i.e. both at Regional/District level) computerized in next 1 year. MoU between RSCB and NICSI signed for implementation of project.

NICSI is providing all hardware / software / net-working etc along with installation, commissioning and facility management services for all the branches.

Food Corporation of India

- Execution of an integrated the Local Area Network (LAN) / Wide Area Network (WAN) for all the depots of Food Corporation of India.

National e-Gov App Store

- Speeding up the Development and Deployment of e-Gov Applications.
- Easy replication of successful applications across States.
- Avoid duplication of effort and cost in deployment similar applications.
- Ensure availability of certified applications following common standards at one place.

Rapid Replication of e-Hospital in Karnataka

- A unique initiative to leverage sharing of infrastructure and rapid replication of successful applications across states.
- Customization of successful applications as per Seeker State's requirement and then hosting this application either at Giver State SDC or Seeker SDC.
- To provide efficient delivery of services, its applications are envisaged to be hosted on cloud at a later stage.
- As per requirement to convert the existing applications into multi-tenant cloud ready, customizable and configurable to State specific requirement.
- Hence, selected applications to be developed as a product, to be a part of "App Store" of the National Cloud.

e-Vidhan — a Green Governance Tool, Government of Himachal Pradesh

- To implement complete ERP for Vidhan Sabha which would computerise the working of Legislative Assembly, Committees and Members.
- Would establish linkage with the Excellency the Governor of Himachal Pradesh, CM Office, Government Departments/ Undertakings and Citizens of the State.

Rapid Replication Rollout of XLN

- To customize and rollout of developed application in the State of HP, Karnataka, Chhattisgarh and Kerala.

National Optic Fibre Network (NOFN)

- To provide 100 Mbps Connectivity to all the 2,50,000 Gram Panchayats by laying incremental fibre from Blocks to Gram Panchayats.

- Being funded from Universal Obligation Fund (UOSF) of Department of Telecommunications (DOT) and Bharat Broadband Nigam Limited (BBNL).
- Being executed with assistance from BSNL, RAILTEL and Power Grid.
- To fill the gaps in IT Infrastructure, vertical connectivity to Government networks in NKN/ SWAN/ NICNET.
- Last mile connectivity upto 10 Government institutions in 59 Gram Panchayats , where fibre has already been laid by BBNL under NOFN Pilot Project.

(6) Projects/ Activities Centres

National Data Centre (NDC)

NICSI had established a Data Centre at Scope Complex, Laxmi Nagar, Delhi and a National Data Centre (NDC) Ist Floor, DMRC's IT Park, Shastri Park, Delhi. NDC at Shastri Park, set up with financial assistance from DeitY and NIC, has state-of-the-art Tier III facility and supports the countrywide e-Governance initiatives by assisting various Government departments/ organizations through services such as:

Collocation Services	► Users' servers/ equipment housed in the facility of NICSI for a contracted period ► Services include Security Management, Precision Environment, Network Management and Performance.
Shared Hosting Services	► Hard disk space on a common web server is provided to the users ► Unique domain name of the users' website is mapped to NICSI DNS server so that the access to the site from the internet is possible ► Shared web hosting service provides users an opportunity to be visible on Internet in a cost effective & efficient way.
Dedicated Hosting Services	► It offers one or more dedicated servers viz; web server, database server to the user and hosts the server at its data centre on a managed basis ► Takes care of complete hardware maintenance, necessary operating system installation & configuration viz; Windows and Linux, one time OS hardening and installation of other appropriate software components for meeting the users' requirements.

So far, around 47 projects have been hosted at Laxmi Nagar Data Centre, and 20 paid projects at Shastri Park NDC of various Government departments/ organizations through collocation/shared/dedicated hosting services.

Development Centre

A new State of Art Development Centre had been made operational at 2nd Floor, DMRC's IT Park, Shastri Park, Delhi, in which the infrastructure with developing environment in terms of Desktops, Servers, System Software and internet connectivity had been established for several e-Governance project teams.

The Development centre has the facility as under:

- Seating capacity of around 400 developers.
- Workstation with internet connectivity.
- Conference and Discussion Rooms with Video Conferencing facility.
- Separate AHU for entire cooling requirement.

NKN Centre

DeitY had given the NKN Project to NIC/ NICSI for implementation in a period of 10 years. It is an ongoing key project. Towards the same, a centre had been established by NICSI at 3rd Floor, DMRC's IT Park, Shastri Park, Delhi which is being run and maintained efficiently. In view of increased activities of the Centre, NICSI has hired 4th Floor at DMRC's IT Park, Shastri Park, Delhi and the interior etc. work there at has been given by NICSI to M/s NBCC Ltd., a Government of India Enterprise.

Immigration, Visa and Foreigner's Registration & Tracking (IVFRT) Centre

NICSI had established the IVFRT Centre for Ministry of Home Affairs (MHA) at 3rd Floor, DMRC's IT Park, Shastri Park, Delhi. In due course, some new initiatives have been carried out under the project and with implementation of e-Tourist Visa Scheme for additional countries, the need for additional space as the Visa Processing Unit has arisen. Accordingly, the existing IVFRT Centre is being extended at 5th Floor, DMRC's IT Park, Shastri Park, Delhi. The interior etc. work there at has been given by NICSI to M/s NBCC Ltd., a Government of India Enterprise.

(7) New Projects

S.No.	Project	Objective
1	Collaborative Application Development Platform by opening the Source Code of Government Applications	Creation of operational and legal framework for adoption of Source Open initiative i. Promotion of envisaged Collaborative Application ii. Development Platform for adoption by open/closed community iii. To extend/ customise/ enhance an existing, integrated, readily usable OSS Environment as per the requirement of prioritiosed collaborative-feature. iv To host and maintain the Environments at NDCs for the development & maintenance (including DR) of: • e-Governance software applications • re-usable software libraries & components.
2	Portal Development of Digital India Programme	i. To develop a portal with advance features alongwith latest standards look and feel. ii. To integrate easy to use content management system for easily managing overall content of the Portal. iii. To develop role based access management system to provide secured, restricted access to different stakeholders. iv. To provide information to citizen with minimum numbers of clicks. v. To make it easy to use for citizens with providing latest updates, important sections on the home page itself along with search features. vi. To help Indian citizen to share their ideas for good governance and better development of India. vii. To structure content of the portal to make it disabled friendly so that the available information is easily accessible to people with disability. viii.To make site accessible on all platform like all major browsers (e.g. internet explorer, Mozilla Firefox, Google Chrome, disabled specific devices)

3	Computerization of Central Administrative Tribunal (CAT)-Implementation of Case Management System (CMS)	Improvement of services and easily accessibilty and timely availability of information for the benefit of stakeholders. i. Filling of case with generation of automatic case registration number. ii. Case allocation with generation of automatic cause lists. iii. Grouping of cases for bulk disposal. iv. Easy access of Orders and Judgments to litigants and advocates concerned. v. Dynamic and interactive Website of CAT. vi. Case status through SMS. vii. Notices through emails.
4	National Centre for e-Governance Standards & Technology (NeST)	i. To develop and adopt ICT Standards & Technologies for effective and efficient implementation of e-Governance project in India. ii. To promote innovation to facilitate standardization of technology and processes. iii. To undertake capacity building at various levels in order to facilitate understanding of Standards & Technologies. iv. Facilitating compliance by developing assessment and evolution methodologies. v. To promote adoption of Open Technology which include Open Standards and Open Source Software to avoid vendor lock-in. vi. To work closely with National and International agencies developing and promoting such ICT Standards and Technologies.
5	Asset Mapping of Panchayats	i. Creating awareness on significance of location of current assets and proposed assets in the locality to the citizens. ii. Enable & facilitate Integrated District Planning in a participative, decentralized manner through convergence of efforts to get maximum outputs of/ through assets/ resources. iii. Providing assistance in preparing scientific and relatively accurate. iv. Providing a tool to Panchayati Raj Institutions (PRIs) for planning and monitoring of progress of work in an easy and effective manner. v. Develop and enhance a rural spatial database and generate a repository of useful spatial information for public good and inclusive local development.
6	Digital Signature to Lok Sabha MPs	i. Development of Member's Login Portal with single sign-on facility. ii. Development of e-Notice application. Development of Accounting information related pages by M/S CMC. iii. Providing DSCs to all the Members of Parliament. iv. Security audit of the entire Member's Portal. v. Deployment/Release of Member's Portal. vi. Training to the Member's of Parliament on the facilities/ eservices available through the Member's Portal and use of DSCs.

7	Project Proposal for funding of eTaal 2.0	i. Providing quick view of Transactions performed electronically (self-service or assisted access mode). ii. Measuring the number of Transactions performed by various e-Governance applications on a real time basis. iii. Acting as an indicator of scale of services being delivered to the citizens. iv. Providing quick analysis of transaction in tabular and graphical form-analysis by the service, by the time-period, by the State/ Department, or by the geography, instantaneously. v. Enabling the Ministeries/Departments implementing e-Governance projects get a real-time view of the impact of their projects and take remedial steps or interventions where needed.
8	E-mail solution for Government of India	To augment/ deploy a new government E-mail and collaboration service at National Informatics Centre, New Delhi for providing E-mail service to all government users and to create a more agile central setup within Government of India wherein E-mail services can be provisioned to meed the needs of all government users.
9	Aadhaar Enabled Biometric Attendance System (AEBAS) for Government of India Offices in Delhi.	To establish real time recording of employee attendance in various central government offices located in Delhi by using the online biometric authentication services provided by UIDAI using Aadhaar database.
10	Jeevan Pramaan-Awareness	To spend awareness to the government pensioners on Jeevan Pramaan Project.
11	Prison Management Information System, Govt. of Telangana	To intends to implement a Video Conference System and Prison Information Management System for linking the Police and the courts. The software for implementing the same will be provided by NIC free of cost. The solution will be deployed at Police HQ in Hyderabad, 03 Central Jails, 18 District Jails, Prison Agricultural Colony-01, Special Prison for Women-01, Special sub jail 04, 25 sub jails and 2 NIC State Centre of AP under cerntarlized architecture approach. The project will also cover implementing of Video conferencing.
12	Prison Management Information System, Govt. of Andhra Pradesh	To intends to implement a Video Conference System and Prison Information Management System for linking the Police and the courts. The software for implementing the same will be provided by NIC free of cost. The solution will be deployed at Police HQ in Hyderabad, 04 Central Jails, 08 District Jails, 70 sub jails, Prison Agricultural Colony-01, Special Prison for Women-01, Special sub jail-11, and 2 NIC State Centre of AP under cerntarlized architecture approach. The project will also cover implementing of Video conferencing.

(8) Assistance sought from the Government of India

- NICSI may be declared by the Government of India as a Central Purchase Organization (CPO) for providing total ICT Solutions & Services or it may be allowed by Government of India to undertake such projects on nomination basis in the Government Sector.
- NICSI may be exempted from the provisions under Rule 159 of GFRs restricting advance payment to 40% only, in view of the fact that the Purchase Orders to be placed by NICSI to the empanelled vendors are for full amount of the contract value involved.
- NICSI may be exempted by DPE from the provisions in their O.M. no. 2 (70)/ 08-DPE (WC) – GL – XVI / 08 dated 26.11.2008, in view of the unique set-up of NICSI, where, as per Government of India Notification dated 03.03.1998, it cannot create any post and the entire manpower is from NIC on rotational deputation basis, along with their posts, as a conduit for the progressive reduction of the manpower budget on NIC.
- In the present scenario, NICSI needs to be permitted to create posts to have its own manpower and to frame its own HR Policy & Recruitment Rules (RRs) for those posts.
- To address current and future requirements, there is a need of setting up NICSI Corporate Office to accommodate approx staff of 500, Data Centre with an approx area of 1.5 to 2 Lakh Sq. Ft. Development Centre with capacity of approx 1000 Work Stations, to integrate all of its services from one premise. Government may allocate approx. 5 acres land in Delhi/ nearby NCR Cities i.e. Noida/ Gurgoan, to enable NICSI to build & establish its own campus there. (Timeframe: Approx. 2-3 years).
- To assist NICSI in getting exemption under the Income Tax Act, being a Section 25 Company of the Government of India.

(9) New Projects Received

a)	Segment- wise breakup:		***April 2014 to March' 2015***	***April 2013 to March' 2014***
		Hardware Items	410	410
		Software Items	210	272
		Manpower	944	667
		Web/Soft Dev	106	68
		Training	Nil	5
		Network	132	208
		General Projects	380	341
		Other items	331	238
		Total	**2513**	**2209**
b)	Segment-wise number of Work Orders issued:	*Hardware Items*	1842	2152
		Software Items	398	486
		Manpower	4788	3753
		Network & Misc.	214	481
		Total	**7242**	**6872**

c)	Proforma Invoice Issued	*Hardware*	4253	2467
		Software	1612	1337
		Manpower	5537	2125
		Network	2129	2836
		Miscellaneous	791	1149
		Total	**14322**	**9914**

(10) Tenders Floated

			April 2014 to March' 2015	***April 2013 to March' 2014***
		No. of Open Tenders	18	20
		No. of Limited Tenders	3	7
		No of Strategic Alliances	Nil	7
		Total	**21**	**34**

(11) Manpower

As per the manpower profile approved by the government through notification in the Gazette of India, deployment of manpower in NICSI will be purely on temporary rotational deputation basis along with their posts from NIC.

The total staff strength of NICSI as on 31st March 2015 was 45.

(12) Particulars of Employees

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

(13) Corporate Social Responsibility

National Informatics Centre Services Inc. (NICSI) is a Section 25 Company (Now Section 8 under Companies Act, 2013). NICSI's objective is to promote ICT Solutions / Technology and to apply its profits, if any, or other income in promoting its objects and prohibited to pay any dividend to its members.

As per Section 135, read with Companies (CSR Policy) Rules, 2014 along with the Companies (CSR Policy) Amendment Rules 2015, Private Limited Companies under Section 8 (Earlier Section 25), the Board of Directors of other Companies may decide to undertake its CSR activities approved by its CSR Committee through a registered trust or a registered society or a company under section 8 of the Act like NICSI.

Accordingly, in view of aforesaid provisions of the Companies Act, 2013 read with relevant Rules, Corporate Social Responsibility (CSR) activities are not taken as Dynamic Parameters by the Task Force Members appointed by Department of Public Enterprises, Ministry of Heavy Industry & Public Enterprises, Government of India in the MoU entered into between DeitY and NICSI for the F.Y. 2014-15 and 2015-16.

(14) Corporate Governance

Corporate Governance is an ethically driven business process that is committed to values aimed at enhancing an organisation's brand and reputation. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values. At NICSI it is imperative that our company affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders.

(i) Number of Board Meetings and Annual General Meeting Convened in Financial Year 2014-15

S. No.	Board Meetings in FY 2014-15	Date	Venue
1	86th	07.05.2014	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
2	87th	25.07.2014	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
3	88th	26.09.2014	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
4	89th	19.12.2014	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
5	90th	22.01.2015 (Adjourned)	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
6	Adjourned 90th	04.02.2015	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
6	19th Annual General Meeting	26.09.2014 (Adjourned)	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
7	Adjourned 19th Annual General Meeting	30.09.2014	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003

(ii) Number of Board Meetings and Annual General Meeting convened in Financial Year 2013-14

S. No.	Board Meetings in FY 2013-14	Date	Venue
1	82nd	24.06.2013	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
2	83rd	25.09.2013	NICSI Development Centre, 2nd Floor, Block-3, DMRC Building, Delhi IT Park, Shastri Park, Delhi 110053

3	84th	11.12.2013	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
4	85th	28.03.2014	Same as above
5	18th Annual General Meeting	25.09.2013	NICSI Development Centre, 2nd Floor, Block-3, DMRC Building, Delhi IT Park, Shastri Park, Delhi 110053

(15) Declaration by Independent Directors

The Company was not required to appoint Independent Directors under Section 149(4) and Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 hence no declaration has been obtained.

(16) Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178

The Company, being a wholly owned Government Private Limited Company was not required to constitute a Nomination and Remuneration Committee under Section 178(1) of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Stakeholders Relationship Committee under Section 178(5) of the Companies Act, 2013.

(17) Extract of the Annual Return in Form MGT-9

Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014. Form MGT 9 i.e. Extract of Annual Return is placed at Annexure.

(18) Material Changes and Commitments affecting financial position between the end of financial year and date of the Board report

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

(19) Change in the nature of business

There is no change in the nature of business of the company.

(20) The Conservation of Energy, Technological Absorption and Foreign Exchange Earnings and Outgo

The information on Conservation of Energy and Technological Absorption is NIL. Foreign Exchange earnings and outgo of the company during the year was NIL.

(21) Particulars of loans, guarantees or investments under section 186 of the Companies Act, 2013

During the year under review, the Company has not advanced any loans/ given guarantees/ made investments.

(22) Related Party Transactions

Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the form AOC-2 of the Companies (Accounts) Rules, 2014

Related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business.

Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014:

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil

2. Details of material contracts or arrangement or transactions at arm's length basis: Nil

(23) Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future

During the year under review there has been no such significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

(24) Subsidiary Company

As on March 31, 2015, the Company does not have any subsidiary.

(25) Auditors

M/s. Goel Garg & Co., Chartered Accountants, 18, Ground Floor, National Park, Lajpat Nagar-IV, New Delhi – 110024 were appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company u/s 139 of the Companies Act, 2013, to audit the accounts for the year ended 31st March 2016.

(26) Directors' Responsibility Statement

Pursuant to the requirement under section 134 (3) (c) of the Companies Act, 2013, the Board of Directors of the company hereby state that:

a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the Directors had prepared the annual accounts on a going concern basis; and

e) the Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(27) Acknowledgement

The Board places on record its gratitude to acknowledge the cooperation, assistance and guidance extended to the Company by Central and State Government Ministries/Departments / Organizations, PSUs etc. The Directors are also grateful to the Comptroller and Auditor General of India and Auditors for their cooperation. The Board expresses its sincere gratitude to the members, bankers and clients for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts of all the staff and employees of the Company.

For and on behalf of the Board of Directors of National Informatics Centre Services Inc.

Chairman

Place: New Delhi
Date: 23rd September, 2015

National Informatics Centre Services Incorporated (NICSI

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U74899DL1995NPL072045
ii)	Registration Date	29.08.1995
iii)	Name of the Company	National Informatics Centre Services Incorporated
iv)	Category / Sub-Category of the Company	Private Limited Section 25 (Now Section 8 Company) Company under National Informatics Centre, Department of Electronics and Information Technology, Ministry of Communications and Information Technology, Government of India
v)	Address of the Registered office and contact details	Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi-110066 Tel.: 91-11-26105054, 26105193 Fax: 91-11-26105212
vi)	Whether listed company Yes / No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Nil

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be Stated:

Sl.No.	Name and Description of main products / services	NIC Code of the Product/ Service	% to total turnover of the company
1	ICT Solutions – Hardware and Software		52.37
2	Manpower, Network and Others		47.63

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	Cin/Gln	Holding/Subsuduary/ Associates	% of shares held	Applicable Section
1	NIL				

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF									
b) Central Govt	NIL	200000	200000	100	NIL	200000	200000	100	NIL
c) State Govt (s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1)									
(2) Foreign									
a) NRIs -Individuals									
b) Other Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total (A) (2)									
Total shareholding **of Promoter (A) = (A)(1)+(A)(2)**	NIL	200000	200000	100	NIL	200000	200000	100	NIL

B. Public Shareholding **Institutions** a) Mutual Funds b) Banks / FI c) Central Govt d) State Govt(s) e) Venture Capital Funds f) Insurance Companies g) FIIs h) Foreign Venture Capital Funds Others (specify) **Sub-total (B)(1)** **2 .Non-Institutions** a) Bodies Corp. i) Indian ii) Overseas b) Individuals i) Individual shareholders holding nominal share capital upto Rs. 1 lakh ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh c) Others (specify) **Sub-total (B)(2)**	Not Applicable Not Applicable								
Total Public Shareholding (B)=(B)(1)+ (B)(2)	Not Applicable								
C. Shares held by Custodian for GDRs & ADRs	Not Applicable								
Grand Total (A+B+C)	NIL	200000	200000	100	NIL	200000	200000	100	NIL

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% Change in share holding during the year
1	President of India through NIC	200000	100	NIL	200000	100	NIL	NIL
	Total	200000	100	NIL	200000	100	NIL	NIL

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	At the beginning of the year	No Change			
3	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):				
4	At the End of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1	For Each of the Top 10 Shareholders	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	At the beginning of the year	Not Applicable			
3	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):				
4	At the End of the year (or on the date of separation, if separated during the year)				

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.		Shareholding at the Beginning of the year		Cumulative Shareholding during the Year	
1	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	At the beginning of the year	NIL			
3	Date wise Increase /Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
4	At the End of the year				

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of ASQthe financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	Not Applicable			
Total (i+ii+iii)				
Change in Indebtedness during the financial year • Addition • Reduction				
Net Change				
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due				
Total (i+ii+iii)				

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
		Shri Rajesh Bahadur, MD	Rs. 21,96,665 per annum
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NICSI is promoted by Government of India through National Informatics Centre (NIC), as a Private Limited Section 25 Company (Now Section 8 Company). As per Article 59(i) of the Articles of Association of the company, the Managing Director shall be appointed by the Director General, NIC on behalf of the President of India by deputing suitable officer of NIC. The Managerial Remuneration for Financial Year 2014-15 to the Managing Director of the Company is Rs. 21,96,665/- only.	
2	Stock Option	Not Applicable	
3	Sweat Equity		
4	Commission - as % of profit - others, specify...		
5	Others, please specify Total (A) Ceiling as per the Act		
	Total (A)		
	Ceiling as per the Act		

B. Remuneration to other directors

Sl. No.	Particulars of Remuneration	Name of Directors			Total Amount	
		-----	-----	-----	-----	
1	3. Independent Directors • Fee for attending board / committee meetings • Commission • Others, please specify	Not Applicable				
2	Total (1)					
3	4. Other Non-Executive Directors • Fee for attending board / committee Meetings • Commission • Others, please specify					
4	Total (2)					
5	Total (B)=(1+2)					
6	Total Managerial Remuneration					
7	Overall Ceiling as per the Act					

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	The Remuneration for Financial Year 2014-15 to Company Secretary of the Company is Rs. 5,04,350/-		Not Applicable	Rs. 5,04,350/-
2	Stock Option	Not Applicable			
3	Sweat Equity				
4	Commission - as % of profit - others, specify...				
5	Others, please specify				
	Total				

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
Penalty	NIL				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL				
Punishment					
Compounding					

For and on behalf of the Board of Directors
of National Informatics Centre Services Inc.

Chairman

Place: New Delhi
Date: 23rd September, 2015

National Informatics Centre Services Incorporated (NICSI)

Addendum to the Directors Report for Financial Year 2014-15

Replies to the Observations of the Statutory Auditors in their Report dated 27 July 2015 from M/s. Goel Garg & Co., Chartered Accountants on the Accounts of NICSI for F.Y.2014-15

S. No.	AUDIT OBSERVATION	NICSI REPLY
1.	Reference is invited to the Note No. 41 and 51 of the financial statements, regarding Grants-in-aid,	
	a) The unaudited accounts of grant-in-aid projects have been incorporated in the financial statements of the Company.	NICSI has been implementing a number of grants in aid projects from some Ministries /Departments since its inception. Earlier, as per the approval of the Board of Directors, the fund received as grants in aid was being treated by NICSI as 'Advance' and hence, the Audit of individual project was not being got done. Subsequently, the Board of Directors, in its 75th meeting held on 21.12.2011, had re-considered the matter and in view of the provisions in the terms & conditions in the sanctions towards release of grants-in-aid towards getting the accounts of each project audited, had approved to get the Accounts audited every year for each project through a CA firm. Accordingly, the audit of most of the grants in aid projects, since start of each project, has been got done by NICSI through a CA firm and the Audit Certificates issued. The Audit of the remaining projects is presently being done by a CA firm and it is likely that in the current F.Y. 2015-16, the audit of all the grants in aid projects upto F.Y.2014-15 would be completed.

	b) During the current year, the interest on Grant-in-Aid projects amounting to Rs. 10,75,78,259/- (Previous year Rs.10,08,57,015/) has been reduced from interest income earned during the year as per the interest rate on saving bank account given by the public sector banks based on the management estimation instead of actual interest earned on unutilized funds of Grant -in - Aid projects as per the terms & conditions laid down by Grantor Institution. The overall impact of matters referred to in the preceding para on the financial statements for the year is unascertainable and unquantifiable.	NICSI has been implementing a number of grants in aid projects from some Ministries / Departments since its inception. Earlier, as per the approval of the Board of Directors, the fund received as grants in aid was being treated as 'Advance' and hence, the interest earned by NICSI was neither calculated nor refunded to the grantor departments. Subsequently, the Board of Directors, in its 75th meeting held on 21.12.2011, had re-considered the matter and in view of the provisions in the terms & conditions in the sanctions towards release of grants-in-aid about refund / adjustment of interest earned, had approved to calculate the interest on the unspent amount available from time to time in each grants in aid project as per the Savings Account Policy of the Public Sector Banks. Accordingly, NICSI had started calculating the year-wise interest earned and in F.Y.2012-13 itself, it had refunded / provided Rs.23,35,79,515/- to the grantor Departments, out of which Rs.17,60,76,020/- related to the previous years and Rs.5,75,03,495/- to F.Y.2012-13. Similarly, in F.Y.2013-14, NICSI had refunded / provided Rs. 10,08,57.015/- as interest, which included Rs. 20,14,319/- for the previous years and Rs.9,88,42,696/- towards F.Y.2013-14. In current F.Y.2014-15 also, NICSI has refunded/ provided Rs.10,75,78,259/- as interest, which includes Rs.32,02,938/- for the previous years and Rs.10,43,75,321/- towards F.Y.2014-15. The interest in future years also would be calculated and refunded / provided accordingly.
2	Reference is invited to the Note No. 44 of the financial statements, regarding change in business methodology w.e.f 1st Aug 2013, however still some Purchase/Work orders are being issued as per earlier methodology i.e. on net basis. This has resulted in the understatement of sale and purchase for the year. This may lead to an exposure under indirect tax laws. Further, in the absence of details and documentation, consequential impact, if any, on the financial statements is unascertainable.	The Board of Directors in its 79th meeting held on 26.09.2012, had approved to reflect entire turnover on Gross basis w.e.f. 1st April, 2013 onwards. Accordingly, discussions were held in detail but due to certain procedural issues involved therein, the revised system could be adopted from August, 2013 only and the financial statements for F.Y. 2013-14 finalised accordingly. The Board of Directors in its 87th meeting held on 25.07.2014, had noted the same. In F.Y.2014-15 also, the Financial Statements have been prepared accordingly. However, some Work Orders issued prior to 1st August, 2013 still remain to be executed, the accounting of which is reflected on net basis, as & when the bills are received in NICSI towards them.

3	Reference is invited to Note No.43 of financial Statements on recognition of operating margin,	
	i) Operating margin levied by the company is not in accordance with slab rates decided by the Board of Directors in the projects in cases, where initially decided project value has been revised later on.	NICSI levies its Operating Margin in the projects as per the rates approved by its Board of Directors from time to time. However, in some cases, it results in variation of rates of Operating Margin, due to change in the cost of the project. At the close of each project, NICSI prepares a Closure Statement of Expenditure, based on verification of each invoice and other related documents. The Operating Margin is finally revised based on the actual total expenditure in the project and the variation if any, in the accounts towards Operating Margin is then rectified at the time of preparation of Closure Statement of Expenditure. The User Department is thus, charged Operating Margin by NICSI on the total actual expenditure in the project.
	ii) The Company, as per DeitY approval, has not been charging any operating margin from NIC on the procurement towards their internal project.	Secretary, DeitY had taken a meeting on 26.05.2014on the issues relating to clarity of Roles between NIC & NICSI in regard to procurement of ICT Solutions for the Government Sector. In the meeting, it was decided that the procurements made by NICSI for NIC's internal requirement projects would be exempted from the payment of Operating Margin. In this regard NIC had issued a Circular, vide No. G-30012/02/2014/IFS dated18.06.2014. A copy each of the Minutes of the said Meeting dated 26.05.2014 and NIC Circular dated 18.06.2014 are enclosed herewith.
	iii) The Company, as per DeitY approval, has not been charging any operating margin from NIC on the procurement towards their internal project.	It is repetitive of (ii) above.

	iv) The Company has been taking a uniform Operating margin @5 % on Digital Signature Project irrespective of project cost. In the absence of documentation and details, the overall impact of matters referred to in the preceding para on the financial statements for the year is unascertainable and unquantifiable.	This is as per past practice. However, it would be submitted to the Board of Directors for ratification in its next meeting.
4	The Company is following cost plus margin model. In few projects, we observed that expenses are on higher side as compared to revenue recognized by the Company. In the absence of documentation and details, consequential impact of the same on the revenue from operation and surplus is unascertainable.	No such case is there, where NICSI has incurred more expenses than income. However, in some cases, it has been due to issue of Credit Notes towards excess income charged in earlier years owing to change in percentage of the Operating Margin admissible or due to some rectification entry having been made.
5	Reference is invited to Note No.21 of financial Statements, in relation to prior period expenses/ income booked in Income and Expenditure account, the Company has disclosed Rs. 1,15,22,530/- as net prior-period expense (Previous Year Rs. 17,267,235/- as net prior period income). In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount.	NICSI on receipt of invoices from vendors book respective expenses and raises corresponding income in the project. The expense is not provided on provisional basis as there are numerous projects under which Work Orders have been issued but related bills have not been received. The expenses are omitted in previous year as invoices are received from various vendors in next year. Hence, NICSI books the expenditure of previous year as prior period in next year, when invoices are received. NICSI regularly follows-up with the vendor to submit the invoices immediately the Work Orders are executed so that payments could be made but, in some cases, the vendors are not in a position to submit the bills as they do not have complete documentation of the delivery of Products & Services and since they don't have information about the same, they are not in a position even to submit the provisional bills. It is assured that more efforts would be made in future to get the bills from the vendors in time to avoid prior period items.

6	Reference is invited to Note No.45 of the financial statements, as per information provided to us the company recognized revenue of Rs. 1,303 crores during Financial Year 2010-11 on the basis of advances received instead of actual expenses incurred for National Knowledge Network 'NKN' Project. In the current year, the Company has not recognized any income on the expense incurred out of above advances. As at the end of the year, advances of Rs. 48.49 crores (approx.)(Previous Year Rs. 595 Crores) is still pending to be adjusted. Accumulated reserves are overstated to the extent of Rs.0.48 Crores.	Towards NKN Project, NICSI had inadvertently taken its income in F.Y.2010-11 on the advances of around Rs.1303.83 crores, treating it as an expenditure. Most of these advances have since been adjusted and the pending advances of around Rs.48.49 crores as on 31.03.2015 are also likely to be adjusted in next financial year.
7	Reference is invited to Note No. 39 of the financial statements, Revenue from operation include income recognized @ 1% as administrative charges of expenditure incurred on NKN Project. The same is subject to Department of Electronics & Information Technology ('DeitY') approval. In the absence of sufficient and reasonable documentary evidence, the consequential impact on financial statements is not ascertainable and quantifiable.	NICSI is charging Operating Margin @ 1% of total Project Cost in respect of NKN project, based on the recommendations of the High Level Committee, which was subject to approval from Integrated Finance Division (IFD), DeitY. NIC had accordingly, referred the matter to IFD, DeitY, which had examined the proposal and had given some observations. NIC is in the process of replying to those observations to IFD, DeitY for getting its approval in the matter.
8	In our opinion, Internal Audit Systems/ Internal Controls in relation to project management, book keeping, invoicing, procurement, stores, inventory, physical verification of fixed assets and tendering process of the company are not commensurate with the size and nature of its operations.	NICSI has internal control system through Delegation of Powers and Directives from the Board of Directors from time to time. All the activities of NICSI are got performed within those approved guidelines. Further, NICSI had empanelled the Internal Auditors i.e. M/s. Vinay Jain & Associates, Chartered Accountants through tender process and the company has been conducting the audit as per the scope of work given and issuing the Reports on quarterly basis since FY 2011-12. The shortcomings have not specifically been pointed out in this Report and these are general comments. Proper accounting and other procedures are being followed towards purchase of goods, stores, inventory, fixed assets, book keeping etc. However, more care would be taken in future in such matters.

9	Reference is invited to Note No.31 of the financial statements, balance confirmations have not been received from loan and advances, Trade Payables, Trade Receivables, Advances received from customers, Earnest Money Deposits receipts, Security deposits and Grants-in-aid received from customers for balance outstanding as at March 31, 2015. In the absence of confirmations, we are unable to comment on the accuracy of the balances and recoverability thereof, along with impact, if any, on financial statements.	NICSI has issued Balance Confirmation Letters to all the Debtors, Creditors etc. but almost no response. It is a regular feature that the Users / Customers of NICSI, being all the Government Ministries / Departments / Organisations, no reply is received back to those letters from them. As per previous year, NICSI has also sent the self addressed / stamped envelopes to all the above for F.Y. 2014-15 but almost no response.
10	Reference is invited to Note No.12 to the financial statements and accounting policy regarding No.2(xv),Provision for bad and doubtful debts as on balance sheet date amounting to Rs. 2,63,84,195/- (Previous Year Rs. 2,16,08,180/-) created against Long term trade receivables. In the absence of balance confirmations and proper documentation, we are unable to comment on the adequacy of such provision and impact thereof, if any, on financial statements.	The "Provision towards Bad & Doubtful Debts" had been made for the first time for F.Y.2012-13, based on the 'Policy' approved by the Board of Directors in its 81st meeting held on 20.03.2013. However, as mentioned in the foregoing para, since balance confirmations are not received, NICSI does not have any further comment in the matter.
11	Reference is invited to Accounting Policy No. 2(iv) on revenue recognition, during the year, the Company has issued credit note of Rs. 4,82,57,970/- (Previous Year Rs.7,56,74,947/-).In the absence of reasonable and sufficient documentation in relation to completeness of reversal of such excess income, we are unable to comment on the accuracy and completeness. Impact of same, if any, on the financial statement is unascertainable.	In F.Y. 2014-15, NICSI has taken its Operating Margin @ 3 to 8% of the total cost of the project upto 14.01.2015 and 5% or 7% w.e.f. 15.01.2015 onwards, as approved by its Board of Directors from time to time. However, based on observation in previous year report, the revenue taken in earlier years has been reviewed this year and based on that, the credit notes issued for Rs.4,82,57,970/-. In case any different amount still remains having been charged in the previous years under any project, it would be automatically rectified at the time of preparation of 'Closure Statement of Expenditure', which is prepared at the time of completion of each project.

12	Reference is invited to Note No.57 of the financial statements, Schedule III of the Companies Act, 2013 requires classification of Assets and Liabilities into current and non-current. In absence of documentary evidence showing reasonable basis for such bifurcation in case of other liabilities, trade payables, loans & advances and other assets disclosed in the financial statements, we are unable to comment on accuracy of such disclosure.	The classification of Assets & Liabilities into current and non-current has been done with the approval of FA, NICSI and MD, NICSI, based on expectations.
13	Reference is invited to Note No.11 of the financial statements, Taxes Recoverable as on balance sheet date includes Sales tax recoverable balance of Rs. 1,15,51,384/- (Previous YearRs.1,15,51,384/-) which pertains to financial year 1997-98 to 2004-05. In the absence of certainty about recoverability of above, we are unable to comment on the accuracy and existence of these balances and consequential impact on the financial statements, if any.	The long outstanding Sales Tax cases have been followed up and are still being followed by NICSI with the concerned Tax Authorities regularly. These cases are now at final stage and it is likely that the decisions therein would be taken in the near future.
14	Reference is invited to Note No.49 of the financial statements regarding LTC payment by the Company during the period 2010-11 to 2013-14 amounting to Rs. 1.89 Cores without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.	The effected employees of NICSI had filed a petition in Hon'ble Delhi High Court against the LTC recovery from them. The matter is scheduled for hearing in the Court on 5th October, 2015. However, a Draft Audit Para (DAP) had been received on this item from the Post & Telecommunications Audit office and NICSI had furnished the reply towards the same to DeitY for onward submission to the Audit Office. Further, the Service Rules of NICSI are under consideration of NIC / DeitY for ratification/ approval.
15	Reference is invited to Note No.50 of the financial statements regarding project incentive paid/ provided by the Company for the period 2007-08 to 2014-15 amounting to Rs. 2.45 crores without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.	NICSI has received a Draft Audit Para (DAP) in the matter from the Post & Telecommunications Office. Additional Secretary, DeitY, vide D.O. dated 02.07.2015, has informed the details in the matter and the peculiar circumstances, under which a small incentive is given, to the DG Audit, P&T with the request to drop the para. Further feedback from the Audit Office is awaited.

16	Reference is invited to Note No. 53 of the financial statements regarding payment of Transport and House Rent Allowance paid/provided by the Company for the period 01.07.2007 to 31.03.2015 amounting to Rs 0.61 crores and Rs 0.21 crores respectively without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.	NICSI has received a Draft Audit Para (DAP) in the matter from the Post & Telecommunications Office. Additional Secretary, DeitY, vide D.O. dated 28.08.2015, has informed the details in the matter and the peculiar circumstances, under which the small incentive is given tl the DG Audit, P&T, with the request to drop the para. Further feedback from the Audit Office is awaited.
17	Reference is invited to Note No. 60 of the financial statements regarding excess pension contribution paid to NIC by the company for the financial year 2012-2013 amounting to Rs. 10.25 lakhs. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.	NICSI has requested NIC to refund the excess amount of Rs.10.25 lacs paid towards Pension Contribution. In case it is not received, it would be adjusted by NICSI out of the payments towards Pension Contribution to NIC in future.
18	Reference is invited to Note No. 61 of the financial statements regarding excess leave salary contribution paid to NIC by the company for the financial years 2012-13 and 2013-14 amounting to Rs. 1.06 lakhs. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company including for the financial year 2014-15.	NICSI has requested NIC to refund the excess amount of Rs.1.06 lacs paid towards Leave Salary Contribution. In case it is not received, it would be adjusted by NICSI out of the payments towards Leave Salary Contribution to NIC in future.
19	The Company has not complied with the following Accounting Standards (AS) prescribed by the Companies (Accounting Standard) Rules 2006 -	
	i. Reference is invited to the Cash Flow Statement, Fixed Deposits with maturity period of more than 3 months have been considered as Cash Equivalents at the beginning and at the end of the year. This is resulting in non-compliance with requirement of Accounting Standard – 3 "Cash Flow Statement".	The position is rectified in the financial statement.
	ii. The company has not complied with disclosure requirements of Accounting Standard 4 - 'Contingencies and events occurring after the Balance Sheet date', as the Company receives service and material on behalf of third party to carry out certain projects. Sometimes, as informed to us, information related to such expense and acquisition comes after closing date and the same has not been recognized in the financial statements.	NICSI continues to receive the bills from the vendors after 31st March every year and based on that, the entries are made in the accounts for the bills received after 31st March till the closure of the financial statements for that year.

	iii. Reference is invited to Note No.2(iv) of the financial statements; as per the Company's policy, revenue on sales of goods is being recognized at the time of generation of invoice, whereas, the risk and reward are transferred to customers on acceptance of goods. This is resulting in non-compliance of Accounting Standard 9 - 'Revenue Recognition'.	As per practice, NICSI has been recognising its revenue at the time of generation of invoice towards sale of goods.
	iv. Reference is invited to Note No.27 of the financial statements, provision for pension contribution and leave salary liability as at March 31, 2015 has been made on the basis of guidelines issued by the Central Government and not as per requirement of Accounting Standard 15 – 'Employee Benefits (revised 2005)'.	As per the provisions in Government of India Notification dated 03.03.1998, all the officers in NICSI are on rotational deputation from NIC along with their posts. In those cases, the guidelines towards payment of Leave Salary Contribution and Pension Contribution of the Government of India are applicable. The amounts are thus calculated at the rates prescribed by Government of India and paid to NIC accordingly.
	v. Reference is invited to Note No.28 of the financial statements; the Company has disclosed only key managerial person of the Company as a related party. The company has not examined and disclosed the transactions with other related parties. This has resulted in non-compliance with Accounting Standard –18 on "Related Party Disclosures".	The Managing Director is the related party since getting remuneration from the company. No other Director or Share Holder is getting paid any remuneration by the company. Same position existed in the previous years also.
	Further, the company has not examined applicability of the transfer pricing provisions under Income Tax Act, 1961, in relation to its specified domestic transaction with associated enterprises. We are unable to comment on the impact on the financial statements in case of non-compliance, if any, in this regard. This was also the subject matter of our PY report.	The transfer pricing provisions under Income Tax Act, 1961 are not applicable to NICSI as was confirmed last year by its Tax cum Accounts Consultant firm.
	vi. Reference is invited to Note No.40 of financial Statements and Accounting Policy no. 2(iii) "Intangible Assets and Amortization", intangible assets acquired before Financial year 2011-12 have not been separately classified in the gross block as intangible assets as at March 31, 2015. Further, the Company is following WDV method for amortization of intangibles assets instead of Straight line method or any other pattern of amortization linked with the economic benefit derived from intangible assets. This lead to non-compliance with the requirements of Accounting Standard 26–'Intangible Assets'.	NICSI has been working out the amount towards intangible assets since F.Y.2011-12. For the prior period, it is difficult to work out as the expenditure towards Computer Software items are not distinctly available but are merged with Hardware figures.

	Qualified 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 matters described in the 'Basis for Qualified Opinion' paragraph above, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its surplus and its cash flows for the year ended on that date.	
	Other Matters Without qualifying our opinion, we lay emphasis that-	
	a. Reference is invited to Note No.54 of the financial statements, there is no full time Director Finance in the Company.	NICSI had taken up the matter with NIC for appointment of Director Finance on full time basis. Reminders towards the same have also been sent. NIC would be requested further in the matter.
	b. The Company is licensed to operate under section 8 of the Companies Act, 2013, the company has to apply its surplus, if any, in promoting its objects. The company has accumulated reserves of Rs. 459.60 crores (Previous Year Rs. 407.05 crores) on account of profits earned. No proper information is readily available with regard to future plans of the company with respect to application of its surplus in promoting its objects as mentioned in Memorandum of Association ('MOA').	A proposal from NIC towards "Enhancement and Up-gradation of Cloud Infrastructure and Cloud Services of NIC at National Data Centre, Shastri Park, Delhi" at a total estimate cost of Rs.198 .74 crores was considered and approved by NICSI Board of Directors, in its 91st meeting held on 23.04.2015. This entire expenditure is to be met out of NICSI's Reserves.
	c. Reference is invited to Note No.55 of the financial statements; the Company has incurred extra expenditure than the advances received from user departments in case of some projects and therefore these project accounts show a negative balance i.e. recoverable from user departments as at March 31, 2015. Reference is invited to the note no. 12 & 13 of the financial statements, amount of Long term trade receivables of Rs. 82,34,38,990/- (PYRs. 757,422,388/-) and short term trade receivables of Rs. 86,73,52,208/- (PYRs. 718,571,043/-) as at March 31, 2015 is on account of such excess project expenditure incurred by the Company.	As per the provisions in the General Finance Rules, 2005, various Ministries / Departments / Organisations have been restricting the release of advances upto 40% or so of the total cost of the project, whereas NICSI has to issue the work orders to the empanelled vendors to full extent. After the order is executed, the vendors submit the bills to NICSI for payment and based on that, NICSI requests the User Organisations to release the balance payments. Due to delay in receipt of balance funds from the User Departments/ Organisations, the balance in the projects results in negative, as NICSI has to release the payments to the vendors, as per the terms and conditions of empanelment / work orders.

	d. The Company is not maintaining separate bank accounts for money received for separate projects. Though, the company is maintaining a separate project account for each project in the accounting software.	NICSI receives a large number of new projects every year. During F.Y.2014-15 itself, NICSI has received 2513 new projects for implementation from various Ministries / Departments / Organisations of the Government of India / States / UTs. It is neither a requirement to have separate bank account for each project nor it is feasible. Even the terms and conditions attached to the Administrative Approvals / Sanctions mentioned about having a separate account for that project, which NICSI is already doing as a new ID is allotted to each new project in the PMS and with the same number, the Ledger Account is opened in Tally and all the receipts and payments are booked therein.
	e. Reference is invited to Note No.32 of the financial statements, conveyance/title deeds in respect of office building at Bhikaji Cama Place, New Delhi of Rs. 931.50 Lakhs are pending for execution/ registration.	NICSI has taken up the matter with NBCC, as well as with Land & Development Office under Ministry of Urban Development (GOI) from time to time but the registration of the Deed is yet to be done. NICSI would be following further in the matter.
	f. The company has not prepared any disaster recovery plan to tackle the disaster whether Natural or Manmade. This is detrimental and prejudicial to the interest of the Company.	NICSI had prepared an "IT Services Continuity Plan" in May, 2013, which included Disaster Recovery Plan. A copy of the same was provided to the Audit team. However, it would be reviewed by NICSI to make it more user friendly.
	g. Reference is invited to Note No. 52 of the financial statements, due to irregular/improper execution of interior fit out works at hired accommodation at 5th floor (DMRC, IT park, Shastri Park, Delhi) by the Company in contravention of GFR guidelines and resultant delay in occupation of hired accommodation leading to unfruitful payment of Rent and Maintenance charges of Rs 9.24 crore till 31.03.2015.	With the approval of Board of Directors, NICSI had placed Work Order on a firm for Interior & Furnishing works at 5th floor, Shastri Park, Delhi. Subsequently, as per the Board decision, NICSI had to cancel that Work Order and had placed fresh Work Order to M/s. NBCC Limited for the same. The interior and furnishing work thereat is at final stage and is likely to be completed shortly.
	h. Reference is invited to Note No. 58 of the financial statements, due to applicability of schedule II of the Companies Act 2013, depreciation for the year is higher by 26,747,455/- and net profit (net of deferred tax) is lower by Rs. 17,655,995/-	The provision made is as per the Schedule-II of the Companies Act, 2013.

	i. Reference is invited to Note No. 56 of the financial statements, the Company had filed an application with the 'Commissioner of Income Tax' on 13/06/2013 for its registration under section 12A of the Income Tax Act, 1961. However, the same application was rejected by the 'Commissioner of Income Tax' vide order dated 17/12/2013. Further, the Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT), New Delhi on 20/02/2014 in the same matter. Hearing in the matter is yet to be held.	Matter is being followed with ITAT for hearing in the matter. Further feedback is awaited.

For and on behalf of the Board of Directors
of National Informatics Centre Services Inc.

Chairman

Place: New Delhi
Date: 23rd September, 2015

National Informatics Centre Services Inc.

(A Government of India Enterprise under Section 8 of the Companies Act, 2013)

Balance Sheet as at March 31, 2015

Particulars	Notes	As at March 31, 2015 ₹	As at March 31, 2014 ₹
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	20,000,000	20,000,000
Reserves and surplus	4	4,596,040,875	4,070,512,841
		4,616,040,875	**4,090,512,841**
Non-current liabilities			
Other long term liabilities	5	2,170,326,858	7,875,793,119
Long-term provisions	6	185,950,064	154,040,366
		2,356,276,922	**8,029,833,485**
Current liabilities			
Trade payables	7	8,541,195,524	7,456,913,218
Other current liabilities	8	150,714,803	132,868,084
Short-term provisions	6	957,360,306	851,859,297
		9,649,270,633	8,441,640,599
TOTAL		**16,621,588,430**	**20,561,986,925**
ASSETS			
Non-current assets			
Fixed Assets	9		
- Tangible assets		251,637,046	313,064,824
- Intangible assets		9,671,395	13,619,636
Intangible Assets under Development		14,792,466	9,861,644
		276,100,907	**336,546,104**
Deferred tax Assets (Net)	10	63,287,718	29,171,711
Long-term loans and advances	11	202,400,884	192,447,509
Other non-current assets	12	828,685,617	767,205,976
		1,094,374,219	**988,825,196**

Current assets			
Trade receivables	13	867,352,208	718,571,043
Cash and Cash Equivalents	14	11,278,070,860	10,196,131,569
Short-term loans and advances	11	2,658,743,836	7,877,655,519
Other current assets	12	446,946,400	444,257,494
		15,251,113,304	**19,236,615,625**
TOTAL		**16,621,588,430**	**20,561,986,925**
Significant accounting policies	2		

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

In terms of our report of even date
For Goel Garg & Co.
Chartered Accountants
Firm Registration No. 000397N

Ajay Rastogi
Partner
Membership No.084897

For and on behalf of the Board of Directors of
National Informatics Centre Services Inc.
CIN: U74899DL1995NPL072045

Rajesh Bahadur
Managing Director
DIN: 03630471

Tapan Ray
Chairman
DIN: 00728682

Girish Kumar
Company Secretary
FCS 6468

Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 27.07.2015

Place: New Delhi
Date: 27.07.2015

National Informatics Centre Services Inc.

(A Government of India Enterprise under Section 8 of the Companies Act, 2013)

Income & Expenditure Account for the year ended March 31, 2015

Particulars	**Notes**	**As at March 31, 2015 ₹**	**As at March 31, 2014 ₹**
Income			
Revenue from operations	15	8,185,166,070	5,338,867,358
Other income	16	839,367,235	790,154,782
Total (I)		**9,024,533,305**	**6,129,022,140**
Expenditure			
Purchases of Stock-in-Trade	17	3,848,189,347	2,571,920,070
Change in inventories of Stock-in-Trade	18	-	10,661,438
Service Support Expenses		3,500,520,500	2,107,940,436
Employee benefit expenses	19	77,139,226	75,034,304
Depreciation and amortization expenses	9	83,527,424	72,364,090
Other expenses	20	489,875,405	593,833,747
Total (II)		**7,999,251,902**	**5,431,754,085**
Surplus before tax and extraordinary items (I-II)		**1,025,281,403**	**697,268,055**
Extraordinary & Exceptional items-			
Reversal of Cenvat Credit		30,572,526	78,082,940
Interest on Grant-in-Aid (Prior Period)		-	2,014,319
Interest on Service Tax (Prior Period)		139,985,091	470,020
Prior period expenses/(Income)	21	11,522,530	(17,267,235)
Doubtful Debts of earlier years Written back		-	(9,686,874)
Surplus before tax		**843,201,256**	**643,654,885**

Tax Expenses			
- Current Tax		377,808,040	300,811,579
- Deferred Tax Credit	10	(34,116,007)	(18,121,284)
- Tax for earlier Year Written Back		(26,018,811)	-
		317,673,222	**282,690,295**
Surplus after tax for the year		**525,528,034**	**360,964,590**
Earnings per equity share:	22		
-Basic		2,627.64	1,804.82
-Diluted		2,627.64	1,804.82
Significant accounting policies	2		

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

As per our report of even date
For Goel Garg & Co.
Chartered Accountants
Firm Registration No. 000397N

For and on behalf of the Board of Directors of
National Informatics Centre Services Inc.
CIN: U74899DL1995NPL072045

Ajay Rastogi
Partner
Membership No.084897

Rajesh Bahadur
Managing Director
DIN: 03630471

Tapan Ray
Chairman
DIN: 00728682

Girish Kumar
Company Secretary
FCS 6468

Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 27.07.2015

Place: New Delhi
Date: 27.07.2015

National Informatics Centre Services Inc.

(A Government of India Enterprise under Section 8 of the Companies Act, 2013)

Cash Flow Statement for the year ended March 31, 2015

Particulars	Year ended March 31, 2015 ₹	Year ended March 31, 2014 ₹
Cash Flow from Operating Activities		
Surplus /(Deficit) before tax and extraordinary items	**1,025,281,403**	**697,268,055**
Prior Period Items	(11,522,530)	17,267,235
Reversal of Cenvat Credit	(30,572,526)	(78,082,940)
Interest on Grant-in-Aid Projects	-	(2,014,319)
Interest on Service Tax	(139,985,091)	-
Doubtful Debts earlier years	-	9,686,874
Surplus /(Deficit) before tax	843,201,256	644,124,905
Adjustments for:		
Depreciation on fixed assets	83,527,424	72,364,090
Loss on sale of fixed assets	58,519	22,989
Interest expense	107,659,737	101,473,355
Deduct:		
Interest income	929,147,782	868,316,055
Operating Surplus /(Deficit) before Working Capital changes	**105,299,154**	**(50,330,716)**
Adjustments for :		
(Increase) /Decrease in inventories	-	10,661,438
(Increase) /Decrease in trade receivables	(148,781,165)	(161,594,807)
(Increase) /Decrease in loans and advances and other assets	5,144,789,761	957,110,299
Increase/(Decrease) in trade payable & other liabilties	(4,603,337,236)	655,922,683
Increase/(Decrease) in provisions	137,410,707	353,350,183
Cash Generated from Operations	635,381,221	1,804,649,060
Income tax Paid	(377,808,040)	(300,811,579)
Income tax for Previous Years	26,018,811	**-**
Net Cash inflow/(outflow) from Operating activities (A)	**283,591,992**	**1,503,837,481**

Cash Flow from Investing Activities		
Purchase of fixed assets	(18,209,923)	(57,897,136)
Intangible Asset under Development	(4,930,822)	8,390,590
Interest received	929,147,781	868,316,055
Net Cash inflow/(outflow) from Investing activities (B)	**906,007,036**	**818,809,508**
Cash Flow from Financing Activities		
Interest paid	(107,659,737)	(101,473,355)
Net Cash inflow/(outflow) from Financing activities (C)	**(107,659,737)**	**(101,473,355)**
Net increase /(decrease) in cash and cash equivalents (A+B+C)	**1,081,939,291**	**2,221,173,634**
Cash and Cash Equivalents at the beginning of the year	**10,225,291,569**	**8,004,117,935**
Cash and Cash Equivalents at the closing of the year	**11,307,230,860**	**10,225,291,569**

Notes

1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

2) Cash and Bank Balances at the end of the year consist of Cash and Balances with Banks. The detail of these is as follows:

Particulars	**As at March 31, 2015**	**As at March 31, 2014**
Cash and Cash Equivalents		
Balances with Banks	1,378,829,753	1,024,573,948
Impress Account	30,000	50,000
Other Bank Balances		
Fixed Deposits	9,928,371,107	9,200,667,621
	11,307,230,860	**10,225,291,569**

As per of our report of even date	**For and on behalf of the Board of Directors of**
For Goel Garg & Co. Chartered Accountants Firm Registration No. 000397N	**National Informatics Centre Services Inc.** CIN: U74899DL1995NPL072045

Ajay Rastogi Partner Membership No.084897	**Rajesh Bahadur** Managing Director DIN: 03630471	**Tapan Ray** Chairman DIN: 00728682
	Girish Kumar Company Secretary FCS 6468	**Vishnu Chandra** Financial Advisor DIN: 07003256
Place: New Delhi Date: 27.07.2015		Place: New Delhi Date: 27.07.2015

National Informatics Centre Services Inc.

(A Government of India Enterprise Incorporated Under Section 8 as per Companies Act, 2013) Significant Accounting Policies & Notes to the financial statements for the year ended March 31, 2015

1. Corporate information

National Informatics Centre Services Inc. ('The Company') was incorporated on August 29, 1995 under Section-25 of the Companies Act, 1956 (now section 8 of Companies Act, 2013) under National Informatics Centre ('NIC'), Ministry of Communications & Information Technology, Government of India. The Company is engaged to provide total IT Solutions to the Government Ministries/Departments/Organizations.

2. Significant Accounting Policies

i. Basis of Preparation of Financial Statements

The financial statement have been prepared under historical cost convention on an accrual basis in accordance with the requirements of Schedule III and mandatory accounting standards prescribed in section 133 of the Companies Act 2013 ('the Act') read with the Rule-7 of the Companies (Accounts) Rules,2014 and the provisions of the Act to the extent notified.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

The financial statements are presented in Indian rupees unless otherwise stated.

ii. Fixed Assets & Depreciation

Fixed Assets are stated at cost (Gross Block) less accumulated Depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. It excludes refundable taxes. Depreciation of the fixed assets is provided bases on useful lives of the assets assigned to each asset in accordance with Schedule II of the Companies Act 2013 on Written Down Method. Asset(s) up to the value of Rs. 5,000 are depreciated @ 100% in the first year of purchase.

iii. Intangible Assets and Amortization

The amortization of the intangible assets has been made as per the Written Down Value Method.

iv. Revenue Recognition

The company follows mercantile system of accounting. Revenue in respect of Operating Margin (Administrative Charges) is recognized on receipt of bills, along with acknowledgement towards deliveries to the customers are completed.

Revenue in respect of stock and sale items is recognized as and when sale invoice is generated. Accordingly, the due date of receivables is treated from generation of invoice.

The Company recognize operating margin at the slab rate prescribed from time to time depending upon the project cost. In cases where project cost increases in future and due to this rate of operating margin decreases then credit note for the difference amount are issued between the original rate of operating margin and decreased (new) rate of operating margin at the year end or at the time of closing of project. The Credit Note so issued are netted of from the respective heads of income.

v. Inventories

The Cost of Inventories comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. Inventories (including inventory of software's) have been valued at cost or net realizable value, whichever is lower on the First-In-First-Out (FIFO) method. Consumable stores have been charged to revenue in the year of purchase, being negligible.

vi. Foreign Currency Transaction

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The transactions in foreign currencies not settled on the date of Balance Sheet are translated in rupees taking into account the exchange rate prevailing on that date. Net exchange variation resulting there from is recognized in the Income and Expenditure Account.

vii. Retirement Benefits

As per arrangement with NIC, the amount towards leave salary and pension contribution are calculated on basic pay and grade pay of the respective employee based on the percentage prescribed by Government of India and passed on to NIC. The Company is not liable to pay any other retirement benefits to employees, which shall entirely be borne by NIC in future.

viii. Prior Period Items

Prior Period items are items of income and expenses, which arise, in the current year as a result of errors or omissions in the preparation of financial statement of one or more prior periods.

ix. Deferred Taxes

Deferred tax is recognized subject to the consideration of prudence on timing differences, being the difference between taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

x. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet 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. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company has measured its 'value in use' on the basis of discounted cash flows of next five years projections estimated based on current prices.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

xi. Leases

Assets taken under lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Income & Expenditure Account on a straight-line basis over the lease term.

xii. Earnings per Share

Basic earnings per share are calculated by dividing the net surplus or deficit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares which will convert into equity shares at a later stage. Surplus/deficit is adjusted by the expenses incurred on such PES. Adjusted surplus/deficit is divided by the weighted average number of ordinary plus potential equity shares.

xiii. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event and 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 their present values and are determined based on management 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 management estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company.

xiv. Cash and Cash Equivalent

Cash and cash equivalent for the purpose of cash flow statement comprise cash at bank and cash in hand and short term investment with the original maturity of three months or less. Cash Flow statement is prepared using the indirect method.

xv. Provision for Bad & Doubtful Debts

A provision @5% is recognized towards Trade Receivables which are outstanding for more than three years at Balance Sheet date.

3. Share Capital

The details of share capital are set as below:

a) Information on Authorized, Issued, Subscribed & Paid-up Share Capital

Particulars	As at March 31, 2015	As at March 31, 2014
Authorised Share Capital 200,000 (PY 200,000) Equity Shares of Rs.100/- each	20,000,000	20,000,000
Issued, subscribed and fully paid-up shares 200,000 (PY 200,000) Equity Shares of Rs.100/- each	20,000,000	20,000,000
	20,000,000	**20,000,000**

b) Information on shareholders*

Name of Shareholder	Relationship	As at March 31, 2015		As at March 31, 2014	
		No. of Equity shares held	Percentage (%)	No. of Equity shares held	Percentage (%)
President of India through DG, NIC	Shareholder	199,995	99.9975	199,995	99.9975
Dr. (Mrs.) Shefali Shushil Dash	Shareholder	1	0.0005	1	0.0005
Sh. C. S. R. Prabhu	Shareholder	-	-	1	0.0005
Dr. Mahesh Chandra	Shareholder	1	0.0005	1	0.0005
Dr. Ambreesh Kumar	Shareholder	1	0.0005	-	-
J. R. D. Kailay	Shareholder	1	0.0005	-	-
Smt. P. P. Joag	Shareholder	-	-	1	0.0005
Sh. Rajiv P. Saxena	Shareholder	1	0.0005	1	0.0005
Total		**200,000**	**100**	**200,000**	**100**

* Held on behalf of Government of India

c) Reconciliation of the Shares

Reconciliation of the shares outstanding as on March 31, 2015 is given below:

Particluars	As at March 31, 2015		As at March 31, 2014	
	Number	Rs.	Number	Rs.
Shares outstanding at the beginning of the year	200,000	20,000,000	200,000	20,000,000
Add: Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	200,000	20,000,000	200,000	20,000,000

d) Terms /rights attached to Equity Shares

The Company has one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share.

4. Reserves & Surplus

The break-up of surplus as at Balance Sheet date is shown as under:

Particulars	As at March 31, 2015	As at March 31, 2014
Surplus as per Income and Expenditure Account		
Opening balance	4,07,05,12,841	3,70,95,48,251
Add: Surplus for the year	52,55,28,034	36,09,64,590
Closing Balance	**4,59,60,40,875**	**4,07,05,12,841**

5. Other Long Term Liabilities

The components of other long term liabilities are presented as under:

Particulars	As at March 31, 2015	As at March 31, 2014
Trade payables		
- Due to Micro and Small Enterprises	-	-
- Other than Micro and Small Enterprises	11,07,40,924	8,01,21,614
Sundry Creditors		
- Sundry Creditors for Expenses	39,85,839	31,41,681
Grant-in-Aid received from customers	1,93,94,03,226	7,69,24,22,954
Earnest Money Deposit Payable	11,47,01,000	9,86,11,000
Security Deposits Payable	14,95,870	14,95,870
Total	**2,17,03,26,858**	**7,87,57,93,119**

6. Provisions

The components of provision classified into long-term and short-term are shown as under:

Particulars	Long-term		Short-term	
	As at March 31, 2015	**As at March 31, 2014**	**As at March 31, 2015**	**As at March 31, 2014**
Provision for Employee Benefits				
Leave Encashment	-	-	18,608	-
Salary and Reimbursement	-	-	37,66,352	42,66,515
Project Incentive Payable	-	-	44,84,693	32,97,181
Provision for Leave Salary Contribution	-	-	24,75,831	25,50,627
Provision for Pension Contribution	-	-	42,38,484	41,66,477
Total(A)	**-**	**-**	**1,49,83,968**	**1,42,80,800**
Other ProvisionsProvison for Taxation*	-	-	93,12,77,447	82,98,78,758
Provision for Stamp Duty	-	-	74,51,987	74,51,987
Provision for Rent Equalisation**	**18,59,50,064**	**15,40,40,366**	**36,46,904**	**2,47,752**
Total(B)	**18,59,50,064**	**15,40,40,366**	**94,23,76,338**	**83,75,78,497**
Grand Total (A)+(B)	**18,59,50,064**	**15,40,40,366**	**95,73,60,306**	**85,18,59,297**

*Provision for taxation includes Rs.27,97,22,750/- towards F.Y. 2012-13, Rs.27,37,46,657/- towards F.Y.2013-14 and Rs.37,78,08,040/- including interest of Rs.49,87,355/- towards F.Y. 2014-15 which is not adjusted against Advance Tax and TDS for the respective year as the Assessment proceeding of these years are pending.

** Difference between lease rent as per straight line basis and actual rent paid has been shown as Provision for Rent Equalization pursuant to AS-19 'Accounting for Leases'.

7. Current Liabilities

Trade Payables, Sundry Creditors & Advance from Customers

Trade payables represent payables for goods and services used by the Company and Sundry Creditors represent for expenses.

Particulars	As at March 31, 2015	As at March 31, 2014
Trade payables		
- Due to Micro and Small Enterprises	-	3,12,08,436
- Other than Micro and Small Enterprises	3,33,92,99,966	2,04,21,90,855
Sundry Creditors		
- Sundry Creditors for Expenses	1,10,04,082	1,10,15,046
Advances received from customers	5,19,08,91,476	5,37,24,98,881
Total	**8,54,11,95,524**	**7,45,69,13,218**

8. Other Current Liabilities

The components of other current liabilities are presented as under:

Particulars	As at March 31, 2015	As at March 31, 2014
Employee Benefits Payable	11,40,766	11,07,963
Statutory Dues and Taxes	10,56,76,159	10,97,80,494
Expenses Payable	1,68,97,529	72,03,700
Performance Bank Guarantee*	2,70,00,349	1,47,75,927
Total	**15,07,14,803**	**13,28,68,084**

* Refer Note No.59

9. Fixed Assets

The break-up of fixed assets is presented as under:

Particulars	Gross Block				Accumulated Depreciation					Net Block	
	As at April 1, 2014	"Additions during the Year"	Deletions during the Year	As at March 31, 2015	As at April 1, 2014	Depreciation charge for the year	Adjustment due to Companies Act Schedule-II*	Disposals/ Adjustment	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Tangible Assets											
Building (Office)	19,85,85,498	-	-	19,85,85,498	7,96,08,075	58,51,596	-	-	8,54,59,671	11,31,25,827	11,89,77,423
Plant & Machinery	1,47,36,893	-	-	1,47,36,893	91,99,805	11,23,629	58,277.50	-	1,03,81,712	43,55,181	55,37,088
Furniture & Fixtures	5,45,84,283	3,64,795	-	5,49,49,078	2,54,09,045	83,37,243	1,61,649.13	-	3,39,07,937	2,10,41,141	2,91,75,238
Vehicles	7,01,793	-	-	7,01,793	3,28,924	1,23,511	-	-	4,52,435	2,49,359	3,72,869
Office Equipment	16,62,03,650	1,11,86,648	1,67,620	17,72,22,679	6,67,15,197	2,82,95,446	59,41,217.36	62,201	10,08,89,659	7,63,33,020	9,94,88,453
Computers	31,09,28,870	45,85,682	2,02,748	31,53,11,804	25,14,15,117	2,58,69,638	16,77,967.34	1,83,436	27,87,79,286	3,65,32,518	5,95,13,753
Total (A)	**74,57,40,987**	**1,61,37,125**	**3,70,368**	**76,15,07,745**	**43,26,76,163**	**6,96,01,062**	**78,39,111.33**	**2,45,637**	**50,98,70,700**	**25,16,37,046**	**31,30,64,824**
Previous Year	**69,16,44,666**	**6,18,36,727**	**77,40,406**	**74,57,40,987**	**36,94,18,419**	**6,35,49,542**		**2,91,797**	**43,26,76,163**	**31,30,64,824**	**-**
Intangible Assets											
Computer Software	2,63,28,691	21,39,010	-	2,84,67,701	1,27,09,055	60,87,251	-	-	1,87,96,306	96,71,395	1,36,19,636
Total (B)	**2,63,28,691**	**21,39,010**	**-**	**2,84,67,701**	**1,27,09,055**	**60,87,251**	**-**	**-**	**1,87,96,306**	**96,71,395**	**1,36,19,636**
Previous Year	**2,28,42,662**	**34,86,029**	**-**	**2,63,28,691**	**38,94,507**	**88,14,548**	**-**	**-**	**1,27,09,055**	**1,36,19,636**	**-**

* Refer Note No. 58.

10. Deferred Tax Assets (Net)

The company has calculated the Deferred Tax Liabilities/Assets as on March 31, 2015 based on Income and Expenditure approach. The components of deferred tax liabilities/assets as recognized in the financial statement are as follows:

Particulars	As at March 31, 2015	As at March 31, 2014
Deferred tax liabilities		
Provision for Employee benefits	-	1,985
Gross deferred tax liabilities	-	1,985
Deferred tax assets		
Excess of depreciation on fixed assets as per books of accounts over depreciation as per Income Tax	1,27,42,906	94,058
Provision for Rent Equalization	1,20,01,478	1,80,21,397
Provision for Doubtful Debts*	89,67,988	-
Provision for Employee benefits	4,03,635	-
Others	-	7,814
Gross deferred tax assets	3,41,16,007	1,81,23,269
Net deferred tax Charge/(Credit) for the year (A)	**(3,41,16,007)**	**(1,81,21,284)**
Deferred Tax (Assets)/Liabilities carried forward from Last Year (B)	(2,91,71,711)	(1,10,50,427)
Net Deferred Tax (Assets)/Liabilities as on March 31, 2015 (A+B)	**(6,32,87,718)**	**(2,91,71,711)**

* Includes an amount of Rs.73,44,621/- for previous year

11. Loans & Advances

The components of Loans and Advances classified between long-term and short-term are presented as under:

Particulars	Long Term		Short Term	
	As at March 31, 2015	**As at March 31, 2014**	**As at March 31, 2015**	**As at March 31, 2014**
Security deposits				
Unsecured, considered good	14,37,99,438	143,592,338	-	-
	14,37,99,438	**143,592,338**	**-**	**-**
Loans and advances to Employees				
Unsecured, considered good	-	-	3,66,315	653,078
	-	**-**	**3,66,315**	**653,078**
Other loans and advances				
Advances to Suppliers	5,86,01,446	4,88,55,171	63,34,17,244	6,024,831,094
Advance Income Tax and TDS	-	-	1,08,54,95,141	1,01,80,75,696
Service Tax on Advances** and Others	-	-	87,89,12,088	65,85,57,619
Prepaid expenses	-	-	97,04,583	1,41,27,745
Taxes Recoverable*	-	-	5,08,48,465	16,14,10,288
	5,86,01,446	**4,88,55,171**	**2,65,83,77,521**	**7,87,70,02,442**
TOTAL	**20,24,00,884**	**19,24,47,509**	**2,65,87,43,836**	**7,87,76,55,519**

* Break-up of Taxes Recoverable

Particulars	As at March 31, 2015	As at March 31, 2014
Income Tax Recoverable	3,73,53,955	14,91,97,811
Sales Tax/DVAT Recoverable (1996-97 to 2013-14)	1,32,60,593	1,19,78,560
TDS On Works Contract 2000-2001***	2,33,917	2,33,917
Total	**5,08,48,465**	**16,14,10,288**

** Includes an amount of Rs.30,29,27,240/- (P.Y. Rs.44,23,00,000/-) taxes deposited under protest (Refer Note No. 42)

*** Amount of Rs. 2,33,917/- of TDS on Work Contract was shown as Long Term in Financial Year 2013-14.

12. Other Assets

The components of other non-current assets are shown as under:

Particulars	Non-Current		Current	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2015	As at March 31, 2014
Trade Receivables				
Unsecured, considered good	82,34,38,990	75,74,22,388	-	-
Less:				
Provision for Doubtful Debts*	(2,63,84,195)	(2,16,08,180)	-	-
	79,70,54,795	**73,58,14,208**		
Fixed Deposits				
Fixed Deposit having maturity more than 12 months**	2,91,60,000	2,91,60,000	-	-
Interest Accrued on Fixed Deposits				
Interest Accured	24,70,822	22,31,768	44,69,46,400	44,42,57,494
	82,86,85,617	**76,72,05,976**	**44,69,46,400**	**44,42,57,494**

* Total Provision for Doubtful Debts as at March 31, 2015 is Rs.2,63,84,195/- (PY Rs. 2,16,08,180/-) based on the Trade Receivable which are outstanding for more than 3 years at Balance Sheet date.

** Fixed Deposit mortgaged against Bank Guarantee.

13. Trade Receivables

Trade receivables represent receivables from sale of goods. The classification of receivables outstanding for a period less than or exceeding six months is done on the basis of ageing drawn as per due date.

Particulars	As at March 31, 2015	As at March 31, 2014
Trade receivables outstanding for a period less than six months		
Unsecured, considered good	75,82,78,850	69,03,95,412
Total (A)	**75,82,78,850**	**69,03,95,412**
Trade receivables outstanding for a period exceeding six months		
Unsecured, considered good	10,90,73,358	2,81,75,631
Total (B)	**10,90,73,358**	**2,81,75,631**
Gross Total (A+B)	**86,73,52,208**	**71,85,71,043**

14. Cash & Cash Equivalents

The break-up of cash & cash equivalents is presented as under:

Particulars	Current Assets	
	As at March 31, 2015	As at March 31, 2014
Cash and Cash Equivalents		
a. Balances with banks		
Saving Account	1,37,88,29,753	1,02,45,73,948
Fixed Deposit	9,82,49,47,631	9,13,33,17,621
Fixed Deposit mortgaged against Bank Guarantee	7,42,63,476	3,81,90,000
b. Others		
Imprest Account	30,000	50,000
Total	**11,27,80,70,860**	**10,196,131,569**

15. Revenue from Operations

The bifurcation of revenue from operation for the year is presented under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Revenue from operations		
Sale of Traded Goods	4,03,22,68,037	2,743,783,235
Service Income	4,11,33,67,960	2,482,595,904
Total (A)	8,14,56,35,997	5,226,379,139
Other operating revenue		
Operating Margin	3,95,30,073	112,488,219
Total (B)	3,95,30,073	112,488,219
Total Revenue from operations (A)+(B)	**8,18,51,66,070**	**5,338,867,358**

16. Other Income

The bifurcation of other income for the year is presented under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Interest Income	92,91,47,782	868,316,055
Other non-operating income	1,77,97,712	22,695,742
Less: -		
Interest on Grant-in-Aid Projects	2,17,69,756	22,212,247
Interest on NKN Projects (Grants-in-Aid)	8,58,08,503	78,644,768
	83,93,67,235	**790,154,782**

17. Purchases of Stock-in-Trade

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Purchases:-		
Hardware	3,26,47,36,566	1,71,08,45,325
Software	58,34,52,781	86,10,74,745
	3,84,81,89,347	**2,57,19,20,070**

Details of Purchases

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Purchase against Form 'C'	41,82,02,739	742,441,852
Purchase without C Form	9,67,37,712	59,796,414
Purchase VAT-5%	3,03,14,91,209	1,711,488,754
Purchase VAT-12.5%	30,17,57,687	33,961,167
Purchase-Import	-	24,041,066
Purchase-Exempted	**-**	**190,817**
	3,84,81,89,347	**2,571,920,070**

18 - Changes in inventories of stock-in-trade

The movement of inventories at the beginning and at the end of the year is presented as under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Inventory at the beginning of the year		
Goods In Transit	-	1,06,61,438
Total (A)	**-**	**10,661,438**
Inventory at the end of the year	-	-
Total (B)	-	-
Changes in inventories of stock-in-trade (A)-(B)	**-**	**10,661,438**

19. Employee benefit expenses

The components of employee benefit expenses are presented as under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Salaries and incentives	6,93,47,902	6,82,57,411
Project Incentive	44,84,363	32,96,851
Staff Welfare	33,06,961	34,80,042
	7,71,39,226	**7,50,34,304**

20. Other expenses

The components of administration & other expenses are presented as under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Audit Fees (2014-15)	5,36,049	4,87,318
S tatutory Audit Fees: 4,72,956/-	-	-
T ax Audit Fees: 63,093/-	-	-
Advertisement Expenses	90,85,479	27,94,865
Bank Charges	1,10,073	22,10,847
Books & Periodicals	11,11,402	4,77,933
Conference Seminar W/Shop Expenses	74,54,587	45,09,067
Consumable Stores	44,80,378	62,49,781
Conveyance Expenses	5,09,773	3,88,242
Core Banking Expenses	18,05,162	88,43,881
Corporate Social Responsibilities Expenses	-	10,36,138
Design & Devlopment E Hospital	-	3,16,275
Diesel for D.G. Set	-	10,76,715
Doubtful Debts	47,76,015	46,48,942
Electricity & Water Charges	4,00,79,006	11,69,41,880
Foreign Exchange Variation	1,56,828	1,06,47,497
Hire Charges	4,34,441	3,74,736
House Keeping & Cleaning Charges	1 ,47,15,698	1,31,55,194
House Lease Charges	20,36,470	8,51,050
Internal Audit Fee	1,91,664	1,74,240
Leasehold Improvements (Expenses)	-	1,16,28,605
Membership & Subscription Charges	10,92,103	1,85,332
Miscellaneous Expenses	55,90,827	54,97,783
Office Expenses	6,35,90,273	7,10,73,933
Office Rent	21,19,63,545	21,37,54,467
Printing & Stationery	16,66,184	46,23,386
Professional & Consultancy Charges	2,43,58,336	1,64,13,235
Rent Rates & Taxes	4,28,460	5,55,736
Repairs & Maintenance	3 ,36,61,790	3,33,44,214
Taxi Hire Charges	2,59,18,050	2,85,16,008
Telephone Expenses	56,63,612	62,53,793
Travelling Expenses (Director) Foreign	-	45,188
Travelling Expenses (Staff) Foreign	16,78,760	9,11,139
Travelling Expenses (Director)	94,680	2,81,655
Travelling Expenses(Staff)	2,63,62,087	2,52,26,403
Vehicle - Petrol	2,27,895	2,82,299
Vehicle Maintenance	95,779	55,971
	48,98,75,405	**59,38,33,747**

21. Prior Period

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Prior Period Expenses*	12,28,44,786	7,96,26,135
Prior Period (Income)**	(11,13,22,256)	(9,68,93,370)
	1,15,22,530	**(1,72,67,235)**

***Break-up of Prior Period Expenses**		
Service Support Expenses	11,68,50,343	7,96,26,135
Reversal of Excess Interest of Earlier Year	59,94,443	-
	12,28,44,786	**7,96,26,135**

****Break-up of Prior Period Income**		
Service Support Income	11,08,12,888	9,68,93,370
Operating Margin	5,09,368	-
	11,13,22,256	**9,68,93,370**

22. Earnings Per Share

The Company does not have any potential equity shares and therefore the diluted earnings per share remain same as basic earnings per share. The numerator and denominator used to calculate earnings per share are shown as under:

Particulars	Year Ended March 31, 2015	Year Ended March 31, 2014
Earning per share		
Surplus attributable to Equity shareholders	52,55,28,034	36,09,64,590
Weighted average number of equity shares	2,00,000	200,000
Basic earnings per share	**2,627.64**	**1,804.82**
Diluted earning per share	**2,627.64**	**1,804.82**
Face value per share	100	100

23. Contingent Liabilities

As at Balance Sheet date, the contingent liability in respect of offsite warranty provided by the company to the users is not considered since all the equipments supplied towards projects are covered under AMC from the vendors/suppliers from time to time, after warranty period.

However, the contingent liabilities, other than the above, not provided for are as under: -

Particulars	As at March 31, 2015 (Rs.)	As at March 31, 2014 (Rs.)
Claim against the Company not acknowledged as debts	NIL	NIL
Guarantees	4,62,52,100	3,81,90,000
Income Tax Demand (Assessment Year 2011-12)	NIL	63,96,690
Income Tax Demand (Assessment Year 2012-13)	37,27,400	NIL
Interest on Service Tax Demand	NIL	13,93,72,760
Total	**4,99,79,500**	**18,39,59,450**

24. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.9,66,66,151/- towards 5th Floor at DMRC, Shastri Park, New Delhi and Rs.370,54,452/- towards implementation of ERP Software to be paid to M/s Rolta India Ltd. (PY: Rs. 24,13,06,967/-). The contact for 4th Floor is yet to be finalized by M/s National Building Construction Company (NBCC) Ltd.

The Company has made commitment to procure the trading goods and to avail the services in the subsequent period based on the purchase orders and agreements made with suppliers. Those commitments can be amended as per the agreed terms. However, the amount of such commitments towards internal projects of the company is Rs.3,51,036/- (PY 7,62,201/-) as at March 31, 2015.

25. Information pursuant to Para 5(viii) of the General Instructions for preparation to the Income & Expenditure Account given under schedule III of Companies Act, 2013.

i. Value of Imports on C.I.F Basis:

Particulars	Year Ended March 31, 2015 (Rs.)	Year Ended March 31, 2014 (Rs.)
Routers, Switches and Networking Equipments etc.	NIL	2,40,41,066
Total	**NIL**	**2,40,41,066**

(ii) Expenditure in foreign currency (on accrual basis):

Particulars	Year Ended March 31, 2015 (Rs.)	Year Ended March 31, 2014 (Rs.)
Routers, Switches and Networking Equipments etc.	NIL	2,40,41,066
Professional and consultation fees	NIL	13,99,580
Travelling - Staff (Foreign)	16,78,760	2,17,975
Travelling - Directors (Foreign)	NIL	NIL
Total	**16,78,760**	**2,56,58,621**

iii. Earnings in foreign currency (on accrual basis): Rs. Nil (PY Rs. Nil)

26. Auditor Remuneration*

Particulars	Year Ended March 31, 2015 (Rs.)	Year Ended March 31, 2014 (Rs.)
As Auditor	5,36,049	4,87,318
For Reimbursement of expenses	1,26,279	1,14,799
Total	**6,62,328**	**6,02,117**

* Inclusive of Service Tax

27. Disclosure pursuant to Accounting Standard – 15 'Employee Benefits'

i. Contribution to Provident Fund

The company is not having any Provident Fund scheme as the employees of the company are on deputation from NIC, along-with their posts, as per the Government of India Notification dated 3rd March, 1998. The Provident Fund is deducted from their salary every month as per the rates prescribed for the purpose and subsequently, passed on to NIC as its entire account is maintained by them. There is thus, no liability of the company towards any payment to the employees on Provident Fund Account.

ii. Leave Salary

Since the employees are on deputation from NIC as per the Government of India Notification dated 3rd March, 1998, the leave salary contribution (as per the prescribed rates to the salary of the respective employee), is calculated / provided by the company in its account every month and subsequently, passed on to NIC. No liability is thus, there on the company towards payment of leave salary/encashment.

iii. Pension Contribution

Since the employee are on deputation from NIC as per the said Government of India Notification dated 3rd March, 1998, the pension contribution (as per the prescribed rates to the salary of the respective employee), is calculated / provided by the company in its account every month and subsequently, passed on to NIC. No liability is thus, there on the company towards payment of Pensionery benefits.

iv. Gratuity

Since the employees are on deputation from NIC as per the said Government of India Notification dated 3rd March, 1998, hence, the company is not liable to pay as the same shall entirely be borne by NIC.

28. Related Party disclosures

i. List of related parties

Name of the Party	Relationship
Sh. Rajesh Bahadur	Managing Director

ii. Transactions with Related Parties :

Name of Party	Period	Nature of Transaction	Year ended March 31, 2015 (Rs.)	Year ended March 31, 2014 (Rs.)
Sh. Rajesh Bahadur	01-04-2014 to 31-03-2015	Managerial Remuneration	20,56,890	18,61,255

iii. Balance payable as on 31-03-2015 to Related Parties: Rs. 1,39,775/- (PY Rs.1,25,036/-)

29. Operating Lease

The Company has hired office space under operating lease. The lease rental expenses provided in Income & Expenditure Account is Rs. 21,19,63,545/- (PY Rs. 21,37,54,467/-). During the year Provision for Rent Equalization has been made for Rs. 3,53,08,850/- (PY Rs. 5,30,19,704/-)based on straight lining method as prescribed by Accounting Standard 19 'Accounting for Leases'. Further, as per Accounting Standard -19 'Accounting for Leases' the details of total future minimum lease payments is as under: -

Sl. No.	Particulars	As at March 31, 2015 (Rs.)	As at March 31, 2014 (Rs.)
i.	Not Later than one year	12,46,84,236	12,49,39,845
ii.	Later than one year and not later than five years	68,03,18,101	68,32,84,970
iii.	Later than five years	1,90,01,15,516	2,06,81,01,860

30. Disclosure pursuant to Accounting Standard – 17 'Segmental Reporting'

The company is providing services in 'Information Technology' segment only from a centralized office in Delhi. Considering the same as one segment only, no disclosure according to Accounting Standard-17 'Segment Reporting' have been made in the financial statements.

31. Balance Confirmation

The balances shown under the head loans & advances, trade receivables, trade payables, advance from customers, EMDs and security deposits are subject to confirmation, reconciliation and consequential adjustments thereof, if any.

32. Non-execution of Conveyance/Title Deed

The Company had purchased Hall No's 2&3 at 6th Floor, NBCC Towers, Bhikaiji Cama Place, New Delhi from M/s. NBCC Limited in the year 2003 and 2001 respectively. However, the Conveyance Deed / Title Deeds towards the same amounting to Rs. 931.50 lakhs (PY 931.50 lakhs) have not yet been got registered by NBCC despite several requests from the company. M/s. NBCC is being reminded regularly in the matter by the company. Hence, the initial provision of Rs 74.51 lakhs (PY Rs 74.51 lakhs) towards amount of Stamp Duty has been kept in the financial statements.

33. In the opinion of the Management, the current assets, loans and advances have a value on realization in ordinary course of business at least equal to the amount at which they are stated.

34. Disclosure u/s 22 of the MSMED Act, 2006

There is no party covered under Micro, Small and Medium Enterprise Development Act, 2006 in F. Y. 2014-15.

35. Information on Stock-in-Trade

The company does not have any manufacturing unit or facility; as such information regarding licensed/installed capacity are not applicable. The information of stock-in-trade is given below-

Particulars	FY 2014-2015		FY 2013-2014	
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
OPENING STOCK				
Hardware	Nil	Nil	Nil	Nil
Software	Nil	Nil	Nil	Nil
Total	**Nil**	**Nil**	**Nil**	**Nil**
PURCHASE				
Hardware	2251123	326,47,36,566	138569	159,88,92,858
Software	41866	58,34,52,781	68395	98,36,88,650
Total	**2292989**	**3,84,81,89,347**	**206964**	**258,25,81,508**
SALES				
Hardware	2251123	342,54,77,145	138569	169,45,17,467
Software	41866	60,67,90,892	68395	104,92,65,768

Total	**2292989**	**4,03,22,68,037**	**206964**	**274,37,83,235**
CLOSING STOCK				
Hardware	Nil	Nil	Nil	Nil
Software	Nil	Nil	Nil	Nil
Total	**Nil**	**Nil**	**Nil**	**Nil**

36. Disclosure pursuant to Accounting Standard – 28 'Impairment of Assets'

As per Accounting Standard 28 'Impairment of Assets', the assessment of impairment of Assets has been carried out during the FY 2014-15 in respect of Data Centre at Laxmi Nagar and Development Centre at Shastri Park locations, which are cash generating units of the company and no impairment loss has been identified thereon.

37. VSAT for CSC Project

During FY 2014-15, an amount of Rs.6,28,119/- has been generated as revenue towards V-Sat for CSC in North East Project against DOT License No. 815-100/NICSI/2009-DS dated 20/11/2009. The details are as follows: -

S. No.	Particulars	FY 2014-15 (Rs.)	FY 2013-14 (Rs.)
(a)	Total Revenue as per Income and Expenditure A/c of the Company	9,02,45,33,305	6,12,90,22,140
(b)	Income from V-sat Services (CSC Project) towards said DOT license	6,28,119	NIL
(c)	Revenue from Projects other than at (b)	9,02,39,05,186	6,12,90,22,140

The fee of DOT against the above license towards this project on NICSI's revenue has been charged to the project No. 80752/GEN/ND.

Penalty, if any, to be imposed by DOT in the project would be accounted for in the year in which it would be levied.

38. VSAT for NDRF Project

During FY 2014-15, an amount of Rs.4,50,51,028/- has been generated as revenue towards V-Sat for NDRF Project against DOT License No. 815-100/NICSI/2009-DS dated 20/11/2009. The details are as follows: -

S. No.	Particulars	FY 2014-15 (Rs.)	FY 2013-14 (Rs.)
(a)	Total Revenue as per Income and Expenditure A/c of the Company	9,02,45,33,305	6,12,90,22,140
(b)	Income from V-sat Services (NDRF Project) towards said DOT license	4,50,51,028	NIL
(c)	Revenue from Projects other than at (b)	8,97,94,82,277	6,12,90,22,140

The fee of DOT against the above license towards this project on NICSI's revenue has been charged to the project No. 111116/GEN/ND.

Penalty, if any, to be imposed by DOT in the project would be accounted for in the year in which it would be levied.

39. Operating Margin (Administrative Charges) on NKN Project

As per the minutes of the High Level Committee meeting held on 19/07/2011 towards NKN Project, specific approval from Integrated Finance Division (IFD) of Department of Electronics and Information Technology (DeitY) towards levying 1% Operating Margin on the expenditure under NKN Project is awaited. However, as per the approval from the Board of Directors, the company has been booking its Operating Margin @1% of expenditure, subject to Department of Electronics and Information Technology (DeitY's) approval.

40. Disclosure pursuant to Accounting Standard – 26 'Intangible Assets'

Prior to F.Y.2011-12 the company has not separately identified the intangible assets. However, from F. Y. 2011-12 onwards it is being maintained separately and provided in the financial statements. The amortization of the intangible assets has been made as per the Written Down Value Method.

41. Grants-in-Aid Projects

i. The Company is in process of getting the accounts of grants-in-aid projects audited as on March 31, 2015. The Audit of Grants in aid projects for F.Y.2014-15 would be conducted after the financial statements for F.Y.2014-15 are adopted.

ii. The interest on unutilized fund on Grant-in-Aid projects (including NKN Project) for the F. Y. 2014-15 amounting to Rs.10,75,78,259/- (P. Y. Rs.10,08,57,015/-including NKN Project) has been reduced from interest income for the year.

42. Service Tax on Advance

A Demand-cum-Show Cause Notice No. 38 / Audit /2014-15 / 13266 – 71 dated 24.06.2014 had been received in NICSI from the O/o the Commissioner of Service Tax, New Delhi, towards depositing the Service Tax of Rs.389.02 crores and interest of Rs.13.94 crores. A personal hearing and submission of final reply against the said notice was made on 10-03-2015. The "Order-in-Original" No. 16/ST/SVS/DL-III/2015 dated 16.06.2015 was received from the Principal Commissioner of Service Tax (Delhi-III Commissionerate), according to which, the decision is as under:

a) " I hereby drop the entire service tax demand of Rs.389,02,36,342/- (Rupees: Three hundred and eighty nine crore two lakhs thirty six thousand three hundred and forty two only) including Education Cess and S&HE Cess proposed in the SCN's for the period 2008-09 to 2012-13 and

b) I confirm the demand of interest of Rs.13,93,72,760/- (Rupees thirteen crore ninty three lakhs seventy two thousand seven hundred and sixty only) and order to adjust the same against the amount deposited by assessee under protest. (Rs.44.23 crores)."

The company is not filing any appeal against the demand of interest of Rs. 13,93,72,760/- and charged off the same in books of accounts as an expense. Further, the company is in process of filing an application to get the balance refund of Service Tax amounting to Rs. 30,29,27,240/-.

43. Recognition of Operating Margin

The company is facilitating computer hardware on behalf of Government Departments and organizations for which administrative charges as approved by Board are being levied on receipt of bills, along with acknowledgment towards deliveries to the customers are completed.

As per Board approval, the rates of Operating Margin have been as under:

Project Cost	Rate in percentage of Project cost
Upto 70 lacs	8%
70 lacs to 3 Cr	7%
3 Cr to 25 Cr	5%
25 Cr to 50 Cr	4%
50 Cr & above	3%

Subsequently, the Board of Directors, in its 89th Meeting held on 19th December 2014 had revised the rates of Operating Margin as applicable from 15.01.2015, as per below: -

Project Cost	Rate in percentage of Project cost
Upto Rs.50 crore	7%
Above Rs.50 crore	5%

However, as per DeitY approval, the company has not been charging any Operating Margin from NIC on the procurement towards their internal projects and further, towards Digital Signature Project, the company has been taking a uniform Operating Margin @ 5% irrespective of project cost.

44. Change of Business Methodology

Till the financial year 2012-13, the company was having dual system of accounting for sale/purchase of Hardware items i.e. for Stock & Sale items on net basis and for other on gross basis. The Board of Directors had approved to adopt the Gross basis system for all the procurement w.e.f. 01.04.2013. Due to some administrative reasons the revised system could be adopted from 01.08.2013 only. Due to change of business methodology there would not be any impact on net surplus (Profit) of the company but total turnover and purchase has been increased as all the items are booked as purchase of the company and then company sells these with certain percentage of profit. However, the Purchase Order's/Work Order's issued by the company till July 2013 as per earlier methodology i.e. on net basis and accounting has been made as per earlier practice. Further due to some procedural aspects in current year as well, there are some Purchase Order's/Work Order's which is issued as per earlier methodology i.e. on net basis and accounting has been made as per earlier practice but there is no impact on the surplus (Profitability) of the company.

45. Advance under the NKN Project

In FY 2010-11 Rs. 1303 Crores (approx) was given as an advance to various vendors/suppliers on which administrative charges (Operating margin) @1% was charged in that year itself. In the F.Y. 2014-15, whatever be the bills are received for settlement against the advance of Rs. 1303 Crores, the administrative charges (Operating margin) are not levied on these. Further, Rs.48.49 crores (approx) is still pending as at the year end for settlement.

46. Expenditure towards 4th Floor, DMRC, Shastri Park, Delhi

During F. Y.2014-15, NICSI has incurred expenditure of Rs.3,63,25,232/- towards rent, maintenance, electricity, security etc., which has been entirely debited to the NKN project (100069/GEN/ND).

47. Income/Expenditure on National Data Centre Project, Shastri Park, Delhi

DeitY had approved that from 01-04-2014 onwards, NICSI would be incurring operational expenditure headwise on the National Data Centre, Shastri Park, Delhi upto Rs.8.00 crores only and beyond that, NIC would reimburse the expenditure from its Budgetary Provision every year. Against the expenditure of Rs.8.00 crores, NICSI would generate income through servers given to other organizations on chargeable basis. In case the income is less than the expenditure. The balance amount would be treated as Promotional Expenses towards NICSI objectives. During the year the income is more than the expenditure incurred.

48. Expenditure towards Corporate Social Responsibility

During the Financial Year 2014-15, no expenditure has been distinctly booked towards Corporate Social Responsibility, as not applicable being a Section 8 Company.

49. LTC to NICSI employees on deputation from NIC

The company has reimbursed an amount of Rs. 1.89 crore towards LTC, based on the Service Rules of NICSI to the NICSI employees deputed from NIC during the Financial Years 2010-11 to 2013-14. This amount has been reimbursed by the Company based on the Service Rules approved by the Board of Directors in its 49th meeting held on 17.05.2006 and amended in 69th meeting held on 24.09.2010 which is not in line with DOPT Stipulations and CCS LTC Rules. These Service Rules have been sent by NICSI to NIC/DeitY on 11.11.2014 for ratification. Against the same, the employees have filed a Writ Petition in the Hon'ble Delhi High Court and the Court, vide "Order" dated 09.06.2015, has granted the "Stay" on the recovery of amount from the employees, pending the final decision by the Court in the matter. Further feedback in the matter is pending both from the Hon'ble Court and the Government. However, from April, 2014 onwards, NICSI has been granting LTC as per provisions in the Government Rules.

50. Project Incentive to NICSI employees on deputation from NIC

The Company has paid an amount of Rs. 2.11 crores towards Project Incentive to the NICSI employees deputed from NIC for the Financial Years 2007-08 to 2013-14. In addition, an amount of Rs.0.34 crore has been provided in the Accounts for F.Y.2014-15 towards the same. The aforesaid amount has been paid / provided by the Company based on the Rules approved by the Board of Directors in its 60th meeting held on 22.12.2008 which is not in line with DPE guidelines. These Service Rules have been sent by NICSI to NIC / DeitY on 11.11.2014 for ratification. Further feedback in the matter is pending.

51. Interest on Un-utilized fund of Grant in Aid projects

Till F.Y. 2011-2012, the Company was treating the amount received from Grantor Institution for execution of projects as 'Advances received from customer' instead of treating them as Grant in Aid receipt and accordingly, no interest was provided on un-utilized fund to Grantor Institution. Board of Directors vide meeting dated 21-12-2011 has approved to calculate and refund the interest earned on unitized fund available in Grant in Aid Projects from time to time as per the rate of interest applicable in the Saving Bank Accounts in the Public Sector Banks. Accordingly, the Company has calculated and refunded the amount of interest to the Grantor institution which is not as per terms and conditions laid down by the Grantor Institution according to which the Company has to refund the actual interest earned on un-utilized balance of Grant in Aid projects.

52. "Interior fit-outs (Civil / Electric) Works etc. at hired accommodation" on the 5th floor at Shastri Park, Delhi.

The Company had placed a work order in April 2013 to M/s Teekays towards interior furnishing.etc work on the 5th floor at Shastri Park, Delhi. Due to some reasons, the Work Order awarded to M/s Teekays was subsequently cancelled and which later on awarded to M/s NBCC Limited, a CPSE of Government of India, based on the guidelines from ministry of Urban Development (Work Division), on nomination basis with approval of Board of Directors. NBCC has started the interior work through a Contractor selected based on tender process and the work is presently going on .The cost of the work is Rs.9,66,66,151/- (Approx) including agency commission. Out of which an amount of Rs.1,99,27,832/- has been given as advance to M/s NBCC Limited. Further, the Company has paid rent & maintenance charges of Rs.4,35,34,955/- for 5th Floor at Shastri Park during the FY 2014-15 (Rs.9,24,90,526/- paid till 31.03.2015)

53. Transport Allowance and House Rent Allowance to NICSI employees on deputation from NIC

The Company has paid an excess amount of Rs. 0.49 crore towards Transport Allowance amd Rs. 0.17 crore towards House Rent Allowance to the NICSI employees deputed from NIC during the period from 01.07.2007 to 31.03.2014. Further, in F.Y.2014-15, the excess amount towards Transport Allowance works out to around Rs.0.12 crore and for HRA around Rs.0.04 crore. This amount has been paid by the Company based on the Service Rules approved by the Board of Directors in its 49th meeting held on 17.05.2006 which is not in line with GOI Rules. These Service Rules have been sent by NICSI to NIC / DeitY on 11.11.2014 for ratification. Further feedback in the matter is pending.

54. Director (Finance) in NICSI

The Company had been set-up by NIC under DeitY in the year 1995. Since then, the Additional Financial Advisor (AFA), NIC has been looking after the functions of Financial Advisor, NICSI, as an additional charge.

55. Trade Receivables (negative balance in the project)

NICSI implements a large number of new projects every year from various Ministries/ Departments / Organizations of the Government of India and States / UTs. As per the provisions in the General Financial Rules (GFRs), they restrict the release of advances to NICSI to 40% or so, whereas in many cases mainly related to procurement of ICT Hardware, NICSI has to release the work orders to full extent and after delivery / installation of those items, NICSI has to release the payments to the vendors as per the payment terms in the work orders. This, on many occasions, result Trade Receivables (negative balance in the project), disclosed in note no. 12 & 13 of the financial statements, amount of long term trade receivables of Rs. 82,34,38,990/- (PY Rs. 75,74,22,388/-) and short term trade receivables of Rs.86,73,52,208/- (PY Rs.71,85,71,043/-) as at March 31, 2015, which is followed up by NICSI from time to time with the concerned Department /Organization to recover the same.

56. Income Tax Exemption Appeal with ITAT

The company had filed an application with the Commissioner of Income Tax on 13.06.2013 for its Registration u/s 12A (a) of the Income Tax Act, 1961. However, the request was rejected by the Competent Authority, vide "Order" dated 17.12.2013. NICSI had thereafter filed an Appeal with the Income Tax Appellate Tribunal (ITAT), New Delhi on 20.02.2014 in the matter, against the order of dated 17.12.2013. Hearing in the matter is yet to be held.

57. Classification of Assets and Liabilities into current and non-current

The company provides the bifurcations of Assets & Liabilities into 'Current' and 'Non-Current' in the financial statements on the basis of estimation of recoverability/payment within operating cycle.

58. Adjustment due to Schedule II of the Companies Act, 2013

Adjustment in accumulated depreciation amounting to Rs.78,39,111/- on account of enactment of Companies Act 2013 (The Act), the Company w.e.f 01-04-2014 reassess the useful life of Fixed Assets and has calculated depreciation with reference to the useful life of Asset as recommended in Schedule II of the Companies Act, 2013. Consequently, due to applicability of Schedule II, the Depreciation for the year is higher by Rs. 267,47,455/- and net profit (Net of Defferd Tax) is lower by Rs.1,76,55,995/- respectively.

59. Performance Bank Guarantee

During the year 2014-15, a vendor has not submitted the performance bank guarantees as per the terms & conditions of empanelment but rather requested to the company to retain the amount equivalent to performance bank Guarantee from his payment. Accordingly Rs. 2,70,00,349/-(P. Y. Rs.1,47,75,927/-) has been retained and transferred to a new head naming Performance bank Guarantee.

60. Excess Pension Contributions paid to NIC

A total amount of Rs. 10.25 lakhs is paid in excess by NICSI to NIC towards Pension Contribution for the F. Y. 2012-13 for employees on deputation from time to time. NICSI has placed the matter before NIC for confirmation and adjustment/recovery. The necessary adjustment will be carried out in the books of accounts in the year of confirmation/adjustment.

61. Excess Leave Salary Contribution paid to NIC

A total amount of Rs. 1.06 lakh is paid in excess by NICSI to NIC towards Leave Salary Contribution for the F. Y. 2012-13 and 2013-14 for employees on deputation from time to time. NICSI has placed the matter before NIC for confirmation and adjustment/recovery. The necessary adjustment will be carried out in the books of accounts in the year of confirmation / adjustment. Further, the excess leave salary contribution for the F. Y. 2014-15, if any, is not yet ascertained.

62. Prior period comparatives

The Company has reclassified/regrouped previous year figures to conform current year's classification, wherever applicable.

As per our report of even date
For Goel Garg & Co.
Chartered Accountants
Firm Registration No. 000397N

Ajay Rastogi
Partner
Membership No.084897

Place: New Delhi
Date: 27.07.2015

For and an behalf of the Board of Directors of
National Informatics Centre Services Inc.
CIN: U74899DL1995NPL072045

Rajesh Bahadur
Managing Director
DIN: 03630471

Tapan Ray
Chairman
DIN: 00728682

Girish Kumar
Company Secretary
FCS 6468

Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 27.07.2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL INFORMATICS CENTRE SERVICES INC.

Report on the Financial Statements

We have audited the accompanying financial statements of National Informatics Centre Services Inc.("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Income and Expenditure Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 qualified audit opinion on the financial statements.

Basis for Qualified Opinion

1. Reference is invited to the Note No. 41 and 51 of the financial statements, regarding Grants-in-aid,

   a) The unaudited accounts of grant-in-aid projects have been incorporated in the financial statements of the Company.

   b) During the current year, the interest on Grant-in-Aid projects amounting to Rs. 10,75,78,259/- (Previous year Rs.10,08,57,015/-) has been reduced from interest income earned during the year as per the interest rate on saving bank account given by the public sector banks based on the management estimation instead of actual interest earned on unutilized funds of Grant -in - Aid projects as per the terms & conditions laid down by Grantor Institution.

   The overall impact of matters referred to in the preceding para on the financial statements for the year is unascertainable and unquantifiable.

2. Reference is invited to the Note No. 44 of the financial statements, regarding change in business methodology w.e.f 1st Aug 2013, however still some Purchase/Work orders are being issued as per earlier methodology i.e. on net basis. This has resulted in the understatement of sale and purchase for the year. This may lead to an exposure under indirect tax laws. Further, in the absence of details and documentation, consequential impact, if any, on the financial statements is unascertainable..

3. Reference is invited to Note No.43 of financial Statements on recognition of operating margin,

   i) Operating margin levied by the company is not in accordance with slab rates decided by the Board of Directors in the projects in cases, where initially decided project value has been revised later on.

   ii) The Company, as per DeitY approval, has not been charging any operating margin from NIC on the procurement towards their internal project.

   iii) The Company has been taking a uniform Operating margin @5 % on Digital Signature Project irrespective of project cost.

   In the absence of documentation and details, the overall impact of matters referred to in the preceding para on the financial statements for the year is unascertainable and unquantifiable.

4. The Company is following cost plus margin model. In few projects, we observed that expenses are on higher side as compared to revenue recognized by the Company. In the absence of documentation and details, consequential impact of the same on the revenue from operation and surplus is unascertainable.

5. Reference is invited to Note No.21 of financial Statements, in relation to prior period expenses/income booked in Income and Expenditure account, the Company has disclosed Rs. 1,15,22,530/- as net prior-period expense (Previous Year Rs. 17,267,235/-as net prior period income). In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount

6. Reference is invited to Note No.45 of the financial statements, as per information provided to us the company recognized revenue of Rs. 1,303 crores during Financial Year 2010-11 on the basis of advances received instead of actual expenses incurred for National Knowledge Network 'NKN' Project. In the current year, the Company has not recognized any income on the expense incurred out of above advances. As at the end of the year, advances of Rs. 48.49 crores (approx.)(Previous Year Rs. 595 Crores) is still pending to be adjusted. Accumulated reserves are overstated to the extent of Rs.0.48 Crores.

7. Reference is invited to Note No. 39 of the financial statements, Revenue from operation include income recognized @ 1% as administrative charges of expenditure incurred on NKN Project. The same is subject to Department of Electronics & Information Technology ('DeitY') approval. In the absence of sufficient and reasonable documentary evidence, the consequential impact on financial statements is not ascertainable and quantifiable.

8. In our opinion, Internal Audit Systems/ Internal Controls in relation to project management, book keeping, invoicing, procurement, stores, inventory, physical verification of fixed assets and tendering process of the company are not commensurate with the size and nature of its operations.

9. Reference is invited to Note No.31 of the financial statements, balance confirmations have not been received from loan and advances, Trade Payables, Trade Receivables, Advances received from customers, Earnest Money Deposits receipts, Security deposits and Grants-in-aid received from customers for balance outstanding as at March 31, 2015. In the absence of confirmations, we are unable to comment on the accuracy of the balances and recoverability thereof, along with impact, if any, on financial statements.

10. Reference is invited to Note No.12 to the financial statements and accounting policy regarding No.2(xv),Provision for bad and doubtful debts as on balance sheet date amounting to Rs. 2,63,84,195/- (Previous Year Rs. 2,16,08,180/-) created against Long term trade receivables. In the absence of balance confirmations and proper documentation, we are unable to comment on the adequacy of such provision and impact thereof, if any, on financial statements.

11. Reference is invited to Accounting Policy No. 2(iv) on revenue recognition, during the year, the Company has issued credit note of Rs. 4,82,57,970/- (Previous Year Rs.7,56,74,947/-).In the absence of reasonable and sufficient documentation in relation to completeness of reversal of such excess income, we are unable to comment on the accuracy and completeness. Impact of same, if any, on the financial statement is unascertainable.

12. Reference is invited to Note No.57 of the financial statements, Schedule III of the Companies Act, 2013 requires classification of Assets and Liabilities into current and non-current. In absence of documentary evidence showing reasonable basis for such bifurcation in case of other liabilities, trade payables, loans & advances and other assets disclosed in the financial statements, we are unable to comment on accuracy of such disclosure.

13. Reference is invited to Note No.11 of the financial statements, Taxes Recoverable as on balance sheet date includes Sales tax recoverable balance of Rs. 1,15,51,384/- (Previous YearRs.1,15,51,384/-) which pertains

to financial year 1997-98 to 2004-05. In the absence of certainty about recoverability of above, we are unable to comment on the accuracy and existence of these balances and consequential impact on the financial statements, if any.

14. Reference is invited to Note No.49 of the financial statements regarding LTC payment by the Company during the period 2010-11 to 2013-14 amounting to Rs. 1.89 Cores without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.

15. Reference is invited to Note No.50 of the financial statements regarding project incentive paid/provided by the Company for the period 2007-08 to 2014-15 amounting to Rs. 2.45 crores without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.

16. Reference is invited to Note No. 53 of the financial statements regarding payment of Transport and House Rent Allowance paid/provided by the Company for the period 01.07.2007 to 31.03.2015 amounting to Rs 0.61 crores and Rs 0.21 crores respectively without approval of DietY. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.

17. Reference is invited to Note No. 60 of the financial statements regarding excess pension contribution paid to NIC by the company for the financial year 2012-2013 amounting to Rs. 10.25 lakhs. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.

18. Reference is invited to Note No. 61 of the financial statements regarding excess leave salary contribution paid to NIC by the company for the financial years 2012-13 and 2013-14 amounting to Rs. 1.06 lakhs. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company including for the financial year 2014-15.

19. The Company has not complied with the following Accounting Standards (AS) prescribed by the Companies (Accounting Standard) Rules 2006 -

    i. Reference is invited to the Cash Flow Statement, Fixed Deposits with maturity period of more than 3 months have been considered as Cash Equivalents at the beginning and at the end of the year. This is resulting in non-compliance with requirement of Accounting Standard – 3 "Cash Flow Statement".

    ii. The company has not complied with disclosure requirements of Accounting Standard 4 - 'Contingencies and events occurring after the Balance Sheet date', as the Company receives service and material on behalf of third party to carry out certain projects. Sometimes, as informed to us, information related to such expense and acquisition comes after closing date and the same has not been recognized in the financial statements.

    iii. Reference is invited to Note No.2(iv) of the financial statements; as per the Company's policy, revenue on sales of goods is being recognized at the time of generation of invoice, whereas, the risk and reward are transferred to customers on acceptance of goods. This is resulting in non-compliance of Accounting Standard 9 - 'Revenue Recognition'.

iv. Reference is invited to Note No.27 of the financial statements, provision for pension contribution and leave salary liability as at March 31, 2015 has been made on the basis of guidelines issued by the Central Government and not as per requirement of Accounting Standard 15 – 'Employee Benefits (revised 2005)'.

v. Reference is invited to Note No.28 of the financial statements; the Company has disclosed only key managerial person of the Company as a related party. The company has not examined and disclosed the transactions with other related parties. This has resulted in non-compliance with Accounting Standard –18 on "Related Party Disclosures".

   Further, the company has not examined applicability of the transfer pricing provisions under Income Tax Act, 1961, in relation to its specified domestic transaction with associated enterprises. We are unable to comment on the impact on the financial statements in case of non-compliance, if any, in this regard. This was also the subject matter of our PY report.

vi. Reference is invited to Note No.40 of financial Statements and Accounting Policy no. 2(iii) "Intangible Assets and Amortization", intangible assets acquired before Financial year 2011-12 have not been separately classified in the gross block as intangible assets as at March 31, 2015. Further, the Company is following WDV method for amortization of intangibles assets instead of Straight line method or any other pattern of amortization linked with the economic benefit derived from intangible assets. This lead to non-compliance with the requirements of Accounting Standard 26–'Intangible Assets'.

Qualified 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 matters described in the 'Basis for Qualified Opinion' paragraph above, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its surplus and its cash flows for the year ended on that date.

Other Matters

Without qualifying our opinion, we lay emphasis that-

a. Reference is invited to Note No.54 of the financial statements, there is no full time Director Finance in the Company.

b. The Company is licensed to operate under section 8 of the Companies Act, 2013,the company has to apply its surplus, if any, in promoting its objects. The company has accumulated reserves of Rs. 459.60 crores (Previous Year Rs. 407.05 crores) on account of profits earned. No proper information is readily available with regard to future plans of the company with respect to application of its surplus in promoting its objects as mentioned in Memorandum of Association ('MOA').

c. Reference is invited to Note No.55 of the financial statements; the Company has incurred extra expenditure than the advances received from user departments in case of some projects and therefore these project accounts show a negative balance i.e. recoverable from user departments as at March 31, 2015. Reference is invited to the note no. 12 & 13 of the financial statements, amount of Long term trade receivables of Rs. 82,34,38,990/- (PYRs. 757,422,388/-) and short term trade receivables of Rs. 86,73,52,208/- (PYRs. 718,571,043/-) as at March 31, 2015 is on account of such excess project expenditure incurred by the Company.

d. The Company is not maintaining separate bank accounts for money received for separate projects. Though, the company is maintaining a separate project account for each project in the accounting software.

e. Reference is invited to Note No.32 of the financial statements, conveyance/title deeds in respect of office building at Bhikaji Cama Place, New Delhi of Rs. 931.50 Lakhs are pending for execution/ registration.

f. The company has not prepared any disaster recovery plan to tackle the disaster whether Natural or Manmade. This is detrimental and prejudicial to the interest of the Company.

g. Reference is invited to Note No. 52 of the financial statements, due to irregular/improper execution of interior fit out works at hired accommodation at 5th floor (DMRC, IT park, Shastri Park, Delhi) by the Company in contravention of GFR guidelines and resultant delay in occupation of hired accommodation leading to unfruitful payment of Rent and Maintenance charges of Rs 9.24 crore till 31.03.2015.

h. Reference is invited to Note No. 58 of the financial statements, due to applicability of schedule II of the Companies Act 2013, depreciation for the year is higher by 26,747,455/- and net profit (net of deferred tax) is lower by Rs. 17,655,995/-.

i. Reference is invited to Note No. 56 of the financial statements, the Company had filed an application with the 'Commissioner of Income Tax' on 13/06/2013 for its registration under section 12A of the Income Tax Act, 1961. However, the same application was rejected by the 'Commissioner of Income Tax' vide order dated 17/12/2013. Further, the Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT), New Delhi on 20/02/2014 in the same matter. Hearing in the matter is yet to be held.

Report on Other Legal and Regulatory Requirements

1. The Company is licensed to operate under section 8 of the Companies Act,2013,therefore,the disclosure required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act is not applicable.

2. As required by Section 143 (3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except as mentioned in basis of qualified opinion paragraph above.

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

c) The Balance Sheet, the Income and Expenditure Account, and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

d) Except for the matters described in basis of qualified opinion, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) The Internal Audit Systems/ Internal Controls described in sub paragraph 12 under the 'Basis for Qualified Opinion' above, in above opinion, may have adverse effect on the functioning of the company;

f) Since the company is a Government company, sub-section (2) of section 164 of the Companies Act, 2013 regarding director's disqualification, is not applicable to the Company in terms of Notification No. GSR-463 (E) dated 05.06.2015;

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements (Refer Note 23 to the financial statements);

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses,

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Goel Garg & Co.
Chartered Accountants
(FRN. 000397N)

(Ajay Rastogi)
Partner
(M. No. 084897)

Place of Signature: New Delhi
Date: 27th July 2015

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF NATIONAL INFORMATICS CENTRE SERVICES INC. (NICSI) FOR THE YEAR ENDED 31 MARCH 2015

The preparation of financial statements of the National Informatics Centre Services Inc. (NICSI) for the year ended 31 March 2015 in accordance with the financial reporting framework prescribed under the Companies Act. 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is/are responsible for expressing opinion on the financial statement under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated July 27, 2015

I. On the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of National Informatics Centre Services Inc. (NICSI) for the year ended 31 March 2015. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit. I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statement and the related audit report:

Income & Expenditure Account

Income-Other income (Note 16): Rs. 83.94 crore – Interest income: Rs. 92.91 crore

The above head includes Rs. 13.87 core being the retained interest earned on grant in aid received from Government for various projects during the year 2014-15. Retention of interest earned was contrary to terms and conditions of the grants and resulted in overstatement of income as well as profit for the year by Rs. 13.87 crore with consequent understatement of long term liabilities (Grant in Aid received from customers). Though the company has retained the interest in earlier years also, the amount and the impact cannot be quantified for want of details.

For and on the behalf of the
Comptroller & Auditor General of India

(Parag Prakash)
Director General of Audit
Post and Telecommunication

Place: New Delhi
Date: 23-09-2015