

वार्षिक रिपोर्ट
ANNUAL REPORT
2015-16

National Informatics Centre Services Inc.
New Delhi

BOARD OF DIRECTORS

(As on 31-03-2016)

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

BOARD OF DIRECTORS

(As on 30-09-2016)

Chairman	:	Dr. Ajay Kumar Additional Secretary, MeitY
Director	:	Dr. M. R. Anand Senior Advisor, MeitY Ms. Anuradha Mitra Additional Secretary & FA, MeitY Shri R. K. Sudhanshu Joint Secretary, MeitY Dr. Neena Pahuja Director General, ERNET India Shri Rajesh Gera Deputy Director General, NIC Shri Shyam Bihari Singh Deputy Director General, NIC Dr. Ambreesh Kumar Deputy Director General, NIC Shri Vishnu Chandra Deputy Director General & AFA, NIC and FA/CA, NICS Shri R. S. Mani, STD, NIC Smt. Rachna Srivastava, STD, NIC Shri Rajesh Bahadur, MD, NICS
Company Secretary	:	Shri Girish Kumar
Auditors	:	Goel Garg & Co., Chartered Accountants, 18 Ground Floor, National Park, Lajpat Nagar - IV, New Delhi, Delhi-110024
Registered Office	:	Hall No. 2 & 3, 6th Floor, NBCC Tower, 15th, Bhikaji Cama Place, New Delhi-110066
Bankers	:	Corporation Bank, CGO Complex, Lodhi Road, Corporation Bank, Bhikaji Cama Place, State Bank of Travancore, Bhikaji Cama Place, Punjab National Bank, Bhikaji Cama Place, Bank of India, CGO Complex, Lodhi Road, State Bank of India, Bhikaji Cama Place, New Delhi, Indusind Bank and ICICI Bank Ltd.

NOTICE

21st ANNUAL GENERAL MEETING

Notice is hereby given to the Members of National Informatics Centre Services Incorporated (NICSI) that its 21st Annual General Meeting is scheduled to be held on Monday 26th September, 2016 at 11:30 AM at Conference Room No. 4009 4th Floor, Ministry of Electronics and Information Technology, Electronics Niketan, 6, CGO Complex, Lodhi Road, New Delhi – 110003, to carry out the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2016, the Income and Expenditure Account of the Company for the year ended 31st March 2016, 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 2015-16.

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

**(Girish Kumar)
Company Secretary**

Place: New-Delhi
Dated: 09.09.2016

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 (erstwhile 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.**

**Sd/-
(Girish Kumar)
Company Secretary**

Place: New-Delhi
Date: 09.09.2016

NOTICE

21st ANNUAL GENERAL MEETING

Notice is hereby given to the Members of National Informatics Centre Services Incorporated (NICSI) that the 21st Annual General Meeting will now be held on Friday 30th September, 2016 at 11:00 AM at Conference Room No. 4009, 4th Floor, Ministry of Electronics and Information Technology, Electronics Niketan, 6, CGO Complex, Lodhi Road, New Delhi-110003, instead of on Monday 26th September, 2016.

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

**Sd/-
(Girish Kumar)
Company Secretary**

Place: New-Delhi
Dated: 09.09.2016

Directors' Report

Dear Shareholders,

Your Directors have immense pleasure in presenting the Twenty First 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 2016.

The Summarized Financial Results for the year ended 31st March 2016, as compared with the previous year 2014-15, is as under:

(1) Financial Highlights

(Rupees in Crores)

S. No.	Description	2015-16	2014-15
(A)	Receipts:		
1	Stock & Sales	312.36	403.22
2	Services & Support	533.34	411.34
3	Operating Margin*	2.04	3.95
4	Interest / Other Income Less: Interest paid on Grant in Aid and NKN Projects amounting to Rs. 7.82 Crores (P.Y. Rs. 10.76 Crores)	82.25	83.94
	Total (A)	929.99	902.45
(B)	Payments:		
1	Cost of Goods Sold	296.78	384.82
2	Services & Support	458.10	350.05
3	Employees Remuneration and Benefits	7.45	7.71
4	Other Expenses	57.26	48.99
5	Depreciation	5.76	8.35
	Total (B)	825.36	799.93
	Gross Surplus (A) – (B)	104.64	102.53
7	Less: Interest on Grant in Aid Project (Prior Period)	0.04	-
8	Reversal of Cenvat Credit	-	3.06
9	Interest on Service Tax (Prior Period)	-	13.99
10	Prior period expense / (income)	(1.34)	1.16
11	Provision for Tax	37.22	(31.77)
12	Net Surplus	68.72	52.55
13	Reserves and Surplus as per last year Balance Sheet	459.60	407.05
	Total Reserves and Surplus (11+12)	528.32	459.60

* 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 w.e.f. 15.01.2015 is 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

(i) Process for Evaluation

- DPE issues Guidelines every year to enter into MoUs with Administrative Ministry i.e. Ministry of Electronics and Information Technology (MeitY).
- DPE set up Task Force every year to conduct MoU Negotiation Meeting to finalise the MOU.
- Task Force consists of retired Secretaries of Government of India and CMDs of CPSEs etc.
- Draft MoU, consisting of Financial and Non-Financial Parameters, is submitted by NICS I to its Board for approval before forwarding to DPE through MeitY.
- Task Force negotiates the Parameters and fix the targets in the MoU in the meetings, in which JS Level Officer from MeitY and NICS I officials are present
- MoU is signed between NICS I and MeitY
- After closure of Financial Year, the Audited Accounts, duly approved by the Board, are submitted to DPE along with the details in the prescribed proforma
- Based on above, DPE evaluates actual performance of NICS I against targets in the MOU and declare grading.

(ii) Grading of NICS I by DPE

Financial Year	MoU Composite Score based on Audited Data
2014-15	Excellent
2013-14	Very Good
2012-13	Very Good
2011-12	Very Good

(5) Ongoing Key Projects

National Knowledge Network (NKN)

NKN project is being implemented by NIC and NICS I for establishment of a high speed data communication network which would interconnect institutions of higher learning and research enabling creation, acquisition

and sharing of knowledge resources among them. The cost of the project is of the order of Rs. 6000 Crore. It will also facilitate collaborative research, countrywide classrooms (CWCR), etc. The major progress achieved is commissioning of about 1600 links to institutions, connectivity to 440 NIC district centres, setting up of 66 Virtual Classrooms, 89 Core Links, connectivity to SWAN in 29 States/UTs and SDC in 27 States/UTs. NKN has been connected to various international R & E institutions through TEIN4. The setting up of NKN POPs at Amsterdam, Singapore, New York and Geneva for accessing various R & E networks is at an advanced level.

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

The e-Vidhan project envisages that all documents related to the House are to be made available online to Hon'ble Members through touch screens installed on their tables and Mobile Apps. All papers for laying in the Assembly are to be received online from government departments using secure e-Vidhan website. House Committees are to be connected online with all government departments so that all correspondence such as notices, questionnaires, replies by departments could be online. Already, assembly sessions are being held fully automated since Monsoon Session 2014. No manual papers laying in the House. All papers for laying received online from government departments using secure e-Vidhan website i.e. replies, bills and various reports. The project is in the process of establishing linkage with the Excellency the Governor of Himachal Pradesh, CM Office, Government Departments/ Undertakings and Citizens of the State.

KV 'Shaala Darpan' - Kendriya Vidyalaya Sangathan Ministry of HRD, Government of India

A Key initiative undertaken by the Ministry of HRD, Government of India to realize Hon'ble Prime Minister's Digital India Vision.

The project was chosen to be implemented by National Informatics Centre Services Inc. through empanelled agency for India's one of the most premier and largest Educational Institution – Kendriya Vidyalaya Sangathan with over 1185 Vidyalayas PAN India.

'Shaala Darpan' refers to mirror view of a school. It is Mission Mode Project (MMP) with the following objectives:

- Enable improvement in quality of Learning
- Improve efficiency of school administration and governance of schools
- Improve service delivery of school education department to the key stake holders including students, parents, community, teachers and schools
- Access to near real - time and better quality data for decisions support.

National Data Centre (NDC)

NICSI Data Centre at Scope Complex, Laxmi Nagar, Delhi is fully operational. The National Data Centre (NDC) at DMRC's IT Park, Shastri Park, Delhi, set up in collaboration MeitY 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 co-location services, shared hosting services and dedicated hosting services. Major

Projects using the Data Centre services are IVFRT project, Project on GIS Infrastructure for BSNL, Trade and Taxes by Government of Delhi, National Crime Record Bureau, CCTNS, e-Affiliation System for CBSE, FCI Projects, court computerization, Revenue Management System of Delhi Jal Board, Department of Excise, Entertainment & Luxury Tax, Office of Chief Electoral, Delhi Government, NHPC Project, Directorate General of Employment and Training, eBiz project, Indian Ports Association, etc.

NICSI Development Centre

NICSI has set up Development Centres in which infrastructure with developing environment in terms of Desktops, Servers, System Software and internet connectivity is provided. They facilitate implementation of large ICT projects. The State of the Art Development Centre at DMRC's IT Park, Shastri Park, Delhi, is fully operational. It provides seating capacity of around 400 developers, conference and discussion rooms with Video Conferencing facility and separate AHU for entire cooling requirement.

The Development Centre is providing services to the various projects relating to IVFRT, e-Panchayat, e-Office, Counselling for admission to various courses, All India Survey on higher education, CCTN Project, Web hosting and cloud computing services BBNL, Department of Rural Project, etc.

Food Corporation of India

NICSI has implemented an Integrated Local Area Network (LAN) / Wide Area Network (WAN) on PAN India Basis, covering 196 depots / locations with functional load of the order of 1100 nodes.

Networking of IIT, Delhi

NICSI has already been implementing setting up of LAN/WAN in the entire campus of IIT Delhi at an estimated cost of about Rs. 35 Crores. The project has about 1100 nodes. The project is at an advanced stage of operationalisation.

(6) Major New Projects in F.Y. 2015-16

User Name	Project Description
Unique ID Authority of India, Delhi	Infrastructure up gradation at Data Centre of UIDAI.
Ministry of Health & Family Welfare, Government of India	Messaging through SMS for awareness on Departmental Schemes/Facilities. Also, Supply of IT Manpower.
Rajasthan Council of Secondary Education, Government of Rajasthan	Automation through setting-up N-Computing labs in 525 schools.
National Informatics Centre	Providing of DDOS Protection Solutions at National Data Centre, Shastri Park, Delhi.
Department of Agriculture & Cooperation, Government of India	Messaging through SMS for awareness on Departmental Schemes/Facilities.
Ministry of Electronics & IT, Government of India	To ensure optimum utilisation of infrastructure and speed up the development and deployment of e-Governance Applications, Meghraj Cloud Computing initiative of Government of India was launched by NIC in the year 2014.

User Name	Project Description
	To upgrade the same for transforming India into a Digitally Empowered Knowledge Economy, the infrastructure is being strengthened.
Settlement Commissioner and Director Land Records (SCDLR), Government of Gujarat	Procurement of Electronic Total Solution to carry out Land Survey in the preview of SCDLR's in the state.
Kerala Land Information Mission (KLIM), Government of Kerala	Survey Equipments for Stores and Logistic Units under KLIM.
Office of the Comptroller and Auditor General of India	Development of Network Infrastructure IAAD.NET PAN India for C&AG's units.
Director General Accounts and Treasuries	Computerisation of treasuries in the J&K state. Up gradation of Data Centre Infrastructure/ Network in the state treasuries.
Department of Consumer Affairs, Food & Public Distribution, Government of India	Providing Infrastructure for CONFONET Project. Providing IT Manpower for the same. Computerisation of District Consumer Forums in various states.
Department of Electronics and IT, Government of India	Providing Infrastructure towards development of National Information Infrastructure.
Prasar Bharati, All India Radio, Delhi	Messaging through SMS for awareness on Departmental Schemes/ Facilities.
Employees Provident Fund Organisation, New Delhi	Up gradation of Data Centre with DR facility.
Department of Electronics & IT, Government of India	Providing Infrastructure towards "Pro-Active Governance and Time Implementation" (PRAGATI) Project, with the primary objective to faster implementation of Centre/ State Level Schemes/ Projects and to resolve grievances between centre and state departments.
Ministry of Health & Family Welfare, Government of India	Messaging through SMS for awareness on Departmental Schemes/ Facilities.
Department of Information Technology & Communication, Government of Rajasthan	Development of new modules and up gradation of existing programmes to be used for different departments in the state. Also, providing IT Manpower/ Consultancy towards the above.
Ministry of Health & Family Welfare, Government of India	Development and customization of Software and its Maintenance for Reproductive & Child Health (RCH and Mother & Child Tracking System (MCTS)).
National Power Portal Project	Establishing of National Power Data Management System (NPDMS) for developing a single portal for data capturing and generating various reports as per requirement of stakeholders.
Commercial Taxes Department, Government of Andhra Pradesh	Development and Implementation of Business Analytics System in Commercial Taxes Department in entire state of Andhra Pradesh.
Ministry of Panchayatiraj - PES Maintenance Training and Proposal For 2015-16	Providing Training to the Panchayats for PES System Maintenance.

User Name	Project Description
Ministry of Electronics & IT, Government of India	<p>Creating awareness on significance of locations of current assets and proposed assets in the locality to the citizens.</p> <p>To enable and facilitate integrated district planning in a decentralised manner through convergence of efforts to get maximum output of / through assets / resources.</p> <p>Providing a tool to Panchyati Raj Institutions for planning and monitoring of progress of works etc.</p>
STQC Directorate, of Electronics and IT, Government of India	<p>Bringing out / procured required standard and frameworks for e-Governance to meet the need for Standardization emerging as a Key requirement for ensuring effective use of technology for successful implementation of Digital India and NeGP 2.0. it would provide access of these standards to around 150 stakeholders' points across India.</p>

(7) Highlights for F.Y. 2015-16

		April 2015 to March' 2016	April 2014 to March' 2015
a) Segment - wise breakup of new projects received:	Hardware Items	466	410
	Software Items	143	210
	Manpower	1440	944
	Web/Soft Dev	127	106
	Training	NIL	Nil
	Network	124	132
	General Projects	443	380
	Other items	569	331
	Total	3312	2513
b) Segment-wise number of Work Orders issued:		April 2015 to March' 2016	April 2014 to March' 2015
	Hardware Items	1521	1842
	Software Items	241	398
	Manpower	5655	4788
	Network & Misc.	1520	214
Total	8937	7242	
c) Proforma Invoice Issued	No. of PI Issued	April 2015 to March' 2016	April 2014 to March' 2015
	Hardware	3764	4253
	Software	733	1612
	Manpower	6220	5537
	Network	1937	2129
	Miscellaneous	1882	791
Total	14536	14322	

d) Tenders Floated		April 2015 to March' 2016	April 2014 to March' 2015
	No. of Open Tenders	36	18
	No. of Limited Tenders	04	3
	No of Strategic Alliances	Nil	Nil
	Total	40	21

(8) Manpower

As per the manpower profile approved by the government through notification in the Gazette of India dated 03.03.1998, manpower in NICSI will be on temporary rotational deputation basis along with their posts from NIC.

The total staff strength of NICSI as on 31st March 2016 was 42.

(9) 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.

(10) Corporate Social Responsibility

National Informatics Centre Services Inc. (NICSI) is a Section 8 Company (Erstwhile Section 25 Company). NICSI's objective is to promote ICT Solutions and 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 (Erstwhile Section 25 Company), 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 MeitY and NICSI for the F.Y. 2014-15, 2015-16 and 2016-17. However, NICSI has created a corpus of Rs. 191.83 Crore to be incurred in five years exclusively for enhancement of National Informatics Centre Cloud Services for purposes relatable to subjects covered in Schedule VII of the Companies Act, 2013.

(11) 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 General Meetings Convened in Financial Year 2015-16

S. No.	FY 2015-16	Date	Venue
1	91st	23.04.2015	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
2	92nd	13.05.2015	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
3	Extraordinary General Meeting	10.07.2015	Department of Electronics and Information Technology, Electronics Niketan, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
4	93rd	27.07.2015	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
5	94th	23.09.2015	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
6	Extraordinary General Meeting	02.11.2015	Department of Electronics and Information Technology, Electronics Niketan, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
7	95th	18.12.2015	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
8	96th	18.03.2016	Department of Electronics and Information Technology, Electronics Niketan, Conference Room No. 4009, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
9	20th Annual General Meeting	23.09.2015	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066

(ii) Number of Board Meetings and General Meetings Convened in Financial Year 2014-15

S. No.	FY 2015-16	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	Extraordinary General Meeting	05.09.2014	NIC H.Q., 3rd Floor, CGO Complex, New Delhi 110003
4	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

S. No.	FY 2015-16	Date	Venue
5	Extraordinary General Meeting	07.11.2014	Department of Electronics and Information Technology, Electronics Niketan, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
6	89th	19.12.2014	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi – 110066
7	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
8	Extraordinary General Meeting	04.02.2015	Department of Electronics and Information Technology, Electronics Niketan, 4th Floor, 6, CGO Complex, Lodi Road, New Delhi -110003
9	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
10	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
11	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

(iii) Number of Board Meetings and General Meetings convened in Financial Year 2013-14

S. No.	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	Extraordinary General Meeting	24.01.2014	NIC H.Q., 3rd Floor, CGO Complex, New Delhi 110003
5	85th	28.03.2014	Same as above
6	18th Annual General Meeting	25.09.2013	NICSI Development Centre, 2nd Floor, Block-3, DMRC Building, Delhi IT Park, Shastri Park, Delhi 110053

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) Change in the nature of business

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

(17) 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.

(18) 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.

(19) 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

(20) 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.

(21) Subsidiary Company

As on March 31, 2016, the Company does not have any subsidiary.

(22) 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 2017.

(23) 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.

(24) 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 and PSUs etc. including NIC and MeitY. 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.**

**Sd/-
Chairman**

Place: New Delhi

Date: 30th September, 2016

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31.03.2016

[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 8 (Erstwhile Section 25) Company under National Informatics Centre, Ministry of Electronics 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		37.08
2	Manpower, Network and Others		62.92

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									
c) State Govt (s)	NIL	200000	200000	100	NIL	200000	200000	100	NIL
d) Bodies Corp.									
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(2) Foreign									
a) NRIs -Individuals									
b) Other Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total (A) (2)	NIL	200000	200000	100	NIL	200000	200000	100	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	NIL	200000	200000	100	NIL	200000	200000	100	NIL
B. Public Shareholding	Not Applicable								
1. Institutions	Not Applicable								
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) 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								
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	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1					
2	At the beginning of the year	Not Applicable			
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.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	Not Applicable			
	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.	For Each of the Directors and KMP	Shareholding at the Beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	NIL			
	Date wise Increase /Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	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	Not Applicable			
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
• Addition				
• Reduction				
Net Change				
Indebtedness at the end of the financial year	Not Applicable			
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
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 2015-16 to the Managing Director of the Company is Rs. 22,37,039/- (P.Y. 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	
	3. Independent Directors ...Fee for attending board / committee meetings ...Commission ...Others, please specify	----	----	----	----	
	Total (1)	Not Applicable				
	4. Other Non-Executive Directors ...Fee for attending board / committee Meetings ...Commission ...Others, please specify					
	Total (2)					
	Total (B)=(1+2)					
	Total Managerial Remuneration					
	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 (In Rs.)	The Remuneration for Financial Year 2015-16 to Company Secretary of the Company is Rs. 6,61,450/-		Not Applicable	6,61,450/-
2	Stock Option	Not Applicable			
3	Sweat Equity				
4	Commission - as % of profit - others, specify...				
5	Others, please specify				
	Total	6,61,450/-			

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.

Sd/-
Chairman

Place: New Delhi

Date: 30th September, 2016

National Informatics Centre Services Incorporated (NICS I)

Addendum to the Directors Report for Financial Year 2015-16

Replies to the Observations of the Statutory Auditors in their Report dated 06.07.2016

from M/s. Goel Garg & Company, Chartered Accountants

on the Accounts of NICS I for F.Y.2015-16

	AUDIT OBSERVATION	NICS I REPLY
1	Reference is invited to the note no.39 and 49 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.	NICS I 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 NICS I 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 grants in aid projects, is thereafter being got done by NICS I on continuous basis through a CA firm and the Audit Certificates issued.
	b) During the current year, the interest on Grant-in-Aid projects amounting to Rs. 7,86,84,707/- (Previous year Rs. 10,75,78,259/-) 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.	NICS I 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 NICS I 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, NICS I has refunded/ provided Rs.7,86,84,707/- as interest, which includes Rs.4,16,723/- for the previous years and Rs.7,82,67,984/- for F.Y.2015-16.

	<p>c) Till previous year, the Company paid interest on unutilized amount of Grants-in-Aid projects without considering service tax paid in Grants-in-Aid projects. During the year company has changed its method of calculation and considered Service Tax paid in Grants-in-Aid projects while calculating interest. The effect of same on previous year's interest payment has not been worked out.</p> <p>The overall impact of matters referred to in the preceding para on the financial statements for the year is unascertainable and unquantifiable.</p>	<p>Till F.Y. 2014-15, NICSI had not taken the Service Tax paid on Advances as expenditure (as it was to be adjusted against the payments to be released in future) and interest on unutilised amount of grants-in-aid was calculated on entire amount. From current year, the Service Tax paid on Advances has been treated as expenditure and interest paid on net unutilised amount. Grantor department has not pointed out any irregularity on the same in earlier years. Infact, NICSi has refunded some excess amount towards interest by earlier method during F.Y.2012-13 to 2014-15. Auditors conducted the grants in aid audit had also accepted the method during these years and certificates issued by them accepted by grantor department. In future also, Service Tax amount being paid on Advances would continue to be deducted from the unutilised amount in the project, while calculating interest for refund to grantor department.</p>
2	Reference is invited to note no. 41 and 37 of financial Statements on recognition of operating margin.	
	<p>i) The company as per deity approval, has not been charging any operating margin from NIC on the procurement towards their internal project.</p>	<p>Secretary, MeitY had taken a meeting on 26.05.2014 on 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 dated 18.06.2014, which mentioned that "procurements made by NICSi for NIC's internal requirements would be exempted from payment of Operating Margin".</p>
	<p>ii) The Company, has been taking a uniform operating margin @5% on digital signature project irrespective of project cost.</p>	<p>This is as per past practice. However, from F.Y. 2016-17, NICSi would be taking it as per the Board approved applicable rate.</p>
	<p>iii) Revenue from operation includes income recognized @ 1% as administrative charges of expenditure incurred on NKN Project. The same is subject to Department of Electronics & Information Technology ('DeitY') approval.</p> <p>In the absence of documentation and details, the overall impact of matters referred to in the preceding paras on the financial statements for the year is unascertainable and unquantifiable.</p>	<p>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), MeitY. NIC had accordingly, referred the matter to IFD, MeitY, which had examined the proposal and had given some observations. The proposal is still in process.</p>

3	<p>Reference is invited to note no. 42 of financial Statements regarding DeitY project of “Asset Mapping of Panchayats” total cost Rs. 32.39 Crores, the Operating Margin of NICSI, as per Administrative Approval is fixed at Rs. 1.00 Crore. However, NICSI has taken its income at 7% of expenses incurred for the project during the year as per the rate of operating margin approved by the Board. Consequentially revenue from operation is overstated and Other long-term liabilities are understated by Rs. 0.64 Lacs.</p>	<p>NICSI had taken up the matter with MeitY, vide letter dated 10.09.2015, to amend the Administrative Approval to the extent that NICSI would be charging its Operating Margin @ 7% in the project as per the rate approved by its Board of Directors. A reminder to the same has also been issued by NICSI to MeitY on 28.07.2016. Further feedback in the matter is awaited.</p>
4	<p>Reference is invited to Note no.20 of financial Statements, in relation to prior period expenses/income booked in Income and Expenditure account, the Company has disclosed Rs.1,34,54,394/- as net prior-period income (Previous Year Rs. 1,15,22,530 net prior period expenses). In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount.</p>	<p>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, NICS I books the expenditure of previous year as prior period in next year, when invoices are received.</p> <p>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.</p> <p>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.</p>
5	<p>Reference is invited to note no.43 of the financial statements, as per information its provided to us the company recognized Rs.1303.83 crores, treating it as an expenditure. Most revenue of Rs. 1,303 crores during FY 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. 44.02 crores (approx) (P.Y. 48.49 crores) is still pending to be adjusted. Consequently, accumulated reserves are overstated to the extent of Rs.0.44 Crores.</p>	<p>Towards NKN Project, NICS I had inadvertently taken 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.44.02 crores as on 31.03.2016 are also likely to be adjusted in next financial year.</p>

6	<p>In our opinion, internal controls/internal audit systems 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.</p>	<p>NICSI has internal control system through Delegation of Powers and other guidelines from the Board of Directors from time to time. All the activities of NICSI are got performed within those approved guidelines. Further, NICSI has been empanelling its Internal Auditors through tender process from time to time, which have been conducting the audit as per the scope of work given and issuing the Reports on quarterly basis. 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.</p>
7	<p>Reference is invited to note no. 30 of the financial statements, balance confirmations have not been received from 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, 2016. In the absence of confirmations, we are unable to comment on the accuracy of the balances and adjustment thereof, along with impact, if any, on financial statements.</p>	<p>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, not is received to those letters. As per much response previous year, NICSI has also sent the self addressed / stamped envelopes to all the above for F.Y. 2015-16 but the same position.</p>
8	<p>Reference is invited to Note 12 to the financial statements and accounting policy No.2 (xv), Provision for bad and doubtful debts as on balance sheet date amounting to Rs.2,71,48,240/- (Previous Year Rs.2,63,84,195/-) 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.</p>	<p>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.</p>
9	<p>Reference is invited to accounting policy no. 2(iv) regarding credit note issued. In the absence of 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 on the financial statement is unascertainable and unquantifiable.</p>	<p>In F.Y. 2015-16, NICSI has taken its Operating Margin @ 5 or 7 % of the total cost of the project, as approved by its Board of Directors. During the year, some orders were cancelled by the user departments and accordingly sales were reversed by issuing credit notes. Further, in some projects the rate of operating margin was changed due to increase in the Project Cost hence credit notes were issued to maintain the same Operating Margin. 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.</p>

10	Reference is invited to note no. 55 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, NICS I and MD, NICS I, based on expectations.
11	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 which pertains to financial year 1997-98 to 2004-05 and TDS on works contract Rs. 2,33,917 for FY 2000-01. In the absence of reasonable and sufficient documentation in relation to 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 NICS I with the concerned Tax Authorities regularly. However, the Tax Authorities are yet to take decision in the matter.
12	Reference is invited to note no. 47 of the financial statements regarding LTC payment by the Company in the period 2010-11 to 2013-14 amounting to Rs. 1.89 Cores without approval of DeitY. Pending effect of Hon'ble Delhi High Court order on the petition filed by NICS I employees deputed from NIC, we are unable to comment on the impact, if any, of the matter on the financial statements of the Company.	The effected employees of NICS I had filed a petition in Hon'ble Delhi High Court against the LTC recovery from them. The Hon'ble Delhi High Court had considered the matter on different dates and vide its Judgement dated 29.10.2015 by the single Judge, decided as under: "It is not known, whether any of the Petitioners have superannuated or is due to retire within one year. In those cases, the recovery is impermissible. In other cases, equity/public interest can be balanced by directing the respondents to regulate the concession availed for international travel and domestic travel by adjusting the reimbursement as per Air India fares, including LTC-80 fares (if not already done) by obtaining the details from authorised agents or the Air-line concerned, provided proof exists of having undertaken the journey.

		<p>Any other aspect (s) for which benefit has been given but is / are not regulated by the CCS (LTC Rules) need to be refunded back by the Petitioners. It is made clear, in the absence of any proof of having undertaken the journey, would necessarily mean, the refund sought is justified. The respondents shall calculate the reimbursement of the LTC availed by the Petitioners, on the above lines and communicate the same to the Petitioners to enable them to represent against such calculations which would be considered by the respondents before effecting recovery, if any”.</p> <p>As the said judgement was not becoming clear, as to whether the reimbursement was to be restricted to Air India fares or to LTC-80 fares for LTC abroad in lieu of “LTC anywhere in India”, NICS I had filed a “Review Petition” in Hon’ble Delhi High Court in December, 2015, on the following points:</p> <p>(i) “That as per para 8 of the Judgement, the Hon’ble Court may like to review its observations that NICS I Service Rules are silent. Further, the Judgement need to be elaborated that any other benefit given but is / are not regulated by the CCS (LTC Rules), need to be refunded back by the petitioners and</p>
		<p>(ii) That as per para 9 of the Judgement, the respondent is to regulate the concession availed for International Travel and Domestic Travel by adjusting the reimbursement as per Air India Fares including LTC 80 Fares. It is not becoming clear, as to whether the reimbursement is to be restricted to Air India Fare or to LTC 80 Fare for LTC abroad in lieu of LTC Anywhere in India”.</p> <p>Based on the above, NICS I had calculated the recoverable amounts and informed the same to all the effected employees, vide its letter dated 1/2 February, 2016.</p> <p>Thereafter, the effected employees had filed an LPA on 16.03.2016 in the Hon’ble High Court of Delhi, which, vide Judgement dated 18.03.2016, had noticed and decided as under:</p>

		<p>Appellants were deputed from NIC to NICS I at various point of time.</p> <p>Their terms & conditions of deputation differed to a certain extent in respect of LTC from the ones applicable in NIC.</p> <p>In2010, NICS I Board amended and liberalized LTC criteria further.</p> <p>Grievance urged before Single Judge was whether NICS I was correct in acting on an Audit Report and seeking to recover amounts on the basis of pre-2010 regulations, said to be contrary to CCS Rules.</p> <p>Single Judge purely went by Audit Report which was used by NICS I to justify its action.</p> <p>This Court has considered the submissions and is of the opinion that Appellants are justified in their grievance. Authority of NICS I to frame separate and independent terms & conditions has not been denied. Audit Report merely went by applicability of CCS Rules to NIC employees. Whether such employees on deputation were still subjected to NIC Rules was never considered by Audit. Mere existence of DoPT guidelines would not per se render action of NICS I which is valid in terms of its Memorandum of Association and other controlling documents imperative. The Central Government might have the power to direct NICS I to act in a particular manner, nevertheless as long as terms & conditions of deputation, applied to NICS I employees and unless there is a determination that such rules made by NICS I or such like bodies are per se contrary to law or unenforceable, the action in the present circumstances was unwarranted.</p> <p>Facts here show that service conditions, which induce the Appellants to apply for NICS I for deputation and continue there held out a liberalized LTC option. That was availed of continuously. LTC regulations were amended further - it was not in dispute that the original regulations of NICS I and the amendments continue in force. In these circumstances, recovery sought to be made without altering conditions of service could not have been upheld.</p>
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		<p>Accordingly, respondents (i.e. NICS) are permitted to recover only amounts paid in excess of deputation terms either pre-2010 as existing with some of the employees joined the organization or those which are contrary to the 2010 amendments.</p> <p>Subsequently, the Board of Directors was informed, in its 97th meeting held on 23.06.2016, about the said Judgement dated 18.03.2016 and also, that the Judgement was circulated by NICS to all its Directors on 08.04.2016. The matter had been discussed in the Board meeting. During the discussions, JS&FA had mentioned as under:</p> <p style="padding-left: 40px;">“The Judgement of the Hon’ble High Court of Delhi was not clear and therefore, required to be referred to the Law Ministry for advice. She also mentioned that the Draft Para has now been covered into PAC Para. Accordingly, the matter should be referred to MeitY with consolidated statement of case for obtaining Legal Opinion and apprising Secretary, MeitY about the status of the case”.</p> <p>Accordingly, NICS has submitted the file to MeitY on 02.08.2016 for referring the matter to the Law Ministry to obtain opinion on the next course of action to be taken. Further feedback in the matter is awaited. However, NICS has also worked out the amounts beyond the deputation terms for recovery from the concerned employees.</p>
		<p>In-between, the Report of the C&AG of India (No. 55 of 2015) for the year ended March, 2014 (Communications & IT Sector), presented to Parliament on 11.03.2016, had been received in NICS, which related to irregular payment of Project Incentive/HRA/Transport Allowance/LTC to NICS employees. IFD, MeitY, vide O.M. dated 24.06.2016, had forwarded the relevant extracts from the Report (Para No. 5.6) to NICS, with the request to provide the reply by 04.07.2016 for vetting, before sending the Action Taken Note (ATN) to the O/o the DG Audit, P&T. NICS, vide letter dated 04.07.2016, had furnished the reply on the para to IFD, MeitY for vetting and forwarding to the P&T Audit Office. IFD, MeitY, vide letter dated 02.08.2016, has since forwarded the reply to the P&T Audit office, after getting the same also vetted from NIC.</p>

13	<p>Reference is invited to note no. 48 of the financial statements regarding project incentive paid/provided by the Company for the period 2007-08 to 2015-16 amounting to Rs. 3.02 crores without approval of DeitY/NIC. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.</p>	<p>NICSI had received a Draft Audit Para (DAP) in the matter from the Post & Telecommunications Audit Office. Additional Secretary, MeitY, vide D.O. dated 02.07.2015, had informed to the DG Audit, P&T, the details in the matter and the peculiar circumstances, under which a small incentive was being given to NICSI employees.</p> <p>In-between, the Report of the C&AG of India (No. 55 of 2015) for the year ended March, 2014 (Communications & IT Sector), presented to Parliament on 11.03.2016, had been received in NICSI, which related to irregular payment of Project Incentive/HRA/Transport Allowance/LTC to NICSI employees. IFD, MeitY, vide O.M. dated 24.06.2016, had forwarded the relevant extracts from the Report (Para No. 5.6) to NICSI, with the request to provide the reply by 04.07.2016 for vetting, before sending the Action Taken Note (ATN) to the O/o the DG Audit, P&T. NICSI, vide letter dated 04.07.2016, had furnished the reply on the para to IFD, MeitY for vetting and forwarding to the P&T Audit Office. IFD, MeitY, vide letter dated 02.08.2016, has since forwarded the reply to the P&T Audit office, after getting the same also vetted from NIC.</p>
14	<p>Reference is invited to note no. 51 of the financial statements regarding payment of Transport and House Rent Allowance being paid /provided by the Company from 01.07.2007 to 31.03.2016 without approval/rectification by DeitY. Pending finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.</p>	<p>NICSI had received a Draft Audit Para (DAP) in the matter from the Post & Telecommunications Audit Office. Additional Secretary, MeitY, vide D.O. dated 28.08.2015, had informed to the DG Audit, P&T, the details in the matter and the peculiar circumstances, under which a small incentive was being given to NICSI employees.</p> <p>In-between, the Report of the C&AG of India (No. 55 of 2015) for the year ended March, 2014 (Communications & IT Sector), presented to Parliament on 11.03.2016, had been received in NICSI, which related to irregular payment of Project Incentive/HRA/Transport Allowance/LTC to NICSI employees. IFD, MeitY, vide O.M. dated 24.06.2016, had forwarded the relevant extracts from the Report (Para No. 5.6) to NICSI, with the request to provide the reply by 04.07.2016 for vetting, before sending the Action Taken Note (ATN) to the O/o the DG Audit, P&T. NICSI, vide letter dated 04.07.2016, had furnished the reply on the para to IFD, MeitY for vetting and forwarding to the P&T Audit Office. IFD, MeitY, vide letter dated 02.08.2016, has since forwarded the reply to the P&T Audit office, after getting the same also vetted from NIC.</p>

15	<p>Reference is invited to note no. 59 of the financial statements regarding Obsolete Assets, During the physical verification of fixed assets conducted by the Company, some assets are identified as obsolete/non-working. Effect of the same has not been provided for the financial statements. In the absence of documentation and details, consequential impact on the financial statement for year is not ascertainable and quantifiable.</p>	<p>During the year, the process to dispose-off the obsolete items was going on and not completed.</p> <p>The position towards the above and the current status is as under:</p> <ul style="list-style-type: none"> • A Committee had been set up in NICSI to finalize the document for auction of obsolete / unserviceable / e-waste items, including its terms and conditions, with Assessment of the reserved / depreciated value for the same. • The Committee had worked out the details towards the said items and submitted its recommendations / statement on 07.10.2015. • The original book value of these items of the time of purchase was Rs. 1,48,39,950/-, with depreciated value as on September, 2015 of Rs. 15,50,873/-. • The Notice was floated on 26.02.2016 for disposal of the said items. • The dates for inspection of items by the probable bidders were between 7th to 9th March, 2016, with the last date to submit the Bid being 14.03.2016. • The bids were received and after evaluation, the bid submitted by M/s. Jaineex Computers Pvt. Ltd. was accepted, for an amount of Rs.6,31,500/-. • The said firm has since deposited the amount of Rs.6,31,500/- with NICSI on 08.07.2016 and all the items collected. <p>Since the items were available with NICSI during whole of the year, its effect has not been provided for in the financial statements.</p>
16	<p>Reference is invited to note no. 36 regarding dated method of calculating License Fee and Spectrum Charges, as the same is pending in Hon'ble Supreme Court of India. The same will not be on the financial statement is not ascertainable and quantifiable.</p>	<p>Hon'ble Court of India, in its interim judgement dated 29.02.2016, had decided as under:</p> <p>The Company "The Union of India will continue to raise demands as has paid/provided for the License Fee and per its understanding. However, the same will not be Spectrum Charges to DOT during the year as enforced till the final decision of the controversy by per past practice. Consequential impact, if any, this Court".</p>

		<p>As per said judgement, DoT, vide its DO dated 10.05.2016, has informed NICS I that Assessment shall continue to be made in accordance with the terms and conditions of the relevant Licence Agreement, the Department's guidelines / inspections / clarifications issued from time to time, as is being done hither to, until further orders.</p> <p>Accordingly, NICS I is calculating and remitting the Licence Fee and Spectrum Charges to DoT as per the Agreement dated 20.11.2009 and clarifications related thereto.</p>
17	<p>Reference is invited to note no. 57 regarding advance for publishing of "Notice Inviting Tenders" in the dailies through DAVP. The advance given is subject to settlement and getting adjustment. Consequential impact, if any, on the financial statement is not ascertainable and quantifiable.</p>	<p>NICS I gets all its Advertisements towards tenders etc. published in the Newspapers through DAVP only. As per its Policy, DAVP publishes the Advertisements after getting advance in lumpsum from the Organisations giving Advertisements. After receipt of advance and publishing of the Advertisements, DAVP raises the bill on its site for adjustment by the concerned Organisations. NICS I has also been following the same practice and on display of the bills by DAVP on its site, NICS I adjusted the advance in its books.</p>
18	<p>The Company has not complied with the following Accounting Standards (AS) prescribed by the Companies (Accounting Standard) Rules 2006 -</p>	
	<p>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".</p>	<p>The position is rectified in the Financial Statement.</p>
	<p>ii) The company has not complied with NICS I after disclosure requirements of AS 4 - 31st March every year and based on that, the entries are 'Contingencies and events received after 31st the Balance Sheet date', as the Company March till the closure of the financial statements for that receives service and material on behalf of year. 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.</p>	<p>NICS I continues to receive the bills from the vendors - 31st March every year and based on that, the entries are 'Contingencies and events received after 31st the Balance Sheet date', as the Company March till the closure of the financial statements for that receives service and material on behalf of year.</p>

iii)	Reference is invited to the 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 AS 9 - 'Revenue Recognition'.	As per practice, NICS I has been recognising its revenue at the time of generation of invoice towards sale of goods.
iv)	Refer note no. 26 of the financial statements, provision for pension contribution and leave salary liability as at March 31, 2016 has been made on the basis of guidelines issued by the Central Government and not as per requirement of AS 15 – 'Employee Benefits (revised 2005)'.	As per the provisions in Government of India Notification dated 03.03.1998, all the officers in NICS I 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 the note no. 27 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.
vi)	Reference is invited to Note 38 of financial Statements and accounting policy no. was 2(iii) "Intangible Assets and Amortization", intangible assets acquired before FY 2011-12 have not been separately classified in the gross block as intangible assets as at March 31, 2016. 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 AS 26-'Intangible Assets'.	The intangible asset acquired prior to F.Y.2011-12 which not separately identified under the head intangible assets has been fully amortized. The intangible asset from F. Y. 2011-12 onwards are 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.

	<p>Qualified Opinion</p> <p>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, 2016, and its surplus and its cash flows for the year ended on that date.</p>	
	<p>Other Matters</p> <p>Without qualifying our opinion, we lay emphasis that-</p>	
a.	<p>Reference is invited to the note no. 52 of the financial statements, there is no full time Director Finance in the Company.</p>	<p>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.</p>
b.	<p>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. 528.33 crores (Previous Year Rs. 459.50 crores) on account of surplus 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').</p>	<p>During the year, NIC had formulated a SFC Memorandum on "Enhancement of NIC Cloud Services" in August, 2015. This Memorandum was considered by the Standing Finance Committee (SFC) in its meeting held on 15.10.2015 and approved with entire project outlay of Rs. 191.83 crores (Rs. 128.90 crores as Capital and Rs. 62.93 crores as Operational) to be met by NICSI in a period of 5 years, out of its "Reserves". MeitY had issued the Minutes on 19.10.2015 towards the approval of the Project in the SFC meeting held on 15.10.2015. Details towards other amounts would be looked into and appropriate action taken.</p>
c.	<p>Reference is invited to note no. 53 of the financial statements, the company has incurred extra expenditure than the advances received from user departments in case of some projects, as they restrict the release of advances to NICSI to 40% or so as per GFR provisions. Reference is also invited to note no. 12 & 13 of the financial statements, amount of long term trade receivables of Rs.90,67,02,459/- (PY Rs.82,34,38,990/-) and short term trade receivables of Rs.99,78,70,711/- (PY Rs.86,73,52,208/-) as at March 31,2016 is on account of such excess project expenditure incurred by the Company.</p>	<p>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.</p>

<p>d. The Company is not maintaining separate bank accounts for money received for year. separate projects. Though, the company is maintaining a separate project account for each project in the accounting software.</p>	<p>NICSI receives a large number of new projects every year. During F.Y.2015-16 itself, NICSI has received 3312 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.</p>
<p>e. Reference is invited to the note no. 31 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.</p>	<p>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 up the matter further with the concerned authorities to get the deeds registered at the earliest.</p>
<p>f. Reference is invited to note no.50 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. 12.76 crore till 31.03.2016.</p>	<p>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 since complete.</p>
<p>g. Reference is invited to note no. 54 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. The company has filed an appeal with the Income Tax Appellate Tribunal, New Delhi. Hearing in the matter is pending as on date.</p>	<p>Hearing on the Appeal by ITAT is yet to be held</p>

	<p>h. Reference is invited to note no. 58 of the financial statements, advance from customers includes tax deducted at source of Rs. 1,14,59,623/- for which projects/user wise details are not available.</p>	<p>In the financial statements, advance from customers includes tax deducted at source of Rs. 1,14,59,623/- which is identified from 26AS of Income Tax Site. In the next year i.e. FY 2016-17, the same will be segregated Project wise/user wise.</p>
	<p>i. Reference is invited to note no. 26(ii) of the financial statements regarding excess leave salary contribution paid to NIC by the company for the financial year 2012-13 and 2013-14 amounting to Rs 1.06 lakhs which is adjusted with NIC during the year. As a result surplus of the year is higher by Rs. 1.06 lakhs/-.</p>	<p>The excess amount paid by NICSI to NIC towards Leave Salary contribution for F.Y.2012-13 is now adjusted.</p>
	<p>j. Reference is invited to note no. 26(iii) of financial statements regarding excess pension contribution paid to NIC by the company for the financial year 2012-2013 and 2013-14 amounting to Rs 10.25 lakhs which is adjusted with NIC during the year. As a result surplus of the year is higher by Rs. 10.25 lakhs/-.</p>	<p>The excess amount paid by NICSI to NIC towards Pension contribution for F.Y.2012-13 & 2013-14 is now adjusted.</p>
	<p>k. Reference is invited to note no. 33 of financial statements regarding disclosure relating to Enterprise Development Act, 2006 in F. Y. 2015-16. Micro, Small and Medium Enterprises. The disclosure is not in compliance with the Notification no. G.S.R. 679(E) dated 4th Sep 2015 issued by Ministry of Corporate Affairs.</p>	<p>There is no party covered under Micro, Small and Medium Enterprises. The disclosure is not in compliance with the Notification no. G.S.R. 679(E) dated 4th Sep 2015 issued by Ministry of Corporate Affairs.</p>

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF NATIONAL INFORMATICS CENTRE SERVICES INC.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

<p>Meaning of Internal Financial Controls over Financial Reporting</p> <p>A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.</p>	<p>No comments, being general.</p>
<p>Inherent Limitations of Internal Financial Controls Over Financial Reporting</p> <p>Because of the Inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial over financial reporting to future periods</p>	<p>NICSI is a Section 8 Company set up by the Government of India under the Companies Act, 2013 (earlier known as under Section 25 Company). All its employees are on rotational deputation basis, alongwith their posts, as per the Government of India Notification dated 03.03.1998. NICSI has its Board of Directors under the Chairmanship of Additional Secretary, Ministry of Electronics and Information Technology (MeitY),</p>

	<p>are subject to the risk that the internal financial control over financial reporting may become inadequate because of changed in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p>	<p>with all other Directors also being from the Government. Its Board of Directors formulates various guidelines / policies, which are followed by NICS I without any deviation. The Board has also approved the internal Delegation of Powers, which is completely followed in NICS I, while incurring any expenditure. The provisions as per GFRs, 2005, as well as the guidelines issued by the Department of Expenditure (DoE) and the Central Vigilance Commission (CVC) are also kept in view while incurring the expenditure.</p> <p>NICS I Accounts branch is headed by a senior level officer in the rank of General Manager (equivalent to Director in the Government of India) with a Dy. Manager and Chartered Accountants, apart from the support staff.</p> <p>Further, NICS I has a CA firm as its an Internal Auditors, which is empanelled based on tender process as per the provisions in the said GFRs. This firm conducts the Audit on quarterly basis and submits its Reports. NICS I examines the same and takes appropriate action / remedial measures on all the paras in the Reports and also, bring the main points from these Reports to the Board of Directors for their consideration and advice.</p> <p>Thereafter, the Statutory Auditors conduct the office on those accounts and submits their Reports on Annual basis. NICS I's accounts are also inspected by the teams from the C&AG office.</p> <p>In view of above, it is not correct to say that Internal Financial Control in NICS I is inadequate or may become inadequate.</p>
	<p>Qualified Opinion According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016;</p> <p>The Company did not have an appropriate internal control system for reconciliation/confirmation of vendor balances. These could potentially result in material misstatements in the Company's trade payables.</p>	<p>NICS I Accounts sends Balances Confirmation Letters to all the Users Departments / Organisations with the request to confirm the balances. These are also followed-up by the concerned Project Coordinators through correspondence and personal discussions. It is incorrect to say that it may potentially result in material misstatement.</p>

	<p>a) The Company did not have an appropriate internal control system on releasing of performance Bank Guarantees of vendors. These could potentially result in non recovery of damages from defaulting vendors.</p>	<p>NICSI has full-proof internal control system on releasing of expired Performance Bank Guarantees of the Vendors and reviewed the same from time to time for necessary action. It is incorrect to say that it may potentially result in non recovery of damages from defaulting vendors.</p>
	<p>b) The Company did not have an appropriate internal control system on investment of excess funds in fixed deposits. These could potentially result in loss of interest income.</p>	<p>NICSI continuously takes stock of its surplus funds viz.a.viz its requirements and after taking internal approvals, invest the same in the Fixed Deposits (FDs). These FDs are so prepared that premature encashments are not occurred, which may result in effective maintenance of FD of Company. Further, the FDs on maturity are also renewed on immediate basis, so that no loss is there to the Company. Proper records of all the FDs made / renewed /encashed / matured is kept both in the CS Branch and Accounts Branch, so that there is no discrepancy in the record related to the FDs and it also tallies with the figures of the Banks. It is incorrect to say that it may potentially result in loss of interest income.</p>
	<p>c) The Company did not have an appropriate internal control system on verification of delivery of goods supplied by vendor to the user. These could potentially result in Company recognizing revenue without establishing reasonable certainty of delivery without direct confirmation from user.</p>	<p>NICSI issues the Work Orders to the empanelled vendors from time to time towards supply of materials to the User Departments/Organisations. Towards actual delivery/installation of the equipments etc. the vendors obtains the duly singed delivery challans and the installation certificates from the Users and submits the same in original to NICSI, along-with their bills for payment. NICSI examines the same and releases the payment to the vendors only after verifying the bills that these are complete in all respects and the requisite documents are attached to it in original. It is incorrect to say that the it may potentially result in recognises revenue without establishing reasonable certainty of delivery without direct confirmation from the User.</p>
	<p>A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected on a timely basis.</p>	<p>No comments, being general.</p>

<p>In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.</p> <p>We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and these material weaknesses do not affect our opinion on the financial statements of the Company.</p>	
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**For and on behalf of the Board of Directors
of National Informatics Centre Services Inc.**

**Sd/-
Chairman**

Place: New Delhi

Date: 30th September, 2016

National Informatics Centre Services Inc.

(A Government of India Enterprise Incorporated Under Section 25 of
The Companies Act, 1956) (Now Section 8 of the Companies Act, 2013)

Balance Sheet as at March 31, 2016

Particulars	Notes	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	20,000,000	20,000,000
Reserves and surplus	4	5,283,264,612	4,596,040,875
		5,303,264,612	4,616,040,875
Non-current liabilities			
Other long term liabilities	5	1,638,471,092	2,170,326,858
Long-term provisions	6	228,328,782	185,950,064
		1,866,799,874	2,356,276,922
Current liabilities			
Trade payables	7	10,013,082,651	8,541,195,524
Other current liabilities	8	130,649,888	150,714,803
Short-term provisions	6	1,018,199,230	957,360,306
		11,161,931,769	9,649,270,633
TOTAL		18,331,996,255	16,621,588,429
ASSETS			
Non-current assets			
Fixed Assets	9		
- Tangible assets		218,469,876	251,637,046
- Intangible assets		5,748,278	9,671,395
Capital Work in Progress		64,037,915	14,792,466
		288,256,069	276,100,907

Particulars	Notes	As at	As at
		March 31, 2016	March 31, 2015
		Rs.	Rs.
Deferred tax Assets (Net)	10	86,765,253	63,287,718
Long-term loans and advances	11	333,261,682	202,400,884
Other non-current assets	12	911,379,499	828,685,617
		1,331,406,434	1,094,374,219
Current assets			
Trade receivables	13	997,870,711	867,352,208
Cash and Cash Equivalents	14	12,381,970,484	11,278,070,860
Short-term loans and advances	11	2,919,591,783	2,658,743,836
Other current assets	12	412,900,774	446,946,400
		16,712,333,752	15,251,113,303
TOTAL		18,331,996,255	16,621,588,429

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

Sd/-
Rajesh Bahadur
Managing Director
DIN: 03630471

Sd/-
Dr. Ajay Kumar
Chairman
DIN:01975789

Sd/-
Girish Kumar
Company Secretary
FCS: 6468

Sd/-
Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 06.07.2016

Place: New Delhi
Date: 23-06-2016

National Informatics Centre Services Inc.

(A Government of India Enterprise Incorporated Under Section 25 of
The Companies Act, 1956) (Now Section 8 of the Companies Act, 2013)

Income & Expenditure Account for the year ended March 31, 2016

Particulars	Notes	Year ended March 31, 2016 Rs.	Year ended March 31, 2015 Rs.
Income			
Revenue from operations	15	8,477,440,057	8,185,166,070
Other income	16	822,508,971	839,367,235
Total (I)		9,299,949,028	9,024,533,305
Expenditure			
Purchases of Stock-in-Trade	17	2,967,802,315	3,848,189,347
Service Support Expenses		4,580,983,706	3,500,520,500
Employee benefit expenses	18	74,529,293	77,139,226
Depreciation and amortization expenses	9	57,588,407	83,527,424
Other expenses	19	572,645,094	489,875,405
Total (II)		8,253,548,815	7,999,251,903
Surplus before tax and extraordinary items (I-II)		1,046,400,213	1,025,281,402
Extraordinary & Exceptional items-			
Reversal of Cenvat Credit		-	30,572,526
Interest on Grant-in-Aid (Prior Period)		416,723	-
Interest on Service Tax (Prior Period)		-	139,985,091
Prior period expenses/(Income)	20	(13,454,394)	11,522,530
Surplus before tax		1,059,437,884	843,201,256
Tax Expenses			

- Current Tax		402,328,240	377,808,040
- Deferred Tax Credit	10	(23,477,535)	(34,116,007)
- Tax for earlier Year Written Back		(6,636,558)	(26,018,811)
		372,214,147	317,673,222
Surplus after tax for the year		687,223,737	525,528,034
Earnings per equity share:	21		
-Basic		3,436.12	2,627.64
-Diluted		3,436.12	2,627.64
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

Sd/-
Rajesh Bahadur
Managing Director
DIN: 03630471

Sd/-
Dr. Ajay Kumar
Chairman
DIN:01975789

Sd/-
Girish Kumar
Company Secretary
FCS: 6468

Sd/-
Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 06.07.2016

Place: New Delhi
Date: 23-06-2016

National Informatics Centre Services Inc.

(A Government of India Enterprise Incorporated Under Section 25 of The
Compa-nies Act, 1956) (Now Section 8 of the Companies Act, 2013)

Cash Flow Statement for the year ended March 31, 2016

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Cash Flow from Operating Activities		
Surplus /(Deficit) before tax and extraordinary items	1,046,400,213	1,025,281,403
Prior Period Items	13,454,394	(11,522,530)
Reversal of Cenvat Credit	-	(30,572,526)
Interest on Grant-in-Aid Projects (PPI)	(416,723)	-
Interest on Service Tax	-	(139,985,091)
Surplus /(Deficit) before tax	1,059,437,884	843,201,256
Adjustments for:		
Depreciation on fixed assets	57,588,407	83,527,424
Loss/(Profit) on sale of fixed assets	(4,051)	58,519
Interest expense	78,501,692	107,659,737
Deduct:		
Interest income	881,417,446	929,147,782
Operating Surplus /(Deficit) before Working Capital changes	314,106,486	105,299,154
Adjustments for :		
(Increase) /Decrease in inventories	-	-
(Increase) /Decrease in trade receivables	(130,518,503)	(148,781,165)
(Increase) /Decrease in loans and advances and other assets	(440,357,002)	5,144,789,761
Increase/(Decrease) in trade payable & other liabilities	919,966,446	(4,603,337,236)
Increase/(Decrease) in provisions	103,217,642	137,410,707
Cash Generated from Operations	766,415,069	635,381,221
Income tax Paid	(402,328,240)	(377,808,040)
Income tax for Previous Years	6,636,558	26,018,811
Net Cash inflow/(outflow) from Operating activities (A)	370,723,387	283,591,992
Cash Flow from Investing Activities		
Purchase of fixed assets	(20,505,069)	(18,276,135)
Sale of fixed assets	11,000	66,212
Intangible Asset under Development	(49,245,449)	(4,930,822)
Interest received	881,417,446	929,147,781
Net Cash inflow/(outflow) from Investing activities (B)	811,677,929	906,007,036

Cash Flow from Financing Activities

Interest paid	(78,501,692)	(107,659,737)
Net Cash inflow/(outflow) from Financing activities (C)	(78,501,692)	(107,659,737)

Net increase /(decrease) in cash and cash equivalents (A+B+C)	1,103,899,624	1,081,939,291
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Cash and Cash Equivalents at the beginning of the year	11,307,230,860	10,225,291,569
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Cash and Cash Equivalents at the closing of the year	12,411,130,484	11,307,230,860
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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, 2016	As at March 31, 2015
Cash and Cash Equivalents		
Balances with Banks	2,408,972,098	1,378,829,753
Imprest Account	30,000	30,000
Other Bank Balances		
Fixed Deposits	10,002,128,386	9,928,371,107
	12,411,130,484	11,307,230,860

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

**Sd/-
Rajesh Bahadur**
Managing Director
DIN: 03630471

**Sd/-
Dr. Ajay Kumar**
Chairman
DIN:01975789

**Sd/-
Girish Kumar**
Company Secretary
FCS: 6468

**Sd/-
Vishnu Chandra**
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 06.07.2016

Place: New Delhi
Date: 23-06-2016

National Informatics Centre Services Inc.

(A Government of India Enterprise Incorporated Under Section 25 of The Companies Act, 1956) (Now Section 8 as per Companies Act, 2013)

Significant Accounting Policies & Notes to the financial statements for the year ended March 31, 2016

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 on total value of assets including VAT/CST & Service Tax and the Input/Cenvat for the same has not been considered in respective returns. 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 yearend or at the time of closing of project. The Credit Notes so issued are netted off 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, 2016	As at March 31, 2015
Authorised 200,000 (Previous Year 200,000) Equity Shares of Rs.100/- each	20,000,000	20,000,000
Issued, subscribed and fully paid-up 200,000 (Previous Year 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, 2016		As at March 31, 2015	
		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
Sh. Shyam Bihari Singh	Shareholder	1	0.0005	-	-
Dr. (Mrs.) Shefali Shushil Dash	Shareholder	-	-	1	0.0005
Dr. Mahesh Chandra	Shareholder	-	-	1	0.0005
Dr. Ambreesh Kumar	Shareholder	1	0.0005	1	0.0005
Mrs. J. R. D. Kailay	Shareholder	1	0.0005	1	0.0005
Sh. Vishnu Chandra	Shareholder	1	0.0005	-	-
Sh. Rajiv P. Saxena	Shareholder	-	-	1	0.0005
Sh. R S Mani	Shareholder	1	0.0005	-	-
Total		200,000	100	200,000	100

* Held on behalf of Government of India

c) Reconciliation of the paid up shares outstanding at the beginning and end of the reporting year

Reconciliation of the shares outstanding as on March 31, 2016 is given below:

Particluars	As at March 31, 2016		As at March 31, 2015	
	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 and Surplus

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

Particulars	As at March 31, 2016	As at March 31, 2015
Surplus as per Income and Expenditure Account		
Opening balance	4,596,040,875	4,070,512,841
Add: - Surplus for the year	687,223,737	525,528,034
Closing Balance	5,283,264,612	4,596,040,875

5. Other Long Term Liabilities

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

Particulars	As at March 31, 2016	As at March 31, 2015
Trade payables		
- Due to Micro and Small Enterprises	-	-
- Other than Micro and Small Enterprises	542,758,487	110,740,924
Sundry Creditors		
- Sundry Creditors for Expenses	3,944,202	3,985,839
Grants-in-Aid received from customers	952,366,533	1,939,403,226
Earnest Money Deposit Payable	134,156,000	114,701,000
Security Deposits Payable	5,245,870	1,495,870
Total	1,638,471,092	2,170,326,858

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, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Provision for Employee Benefits				
Leave Encashment	-	-	-	18,608
Salary and Reimbursement	-	-	3,722,620	3,766,352
Project Incentive Payable	-	-	9,065,006	4,484,693
Provision for Leave Salary Contribution	-	-	2,131,268	2,475,831
Provision for Pension Contribution	-	-	3,000,488	4,238,484
Total(A)	-	-	17,919,382	14,983,968
Other Provisions				
Provision for Taxation*	-	-	990,903,037	931,277,447
Provision for Stamp Duty	-	-	7,451,987	7,451,987
Provision for Rent Equalisation**	228,328,782	185,950,064	1,924,824	3,646,904
Total(B)	228,328,782	185,950,064	1,000,279,848	942,376,338
Grand Total (A)+(B)	228,328,782	185,950,064	1,018,199,230	957,360,306

* Provision for taxation includes Rs. 40,23,28,240/- towards F. Y. 2015-16, Rs.37,28,20,685/- towards F. Y. 2014-15 and Rs. 21,57,54,112/- towards earlier years, which is not adjusted against Advance Tax and TDS for the respective years 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, 2016	As at March 31, 2015
Trade Payables		
- Due to Micro and Small Enterprises	-	-
- Other than Micro and Small Enterprises	2,796,510,973	3,339,299,966
Sundry Creditors		
- Sundry Creditors for Expenses	15,253,095	11,004,082
Advances received from customers	7,201,318,583	5,190,891,476
Total	10,013,082,651	8,541,195,524

8. Other Current Liabilities

The components of other current liabilities are presented as under:

Particulars	As at March 31, 2016	As at March 31, 2015
Employee Benefits Payable	1,190,635	1,140,766
Statutory Dues and Taxes	60,868,389	105,676,159
Expenses Payable	31,434,272	16,897,529
Performance Bank Guarantee*	37,156,592	27,000,349
Total	130,649,888	150,714,803

* Ref. Note No. 56

9. Fixed Assets

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

Particulars	Gross Block				Accumulated Depreciation				Net Block		
	As at April 1, 2015	Additions during the Year	Deletions during the Year	As at March 31, 2016	As at April 1, 2015	Depreciation charge for the year	Adjustment due to Companies Act Schedule II	Disposals/ Adjustment	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Tangible Assets											
Building (Office)	198,585,498	-	-	198,585,498	85,459,671	5,534,716	-	-	90,994,387	107,591,111	113,125,827
Plant & Machinery	14,736,893	-	-	14,736,893	10,381,712	890,080	-	-	11,271,791	3,465,102	4,355,181
Furniture & Fixtures	54,949,078	1,197,977	730,039	55,417,016	33,907,937	5,989,734	-	723,090	39,174,581	16,242,435	21,041,141
Vehicles	701,793	-	-	701,793	452,435	82,599	-	-	535,034	166,759	249,359
Office Equipment	177,222,679	17,313,800	27,555	194,508,924	100,889,659	27,516,765	-	27,555	128,378,869	66,130,055	76,333,020
Computers	315,311,804	1,667,854	-	316,979,658	278,779,286	13,325,958	-	-	292,105,244	24,874,414	36,532,518
Total (A)	761,507,745	20,179,631	757,594	780,929,782	509,870,700	53,339,852	-	750,645	562,459,906	218,469,876	251,637,046
Previous Year	745,740,987	16,137,125	370,368	761,507,745	432,676,163	69,601,062	7,839,111	245,637	509,870,700	251,637,046	-
Intangible Assets											
Computer Software	28,467,701	325,438	-	28,793,139	18,796,306	4,248,556	-	-	23,044,861	5,748,278	9,671,395
Total (B)	28,467,701	325,438	-	28,793,139	18,796,306	4,248,556	-	-	23,044,861	5,748,278	9,671,395
Previous Year	26,328,691	2,139,010	-	28,467,701	12,709,055	6,087,251	-	-	18,796,306	9,671,395	-

10. Deferred Tax Assets (Net)

The company has calculated the Deferred Tax Liabilities/Assets as on March 31, 2016 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, 2016	As at March 31, 2015
Deferred tax assets		
Excess of depreciation on fixed assets as per books of accounts over depreciation as per Income Tax	7,557,510	12,742,906
Provision for Rent Equalization	14,070,449	12,001,478
Provision for Doubtful Debts	264,421	8,967,988
Provision for Employee benefits	1,585,155	403,635
Others	-	-
Gross deferred tax assets	23,477,535	34,116,007
Net deferred tax Charge/(Credit) for the year (A)	(23,477,535)	(34,116,007)
Deferred Tax (Assets)/Liabilities carried forward from Last Year (B)	(63,287,718)	(29,171,711)
Net Deferred Tax (Assets)/Liabilities as on March 31, 2016 (A+B)	(86,765,253)	(63,287,718)

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, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Security deposits				
Unsecured, considered good	159,620,683	143,799,438	-	-
TOTAL	159,620,683	143,799,438	-	-
Loans and advances to Employees				
Unsecured, considered good	-	-	1,685,795	366,315
TOTAL	-	-	1,685,795	366,315
Other loans and advances				
Advances to Suppliers	173,640,999	58,601,446	240,960,218	633,417,244
Advance Income Tax and TDS	-	-	1,236,624,905	1,085,495,141
Service Tax on Advances** and Others	-	-	1,321,504,825	878,912,088
Prepaid expenses	-	-	25,936,093	9,704,583
Taxes Recoverable*	-	-	92,879,947	50,848,465
	173,640,999	58,601,446	2,917,905,988	2,658,377,521
GRAND TOTAL	333,261,682	202,400,884	2,919,591,783	2,658,743,836

* Break-up of Taxes Recoverable

Particulars	As at March 31, 2016	As at March 31, 2015
Income Tax Recoverable	79,495,136	37,353,955
Sales Tax/DVAT Recoverable (1996-97 to 2013-14)	13,150,894	13,260,593
TDS On Works Contract 2000-2001	233,917	233,917
Total	92,879,947	50,848,465

** Includes an amount of Rs.30,29,27,240/- (P.Y. Rs.30,29,27,240/-) taxes deposited, pending for refund (Refer Note No. 40).

12. Other Assets

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

Particulars	Non-current		Current	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Trade Receivables				
Unsecured, considered good	906,702,459	823,438,990		
Less:				
Provision for Doubtful Debts*	(27,148,240)	(26,384,195)		
	879,554,219	797,054,795	-	-
Fixed Deposits				
Fixed Deposit having maturity more than 12 months**	29,160,000	29,160,000	-	-
Interest Accrued on Fixed Deposits				
Interest Accrued	2,665,280	2,470,822	412,900,774	446,946,400
	911,379,499	828,685,617	412,900,774	446,946,400

* Provision for Doubtful Debts is 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, 2016	As at March 31, 2015
Trade receivables outstanding for a period less than six months		
Unsecured, considered good	911,691,207	758,278,850
Total (A)	911,691,207	758,278,850
Trade receivables outstanding for a period exceeding six months		
Unsecured, considered good	86,179,504	109,073,358
Total (B)	86,179,504	109,073,358
Gross Total (A+B)	997,870,711	867,352,208

14. Cash & Cash Equivalents

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

Particulars	Current Assets	
	As at March 31, 2016	As at March 31, 2015
Cash and Cash Equivalents		
a. Balances with banks		
Saving Account	2,408,972,098	1,378,829,753
Fixed Deposit	9,861,736,431	9,824,947,631
Fixed Deposit mortgaged against Bank Guarantee	111,231,955	74,263,476
b. Others		
Imprest Account	30,000	30,000
Total	12,381,970,484	11,278,070,860

15. Revenue from Operations

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Revenue from operations		
Sale of Traded Goods	3,123,633,619	4,032,268,037
Service Income	5,333,434,017	4,113,367,960
Total (A)	8,457,067,636	8,145,635,997
Other operating revenue		
Operating Margin	20,372,421	39,530,073
Total (B)	20,372,421	39,530,073
Total Revenue from operations (A)+(B)	8,477,440,057	8,185,166,070

16. Other Income

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest Income	881,417,446	929,147,782
Other non-operating income	19,359,509	17,797,712
Less: -		
Interest on Grants-in-Aid Projects (other than NKN)	72,114,298	21,769,756
Interest on NKN Projects (Grants-in-Aid)	6,153,686	85,808,503
	822,508,971	839,367,235

17. Purchases of Stock-in-Trade

Particulars	Year Ended March 31, 2016	Year Ended March 31, 2015
Purchases :-		
Hardware	1,940,504,416	3,264,736,566
Software	1,027,297,899	583,452,781
	2,967,802,315	3,848,189,347

18. Employee benefit expenses

The components of employee benefit expenses are presented as under:

Particulars	Year Ended March 31, 2016	Year Ended March 31, 2015
Salaries and incentives	67,062,008	69,347,902
Project Incentive	4,580,313	4,484,363
Staff Welfare	2,886,972	3,306,961
	74,529,293	77,139,226

19. Other expenses

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

Particulars	Year Ended March 31, 2016	Year Ended March 31, 2015
Audit Fees (2014-15)	65,056	536,049
Audit Fees (2015-16)	682,823	-
Statutory Audit Fees: - Rs. 6,02,454/-		
Tax Audit Fees: - Rs. 80,369/-		
Advertisement Expenses	2,944,641	9,085,479
Bank Charges	239,240	110,073
Books & Periodicals	2,031,138	1,111,402
Conference Seminar W/Shop Expenses	4,156,693	7,454,587
Consumable Stores	3,458,233	4,480,378
Conveyance Expenses	628,606	509,773
Core Banking Expenses	-	1,805,162
Doubtful Debts	764,045	4,776,015
Electricity & Water Charges	49,393,816	40,079,006
Foreign Exchange Variation	922	156,828
Hire Charges	440,773	434,441
House Keeping & Cleaning Charges	15,423,317	14,715,698
House Lease Charges	2,670,650	2,036,470
Internal Audit Fee	101,916	191,664
Membership & Subscription Charges	123,103	1,092,103
Miscellaneous Expenses	38,103,341	5,590,827
Office Expenses	66,818,016	63,590,273
Office Rent	260,329,822	211,963,545
Printing & Stationery	1,551,716	1,666,184
Professional & Consultancy Charges	27,392,282	24,358,336
Rent Rates & Taxes	428,960	428,460

Particulars	Year Ended March 31, 2016	Year Ended March 31, 2015
Repairs & Maintenance	34,671,113	33,661,790
Taxi Hire Charges	23,735,685	25,918,050
Telephone Expenses	7,478,556	5,663,612
Travelling Expenses (Staff) Foreign	701,838	1,678,760
Travelling Expenses (Director)	-	94,680
Travelling Expenses(Staff)	27,998,793	26,362,087
Vehicle - Petrol	238,862	227,895
Vehicle Maintenance	71,138	95,779
	572,645,094	489,875,405

The figures under the head Electricity & Water Charges and Housekeeping & Cleaning Charges are shown after net of reimbursement.

20. Prior Period

Particulars	Year Ended March 31, 2016	Year Ended March 31, 2015
Prior Period Expenses*	238,897,457	122,844,786
Prior Period (Income)**	(252,351,851)	(111,322,256)
	(13,454,394)	11,522,530

* Break-up of Prior Period Expenses		
Service Support Expenses	238,897,457	116,850,343
Reversal of Excess Interest of Earlier Year	-	5,994,443
	238,897,457	122,844,786

** Break-up of Prior Period Income		
Service Support Income	251,631,138	110,812,888
Operating Margin	720,713	509,368
	252,351,851	111,322,256

21. 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, 2016	Year Ended March 31, 2015
Earning per share		
Surplus attributable to Equity shareholders	687,223,737	525,528,034
Weighted average number of equity shares	200,000	200,000
Basic earning per share	3,436.12	2,627.64
Diluted earning per share	3,436.12	2,627.64
Face value per share	100	100

22. Contingent Liabilities

As at Balance Sheet date, the contingent liability in respect of off site 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	Year Ended March 31, 2016 (R)	Year Ended March 31, 2015 (R)
Claim against the Company not acknowledged as debts	7,45,408	NIL
Guarantees	10,68,27,145	4,62,52,100
Income Tax Demand (Assessment Year 2010-11)	7,91,280	NIL
Income Tax Demand (Assessment Year 2012-13)	37,27,400	37,27,400
Income Tax Demand (Assessment Year 2013-14)	8,44,216	NIL
Total	11,29,35,449	4,99,79,500

23. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.89,02,372/-

towards 5th Floor at DMRC, Shastri Park, New Delhi and Rs.3,69,15,983/- towards implementation of ERP Software to be paid to M/s Rolta India Ltd..

The contract for interior work on the 4th Floor is awarded by M/s National Building Construction Company (NBCC) Ltd. to the contractor firm on 27.01.2016 for a sum of Rs. 9,46,42,408/-, which relates to the NKN Project and entire expenditure would be debited to that project only.

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.4,94,406/- (PY Rs.3,51,036/-) as at March 31, 2016. In addition, commitment of Rs.5,73,77,525/- (PY NIL) is also there towards Enhancement & Upgradation of NIC Cloud Services.

24. 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: NIL

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

Particulars	Year Ended March 31, 2016 (R)	Year Ended March 31, 2015 (R)
Travelling - Staff (Foreign)	7,01,838	16,78,760
Total	7,01,838	16,78,760

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

25. Auditor Remuneration*

Particulars	Year Ended March 31, 2016 (R)	Year Ended March 31, 2015 (R)
Auditor Fee including Tax Audit Fee	6,82,823	5,36,049
For Reimbursement of expenses	1,57,848	1,26,279
Total	8,40,671	6,62,328

* Inclusive of Service Tax

26. 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 government guidelines thereon 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. However, an amount of Rs. 1,05,706/- paid in excess in F.Y. 2012-13 towards Leave Salary Contribution has been adjusted with NIC during the year as a result profit of the year is higher by Rs. 1,05,706/-.

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 Pensionary benefits. However, an amount of Rs. 10,25,240/- paid in excess in F.Y. 2012-13 & 2013-14 towards Pension Contribution has been adjusted with NIC during the year as a result profit of the year is higher by Rs.10,25,240/-.

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.

27. 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, 2016 (Rs.)	Year ended March 31, 2015 (Rs.)
Sh. Rajesh Bahadur	01-04-2015 to 31-03-2016	Managerial Remuneration	20,85,130	20,56,890

(iii) Balance payable as on 31-03-2016 to Related Parties: Rs. 1,51,909/- (PY Rs.1,39,775/-)

28. Operating Lease

The Company has hired office space under operating lease. The lease rental expenses provided in Income & Expenditure Account is Rs. 26,03,29,822/- (PY Rs. 21,19,63,545/-). During the year Provision for Rent Equalization has been made for Rs. 4,06,56,638/- (PY Rs. 3,53,08,850/-) 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	Year Ended March 31, 2016 (Rs.)	Year Ended March 31, 2015 (Rs.)
i.	Not Later than one year	12,61,56,940	12,46,84,236
ii.	Later than one year and not later than five years	69,16,11,300	68,03,18,101
iii.	Later than five years	174,88,08,018	1,90,01,15,516

29. 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.

30. 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.

31. 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 and the differential amount, if any, shall be provided for in year the same got registered.

32. 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.

33. 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. 2015-16.

34. 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 2015-16		FY 2014-15	
	Qty.	Value	Qty.	Value
	(Nos.)	(Rs.)	(Nos.)	(Rs.)
OPENING STOCK				
Hardware	Nil	Nil	Nil	Nil
Software	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil
PURCHASE				
Hardware	2395924	194,05,04,416	2251123	326,47,36,566
Software	107050	102,72,97,899	41866	58,34,52,781
Total	2502974	296,78,02,315	2292989	3,84,81,89,347
SALES				
Hardware	2395924	207,48,05,516	2251123	342,54,77,145
Software	107050	104,88,28,103	41866	60,67,90,892
Total	2502974	312,36,33,619	2292989	4,03,22,68,037
CLOSING STOCK				
Hardware	Nil	Nil	Nil	Nil
Software	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil

35. 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 2015-16 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.

36. (a) Revenue Generation (GR/ AGR) towards VSAT Projects against DOP License No. 815-100/ NICS/2009-DS dated 20.11.2009 and payment of License Fee and Spectrum Charges to DOT thereon

NICS had entered into a commercial VSAT License Agreement with DOT on 25.11.2009 and had been paying the License Fee and Spectrum Charges to DOT accordingly. During the year, two projects i.e. CSC and NDRF have been implemented against this License. C&AG Audit in October, 2015 had pointed out that Hon'ble Supreme Court of India, in its Order dated 11.10.2011, had stated that "If the wide definition of Adjusted Gross Revenue so as to include revenue beyond the License was in any way going to affect the Licensee, it was open for the Licensees not to undertake activities for which they do not require License under clause (4) of the Telegraph Act

and transfer these activities to any other person or firm or company". NICS I thereafter, took up the matter with DOT through DeitY that the DOT charges in respect of NICS I should be levied on the revenue generated through these projects only and not on whole revenue of the Company, as per the initial agreed terms. DOT, vide DO No. 32-4/ CCA-Delhi/2015-LFP (KW-2) dated 10.05.2016, has informed that the AGR matter is presently under "Appeal" in Hon'ble Supreme Court and in the hearing on 29.02.2016, the Court has stated that "The Union of India will continue to raise demands as per its understanding, however, the same will not be enforced till the final decision of the controversy by this Court". DOT has further stated that the assessment shall continue to be made in accordance with the terms & condition of the relevant License Agreements and the guidelines/ instructions/ clarifications issued from time to time, as is being done hitherto, until further orders. NICS I has therefore, paid/ provided the charges to DOT during the year as per past practice accordingly.

(b) VSAT for CSC Project

During FY 2015-16, an amount of Rs.8,79,04,243/- has been generated as revenue towards V-Sat for CSC in North East Project against DOT License No. 815-100/NICS I/2009-DS dated 20/11/2009. The details are as follows: -

S. No.	Particulars	FY 2015-16 (Rs.)	FY 2014-15 (Rs.)
(a)	Total Revenue as per Income and Expenditure A/c of the Company	929,99,49,028	9,02,45,33,305
(b)	Income from V-sat Services (CSC Project) towards said DOT license	8 79,04,243	6,28,119
(c)	Revenue from Projects other than at (b)	9,212,044,785	9,02,39,05,186

The fee of DOT against the above license towards this project on NICS I'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.

(c) VSAT for NDRF Project

During FY 2015-16, an amount of Rs.12,83,61,075/- has been generated as revenue towards V-Sat for NDRF Project against DOT License No. 815-100/NICS I/2009-DS dated 20/11/2009. The details are as follows: -

Sl. No.	Particulars	FY 2015-16 (Rs.)	FY 2014-15 (Rs.)
(a)	Total Revenue as per Income and Expenditure A/c of the Company	929,99,49,028	9,02,45,33,305
(b)	Income from V-sat Services (NDRF Project) towards said DOT license	128,361,075	4,50,51,028
(c)	Revenue from Projects other than at (b)	9,171,587,953	8,97,94,82,277

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.

37. 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.

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

The intangible asset acquired prior to F.Y.2011-12 which was not separately identified under the head intangible assets has been fully amortized. The intangible asset from F. Y. 2011-12 onwards are 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.

39. Grants-in-Aid Projects

- i. The Company is in process of getting the accounts of grants-in-aid projects audited as on March 31, 2016. The Audit of Grants in aid projects for F.Y.2015-16 would be conducted after the financial statements for F.Y.2015-16 are adopted.
- ii. The interest on unutilized fund on Grant-in-Aid projects (including NKN Project) for the F. Y. 2015-16 amounting to Rs.7,86,84,707/- (P. Y. Rs.10,75,78,259/-including NKN Project) has been reduced from interest income for the year.

40 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 has not filed 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 in FY 2014-15 itself.

However, the Service Tax Department had filed an "Appeal" before Hon'ble Customs, Excise & Service Tax Appellate Tribunal (CESTAT) vide Appeal No. ST/APPEAL No.53521 OF 2015 ST(DB) dated 16-10-2015 against the dropping the said Service Tax demand of Rs.3,89,02,36,342/- and also, an Application for "Stay" in the matter till the decision on the Appeal. CESTAT, heard the Application for "Stay" on 10.05.2016 and dismissed the same.

The hearing on the Appeal is awaited before CESTAT. The Company has accordingly, filed a fresh Application with the Service Tax Office for refund of Rs. 30,29,27,240/-.

41. 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 Rs.50 crore	7%
Above Rs.50 crore	5%

(The above rates are applicable since 15.01.2015 and prior to that, different slab rates were applicable between 3 to 8% of the cost of project).

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.

42. Fixed Operating Margin in NICS Project Nos. D150084, D150085, D150086 and D150087 from DeitY.

DeitY, vide its Administrative Approval No. 3 (64)/ 2014-EG-II dated 29.03.2015, had given "Asset Mapping of Panchayats" to NICS at a total cost of Rs. 32,38,99,100/-, mentioning therein that the Operating Margin of NICS would be Rs. 1.00 crore. NICS has taken up the matter with DeitY informing that the rate of Operating Margin on the cost of project is 7% and the Administrative Approval be accordingly revised. Feedback from DeitY is awaited. However, NICS has taken its income at 7% in the project during the year and would be following up the matter with DeitY to revise the rate / amount towards its Operating Margin in the project.

43. 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. 2015-16, the bills received for settlement against the above advance of Rs. 1303 Crores, the administrative charges (Operating margin) are not levied on these. At present, the advances of Rs.44.02 crores (Approx) (P.Y. 48.49 crores) are still pending with the vendors/ suppliers for settlement, out of the said Rs. 1303 crores.

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

During F. Y.2015-16, NICS I has incurred expenditure of Rs.3,66,67,192/- (P.Y. Rs.3,63,25,232/-) towards rent, maintenance, electricity, security etc., which has been entirely debited to the NKN project (100069/GEN/ND).

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

DeitY had approved that from 01-04-2014 onwards, NICS I would be incurring operational expenditure headwise on the National Data Centre, Shastri Park, Delhi upto Rs.8.00 crores on the heads Rent & Maintenance/ Basic Infrastructure Maintenance/ Basic Infrastructure O & M Manpower and NIC would reimburse the expenditure from its Budgetary Provision to NICS I towards Electricity & Diesel Charges/ Physical Security & Housekeeping Charges/ Water Charges/ Logistics Support/ Contingency Charges upto 3% of all these charges, after these expenditure are initially incurred by NICS I. Against the expenditure of Rs.8.00 crores, NICS I 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 NICS I objectives. During the year the income for NICS I has been Rs. 18,01,16,761/-, as against the expenditure of Rs. 8,26,55,933/- which includes Rs.1,35,23,462/- towards Provision for Rent Equalization.

46. Expenditure towards Corporate Social Responsibility

During the Financial Year 2015-16, no expenditure has been distinctly booked towards Corporate Social Responsibility, as not applicable being a Section 8 Company.

47. LTC to NICS I employees on deputation from NIC

The company had reimbursed an amount of Rs. 1.89 crore towards LTC, based on the Service Rules of NICS I to the NICS I employees deputed from NIC during the Financial Years 2010-11 to 2013-14. This amount had 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 were not in line with DPE/ DOPT guidelines & CCS LTC Rules. These Service Rules had thereafter, been sent by NICS I to NIC/DeitY on 11.11.2014 for ratification. As per Board approval that the recovery be made in installments, NICS I had recovered the amount from the salary of employees in May, 2015. Against the same, the employees had filed a Writ Petition in the Hon'ble Delhi High Court against the recovery and the Court, vide "Order" dated 09.06.2015, had granted the "Stay" on the recovery of amount from the employees, pending the final decision by the Court in the matter. Finally, the Hon'ble Delhi High Court, in its judgment dated 18.03.2016, had decided that "Service conditions which induce the present appellants to apply for NICS I for deputation and continue there held out a liberalized LTC option. That option was availed of continuously. The LTC regulations were amended further-it is not in dispute that the original regulations of NICS I and the amendments continue in force. In these circumstances, the recovery sought to be made without altering the conditions of service could not have been upheld. Accordingly, the respondents are permitted to recover only amounts paid in excess of the deputation terms either pre-2010 as existing with some of the employees joined the organization or those which are contrary to the 2010 amendments. The Appeal is allowed to that extent".

48. Project Incentive to NICS I employees on deputation from NIC

The Company had paid an amount of Rs. 2.11 crores towards Project Incentive to the NICS I employees deputed from NIC for the Financial Years 2007-08 to 2013-14. In addition, an amount of Rs. 44,84,363/- had been

provided in the Accounts for F.Y. 2014-15 and Rs. 45,80,313/- for F. Y. 2015-16 towards the same, based on the Rules approved by the Board of Directors in its 60th meeting held on 22.12.2008 which are not in line with DPE guidelines. Matter has been taken up by NICS I with NIC/ DeitY to approve the guidelines. Further feedback in the matter is awaited. TDS on Project Incentive will be deducted at the time actual payment.

49. 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 unutilized 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 i.e. rate of interest applicable in the Saving Bank Accounts in the Public Sector Banks whereas as per terms and conditions laid down by the Grantor Institution the actual interest earned on un-utilized balance of Grant in Aid projects is to be refunded.

50. "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.10,81,13,725/- (inclusive of NBCC Agency charges @ 10%). Out of which an amount of Rs.9,92,11,353/- has been given as advance to M/s NBCC Limited. Further, the Company has paid rent & maintenance charges of Rs.3,51,03,779/- for 5th Floor at Shastri Park during the FY 2015-16 (Rs.12,75,94,305/- paid till 31.03.2016)

51. Transport Allowance and House Rent Allowance to NICS I employees on deputation from NIC

The Company has paid an excess amount of Rs. 0.49 crore towards Transport Allowance and Rs. 0.17 crore towards House Rent Allowance to the NICS I employees deputed from NIC during the period from 01.07.2007 to 31.03.2014. 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 NICS I to NIC / DeitY on 11.11.2014 for ratification. Further feedback in the matter is awaited.

Payments have also been made by the company during the year 2014-15 and 2015-16.

52. Director (Finance) in NICS I

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, NICS I, as an additional charge.

53. Trade Receivables

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. 90,67,02,459/- (PY Rs. 82,34,38,990/-) and short term trade receivables of Rs.99,78,70,711/- (PY Rs.86,73,52,208/-) as at March 31, 2016, which is followed up by NICSI from time to time with the concerned Department /Organization to recover the same.

54. 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.

55. 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.

56. Performance Bank Guarantee

During the year 2015-16, 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. 3,71,56,592/-(P. Y. Rs.2,70,00,349/-) has been retained and transferred to a new head naming Performance bank Guarantee.

57. Publishing of "Notice Inviting Tenders" (NIT) in the Dailies by NICSI through DAVP

As on 01.04.2015, DAVP was having advances of Rs. 10,43,512/- outstanding from NICSI towards publications. During the year, NICSI had released further advances of Rs. 26,01,725/- to DAVP. Adjustments made during the year were for Rs. 17,32,141/-.

58. Tax Deducted at Source

Tax Deducted at Source includes an amount of Rs. 1,14,59,623/- on the basis of information as per Form 26 AS of Income Tax has been taken as an Advance from customers because the detail of Projects are not available till the finalization of Books of Accounts.

59. Obsolete Items

The Company has certain obsolete items of Fixed Assets as on 31-03-2016. Action is in process to dispose off these items. Till the time the same being disposed off, the carrying value of such assets is appearing in Fixed Assets and depreciation as per companies accounting policy is being charged.

60. 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

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

Sd/-
Ajay Rastogi
Partner
Membership No.084897

Sd/-
Rajesh Bahadur
Managing Director
DIN: 03630471

Sd/-
Dr. Ajay Kumar
Chairman
DIN:01975789

Sd/-
Girish Kumar
Company Secretary
FCS: 6468

Sd/-
Vishnu Chandra
Financial Advisor
DIN: 07003256

Place: New Delhi
Date: 06.07.2016

Place: New Delhi
Date: 23-06-2016

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, 2016, the Income & 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, as applicable.

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 and the Order under section 143 (11) of the Act.

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. 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.

1. Reference is invited to the note no.39 and 49 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. 7,86,84,707/- (Previous year Rs. 10,75,78,259/-) 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.
 - c) Till previous year, the Company paid interest on unutilized amount of Grants-in-Aid projects without considering service tax paid in Grants-in-Aid projects. During the year company has change its method of calculation and considered Service tax paid in Grants-in-Aid projects while calculating interest. The effect of same on previous year's interest payment has not been worked out.

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 note no. 41 and 37 of financial Statements on recognition of operating margin
 - i) The company as per deity approval, has not been charging any operating margin from NIC on the procurement towards their internal project.
 - ii) The Company, has been taking a uniform operating margin @5% on digital signature project irrespective of project cost.
 - iii) Revenue from operation includes 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 documentation and details, the overall impact of matters referred to in the preceding paras on the financial statements for the year is unascertainable and unquantifiable.

3. Reference is invited to note no. 42 of financial Statements regarding DeitY project of "Asset Mapping of Panchayats" total cost Rs. 32.39 Crores, the Operating Margin of NICSi, as per Administrative Approval is fixed at Rs. 1.00 Crore. However, NICSi has taken its income at 7% of expenses incurred for the project during the year as per the rate of operating margin approved by the Board. Consequentially revenue from operation is overstated and Other long-term liabilities are understated by Rs. 0.64 Lacs.
4. Reference is invited to Note no.20 of financial Statements, in relation to prior period expenses/income booked in Income and Expenditure account, the Company has disclosed Rs.1,34,54,394/- as net prior-period income (Previous Year Rs. 1,15,22,530 net prior period expenses). In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount.

5. Reference is invited to note no.43ofthe financial statements, as per information provided to us the company recognized revenue of Rs. 1,303 crores during FY 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. 44.02 crores (approx) (P.Y. 48.49 crores) is still pending to be adjusted. Consequently, accumulated reserves are overstated to the extent of Rs.0.44 Crores.
6. In our opinion, internal controls/internal audit systems 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.
7. Reference is invited to note no. 30ofthe financial statements; balance confirmations have not been received from 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, 2016. In the absence of confirmations, we are unable to comment on the accuracy of the balances and adjustment thereof, along with impact, if any, on financial statements.
8. Reference is invited to Note 12 to the financial statements and accounting policy No. 2(xv),Provision for bad and doubtful debts as on balance sheet date amounting to Rs.2,71,48,240/- (Previous YearRs.2,63,84,195/-) 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.
9. Reference is invited to accounting policy no.2(iv) regarding credit note issued. In the absence of 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 on the financial statement is unascertainable and unquantifiable.
10. Reference is invited to note no. 55 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.
11. 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. 1,15,51,384which pertains to financial year 1997-98 to 2004-05 and TDS on works contract Rs. 2,33,917 for FY 2000-01. In the absence of reasonable and sufficient documentation in relation to 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.
12. Reference is invited to note no. 47 of the financial statements regarding LTC payment by the Company in the period 2010-11 to 2013-14 amounting to Rs. 1.89 Cores without approval of DietY. Pending effect of Hon'ble Delhi High Court order on the petition filed by NICS employees deputed from NIC, we are unable

to comment on the impact, if any, of the matter on the financial statements of the Company.

13. Reference is invited to note no. 48 of the financial statements regarding project incentive paid/provided by the Company for the period 2007-08 to 2015-16 amounting to Rs. 3.02 crores without approval of DietY/NIC. Pending approval/finalization of matter, we are unable to comment on the impact, if any, on the financial statements of the Company.
14. Reference is invited to note no. 51 of the financial statements regarding payment of Transport and House Rent Allowance being paid/provided by the Company from 01.07.2007 to 31.03.2016 without approval/ rectification by DietY. Pending 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. 59 of the financial statements regarding Obsolete Assets, During the physical verification of fixed assets conducted by the Company, some assets are identified as obsolete/ non-working. Effect of the same has not been provided for the financial statements. In the absence of documentation and details, consequential impact on the financial statement for year is not ascertainable and quantifiable.
16. Reference is invited to note no. 36 regarding method of calculating License Fee and Spectrum Charges, as the same is pending in Hon'ble Supreme Court of India. The Company has paid/provided for the License Fee and Spectrum Charges to DOT during the year as per past practice. Consequential impact, if any, on the financial statement is not ascertainable and quantifiable.
17. Reference is invited to note no. 57 regarding advance for publishing of "Notice Inviting Tenders" in the dailies through DAVP. The advance given is subject to settlement and adjustment. Consequential impact, if any, on the financial statement is not ascertainable and quantifiable.
18. 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 AS 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 the 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 AS 9 - 'Revenue Recognition'.

- iv. Refer note no. 26 of the financial statements, provision for pension contribution and leave salary liability as at March 31, 2016 has been made on the basis of guidelines issued by the Central Government and not as per requirement of AS 15 – ‘Employee Benefits (revised 2005)’.
- v. Reference is invited to the note no. 27 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”.
- vi. Reference is invited to Note 38 of financial Statements and accounting policy no. 2(iii) “Intangible Assets and Amortization”, intangible assets acquired before FY 2011-12 have not been separately classified in the gross block as intangible assets as at March 31, 2016. 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 AS 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, 2016, 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 the note no. 52 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. 528.33 crores (Previous Year Rs. 459.50 crores) on account of surplus 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. 53 of the financial statements, the company has incurred extra expenditure than the advances received from user departments in case of some projects, as they restrict the release of advances to NICS to 40% or so as per GFR provisions. Reference is also invited to note no. 12 & 13 of the financial statements, amount of long term trade receivables of Rs.90,67,02,459/- (PY Rs.82,34,38,990/-) and short term trade receivables of Rs.99,78,70,711/- (PY Rs.86,73,52,208/-) as at March 31,2016 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 the note no. 31 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. Reference is invited to note no.50 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. 12.76 crore till 31.03.2016.
- g. Reference is invited to note no. 54 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. The company has filed an appeal with the Income Tax Appellate Tribunal, New Delhi. Hearing in the matter is pending as on date.
- h. Reference is invited to note no. 58 of the financial statements, advance from customers includes tax deducted at source of Rs. 1,14,59,623/- for which projects/user wise details are not available.
- i. Reference is invited to note no. 26(ii) of the financial statements regarding excess leave salary contribution paid to NIC by the company for the financial year 2012-13 and 2013-14 amounting to Rs 1.06 lakhs which is adjusted with NIC during the year. As a result surplus of the year is higher by Rs. 1.06 lakhs/-.
- j. Reference is invited to note no. 26 (iii) of financial statements regarding excess pension contribution paid to NIC by the company for the financial year 2012-2013 and 2013-14 amounting to Rs 10.25 lakhs which is adjusted with NIC during the year. As a result surplus of the year is higher by Rs. 10.25 lakhs/-.
- k. Reference is invited to note no. 33 of financial statements regarding disclosure relating to Micro, Small and Medium Enterprises. The disclosure is not in compliance with the Notification no. G.S.R. 679(E) dated 4th Sep 2015 issued by Ministry of Corporate Affairs.

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, 2016 ("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 controls described in sub paragraph 6 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 adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses qualified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting;
- h) 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 no.22 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)

Sd/-

(Ajay Rastogi)

Partner

(M. No. 084897)

Place: New Delhi

Date:06th July 2016

ANNEXURE ‘A’ TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF NATIONAL INFORMATICS CENTRE SERVICES INC.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of NATIONAL INFORMATICS CENTRE SERVICES INC. (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the Inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changed in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016;

- a) The Company did not have an appropriate internal control system for reconciliation/confirmation of vendor balances. These could potentially result in material misstatements in the Company's trade payables.
- b) The Company did not have an appropriate internal control system on releasing of performance Bank Guarantees of vendors. These could potentially result in non recovery of damages from defaulting vendors.
- c) The Company did not have an appropriate internal control system on investment of excess funds in fixed deposits. These could potentially result in loss of interest income.
- d) The Company did not have an appropriate internal control system on verification of delivery of goods supplied by vendor to the user. These could potentially result in Company recognizing revenue without establishing reasonable certainty of delivery without direct confirmation from user.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and these material weaknesses do not affect our opinion on the financial statements of the Company.

For Goel Garg & Co.
Chartered Accountants
FRN : 000397N

Sd/-
(Ajay Rastogi)
Partner
M. No. 084897

Place: New Delhi
Date:6th July 2016

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. (NICS) FOR THE YEAR ENDED 31 MARCH 2016

The preparation of financial statements of National Informatics Centre Services Inc. (NICS) for the year ended 31 March 2016 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 appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with 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 6th July, 2016

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. (NICS) for the year ended 31 March 2016. 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. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

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



(P.K. Tiwari) Director
General of Audit
(Post and Telecommunication)

Place: Delhi
Date: 12/09/2016