

**वार्षिक रिपोर्ट**  
**ANNUAL REPORT**  
**2013-14**

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

# BOARD OF DIRECTORS

(As on 31-03-2014)

- Chairman** : Shri Rajiv Gauba  
Additional Secretary, DeitY  
(w.e.f. 27.11.2012)
- Director** : Shri Raj Kumar Goyal  
Joint Secretary, DeitY
- Dr. Gulshan Rai  
Director General, ICERT, DeitY
- Dr. Neena Pahuja  
Director General, ERNET India
- Shri Altaf Khan, Joint Director (Budget), IFD, DeitY
- Dr. Mahesh Chandra  
Deputy Director General, NIC
- Shri D. C. Misra  
Deputy Director General, NIC
- Dr. Ambreesh Kumar  
Deputy Director General, NIC
- Shri K. K. Poddar, DDG & SIO NIC (WB)
- Shri R. S. Mani, STD, NIC
- Shri H. M. Reddy  
DDG & FA/CA, NICS
- Shri Rajesh Bahadur, MD, NICS
- Company Secretary** : Shri Girish Kumar
- Auditors** : ASA & Associates  
Chartered Accountants  
K.S. House, 118 Shahpur Jat, New Delhi-110049.
- 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,  
Indusind Bank and ICICI Bank Ltd., New Delhi

# BOARD OF DIRECTORS

(As on 30-09-2014)

<b>Chairman</b>	:	Shri Rajiv Gauba Additional Secretary, DeitY (w.e.f. 27.11.2012 up to 05.09.2014)  Dr. Ajay Kumar Joint Secretary, DeitY (w.e.f. 05.09.2014)
<b>Director</b>	:	Shri Raj Kumar Goyal Joint Secretary, DeitY  Dr. Gulshan Rai Director General, ICERT, DeitY  Dr. Neena Pahuja Director General, ERNET India  Shri Altaf Khan, Joint Director (Budget), IFD, DeitY  Dr. Mahesh Chandra Deputy Director General, NIC  Shri D. C. Misra Deputy Director General, NIC  Dr. Ambreesh Kumar Deputy Director General, NIC  Shri K. K. Poddar, DDG & SIO NIC (WB)  Shri R. S. Mani, STD, NIC  Shri H. M. Reddy DDG & FA/CA, NICS  Shri Rajesh Bahadur, MD, NICS
<b>Company Secretary</b>	:	Shri Girish Kumar
<b>Auditors</b>	:	ASA & Associates Chartered Accountants K.S. House, 118 Shahpur Jat, New Delhi-110049
<b>Registered Office</b>	:	Hall No. 2 & 3, 6th Floor, NBCC Tower, 15th, Bhikaji Cama Place, New Delhi-110066
<b>Bankers</b>	:	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, Indusind Bank and ICICI Bank Ltd., New Delhi

# NOTICE 19th ANNUAL GENERAL MEETING

Notice is hereby given to the Members of National Informatics Centre Services Incorporated (NICS) that its 19th Annual General Meeting is scheduled to be held on Friday 26th September, 2014 at 05:00 pm at Conference Room No. 4009, 4th Floor, Department 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 2014 and the Income and Expenditure Account of the Company for the year ended 31st March 2014, 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 619 of the Companies Act, 1956 for Financial Year 2013-14.

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

**(Girish Kumar)  
Company Secretary**

Place: New-Delhi  
Dated: September 1, 2014

## **NOTE:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself.
2. As per rule 19(1) of the Companies (Management and Administration) Rules, 2014, a member of a company registered under section 8 of the Companies Act, 2013 (earlier section 25 of the Companies Act, 1956) shall not be entitled to appoint any other person as his/her proxy unless such other person is also a member of such company.
3. This form of proxy in order to be effective should be duly completed and deposited at the registered office of the company, not less than 48 hours before the commencement of the meeting.
4. The adjourned 19th Annual General Meeting is held on Tuesday 30th September, 2014 at 03:00 pm at Conference Room No. 4009, 4th Floor, Department of Electronics and Information Technology, Electronics Niketan, 6, CGO Complex, Lodhi Road, New Delhi-110003.

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

**(Girish Kumar)  
Company Secretary**

Place: New-Delhi  
Date: September 1, 2014

# Directors' Report

Dear Shareholders,

Your Directors have immense pleasure in presenting the Nineteenth 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 2014.

The Summarized Financial Results for the year ended 31st March 2014, as compared with the earlier year 2012-13, is as under:

## (A) Financial Highlights:

(Rupees in Crores)

S. No.	Description	2013-14	2012-13
<b>(A)</b>	<b>Receipts:</b>		
1	Stock & Sales	274.38	199.10
2	Services & Support	248.26	178.62
3	Operating Margin*	11.25	11.50
4	Interest / Other Income Less: Interest paid on Grant in Aid and NKN Projects amounting to Rs. 10.08 Crores (P.Y. Rs. 5.74 Crores)	79.01	66.98
	<b>Total (A)</b>	<b>612.90</b>	<b>456.20</b>
<b>(B)</b>	<b>Payments:</b>		
1	Cost of Goods Sold	257.19	173.51
2	Services & Support	210.79	136.84
3	Cost of Stock-in-trade	1.06	1.13
4	Employees Remuneration and Benefits	7.50	7.15
5	Other Expenses	59.44	56.50
6	Depreciation	7.24	6.45
	<b>Total (B)</b>	<b>543.22</b>	<b>381.58</b>
	<b>Gross Surplus (A) – (B)</b>	<b>69.68</b>	<b>74.61</b>
7	Less: Interest on Grant in Aid Project (Prior Period)	(0.20)	(17.60)
8	Prior period Adjustments	1.73	(2.97)
9	Additional Service Tax Demand	(7.81)	-
10	Doubtful Debts Written back	0.96	-
11	Provision for Tax	(28.27)	(27.00)
12	<b>Net Surplus</b>	<b>36.09</b>	<b>27.04</b>
13	<b>Reserves and Surplus as per last year Balance Sheet</b>	<b>370.96</b>	<b>343.92</b>
	<b>Total Reserves and Surplus (10+11)</b>	<b>407.05</b>	<b>370.96</b>

\* 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 vary from 3 to 8 % depending upon the Value of Project.

## (B) 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.

## (C) Ongoing Key Projects

### National Knowledge Network (NKN)

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

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

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

### National Data Centre (NDC)

NICS I with the support of DeitY and NIC has established a Data Centre at Laxmi Nagar and a National Data Centre (NDC) at Shastri Park, Delhi. NDC at Shastri Park has state-of-the-art Tier III facility and supports the countrywide e-Governance initiatives by assisting various Government departments/ organizations through services such as:

Collocation Services	<ul style="list-style-type: none"><li>▶ Users' servers/ equipment housed in the facility of NICS I for a contracted period</li><li>▶ Services include Security Management, Precision Environment, Network Management and Performance.</li></ul>
Shared Hosting Services	<ul style="list-style-type: none"><li>▶ Hard disk space on a common web server is provided to the users</li><li>▶ Unique domain name of the users' website is mapped to NICS I DNS server so that the access to the site from the internet is possible</li><li>▶ Shared web hosting service provides users an opportunity to be visible on Internet in a cost effective &amp; efficient way.</li></ul>
Dedicated Hosting Services	<ul style="list-style-type: none"><li>▶ It offers one or more dedicated servers viz; web server, database server to the user and hosts the server at its data centre on a managed basis</li><li>▶ Takes care of complete hardware maintenance, necessary operating system installation &amp; configuration viz; Windows and Linux, one time OS hardening and installation of other appropriate software components for meeting the users' requirements.</li></ul>

So far, around 44 projects have been hosted at Laxmi Nagar Data Centre, and 18 projects at Shastri Park NDC of various Government departments/ organizations through collocation/shared/dedicated hosting services.

### **Development Centre**

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

The Development centre has the facility as under:

- Seating capacity of 387 developers
- Workstation with internet connectivity
- Conference and Discussion Rooms with Video Conferencing facility
- Separate AHU for all cooling requirement.

### **E-Procurement**

System developed to bring in more transparency and efficiency in the Government procurement process with:

- Advantages to bidders
- Less paper work/ People independent
- Real time updated data/ Automated processes
- Easy downloading of tender documents
- Bid submission from anywhere
- Intimation by mail on important events
- Information about the status of tenders
- Digital signing of bid documents
- Encryption of bid documents

NICSI has implemented around 27 e-Procurement projects at various government departments/organizations across the country.

### **E-Office**

E-Office System developed is:

- An instrument for the Next Generation Government.
- Embedded with a Content Management Framework (CMF) which can enable employees to create their own content and submit the same for review and publication on the portal.
- A single platform to collaborate and share the documents in any format electronically.

### **E-Hospital**

E-Hospital System developed is:

- A workflow based Application Software which addresses all the major functions of a Government hospital.

- To help small to large size hospitals to streamline patient care, hospital administration, ancillary services and clinical support activities.
- To provide an integrated solution for hospital and clinic needs, real time access to patient admission, patient records, Ward-cabin-ICU management, patient treatment management and disposition, investigations, laboratory services, reports, finance and HR management etc.

### **Core Banking**

An integrated Core Banking Application (CCBS) is especially designed to meet the requirements of the State Cooperative Banks(SCBs), District Central Co-operative Banks(DCCBs), and Primary Agricultural Co-operative Societies(PACS), which provides better integration of information flow facilitating better monitoring and planning. Salient features of CCBS are:

- Core Banking solution for SCB, DCCB & PACS
- SOA architecture
- Requirements based customisation of CCBS at the time of installation
- Multilingual support

### **Smart card based Driving License project in Rajasthan and UP**

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

### **Rajasthan State Cooperative Bank**

- 'Rajasthan State Cooperative Bank' has computerized few branches on pilot basis.
- Based on its success, the bank has proposed to get all its 451 branches (i.e. both at Regional/District level) computerized in next 1 year. MoU between RSCB and NICS I signed for implementation of project.
- NICS I is providing all hardware / software / net-working etc along with installation, commissioning and facility management services for all the branches.

### **Food Corporation of India**

- Re-designing and re-structuring the Local area network for Food Corporation of India.
- The focus is on updating FCI to the best in time technologies available.



**(D) New Projects**

<b>Project</b>	<b>Details</b>
National e-Gov AppStore	<ul style="list-style-type: none"><li>▪ Speeding up the Development and Deployment of e-Gov Applications.</li><li>▪ Easy replication of successful applications across States.</li><li>▪ Avoid duplication of effort and cost in deployment similar applications.</li><li>▪ Ensure availability of certified applications following common standards at one place.</li></ul>
Rapid Replication of e-Hospital in Karnataka	<ul style="list-style-type: none"><li>▪ A unique initiative to leverage sharing of infrastructure and rapid replication of successful applications across states.</li><li>▪ Customization of successful applications as per Seeker State's requirement and then hosting this application either at Giver State SDC or Seeker SDC.</li><li>▪ To provide efficient delivery of services, its applications are envisaged to be hosted on cloud at a later stage.</li><li>▪ As per requirement to convert the existing applications into multi-tenant cloud ready, customizable and configurable to State specific requirement.</li><li>▪ Hence, selected applications to be developed as a product, to be a part of "AppStore" of the National Cloud.</li></ul>
India Portal Phase-II	<ul style="list-style-type: none"><li>▪ Single-window-access to all Government information &amp; services.</li><li>▪ To be the cyber face of the country and would show the latest web technology which has evolved over the last few years.</li></ul>
e-Vidhan – a Green Governance Tool, Government of Himachal Pradesh	<ul style="list-style-type: none"><li>▪ To implement complete ERP for Vidhan Sabha which would computerise the working of Legislative Assembly, Committees and Members.</li><li>▪ Would establish linkage with the Excellency the Governor of Himachal Pradesh, CM Office, Government Departments / Undertakings and Citizens of the State.</li></ul>
Rapid Replication Rollout of XLN.	<ul style="list-style-type: none"><li>▪ To customize and rollout of developed application in the State of HP, Karnataka, Chhattisgarh and Kerala.</li></ul>
National Optic Fibre Network (NOFN)	<ul style="list-style-type: none"><li>• To provide 100 Mbps Connectivity to all the 2,50,000 Gram Panchayats by laying incremental fibre from Blocks to Gram Panchayats.</li><li>• Being funded from Universal Obligation Fund (UOSF) of Department of Telecommunications (DOT) and Bharat Broadband Nigam Limited (BBNL)</li><li>• Being executed with assistance from BSNL, RAILTEL and Power Grid.</li><li>• To fill the gaps in IT Infrastructure, vertical connectivity to Government networks in NKN/SWAN/NICNET.</li><li>• Last mile connectivity upto 10 Government institutions in 59 Gram Panchayats, where fibre has already been laid by BBNL under NOFN Pilot Project.</li></ul>

**(E) Initiatives towards Strengthening of NICS**

NICS as a Central Purchase Organization (CPO)	In view of drastic increase in the use of ICT in the day to day affairs and a number of e-Governance activities coming up in all the sectors of economy, a need was being felt to have an Organisation in the Government Sector, to whom the orders for ICT Solutions & Services could be placed directly by the Ministries / Departments / Organisations, without undergoing the time consuming and cumbersome exercise involving 'Open Tender' process. Accordingly, the process to declare NICS as a "Central Purchase Organization" (CPO) or to authorise it on "nomination basis" for providing end to end ICT solutions & services to the entire Government Sector is under consideration of the Government of India.
Implementation of ERP in NICS	NICS had aimed at the integration of all its business processes and sub-processes into a single unified system. Hence, an integrated ERP system is being implemented in NICS to effectively and efficiently achieve and manage its activities.
Sales and Purchases on Gross Basis	From August, 2013, NICS has adopted the revised system of accounting to reflect its entire sales and purchases on "Gross Basis", instead of partly being shown on Gross basis and partly on net basis. From next financial year, the entire turnover of NICS would be reflected in its account on gross basis.
Locating entire NICS office in one premise	NICS is at present functioning from 5 different locations in Delhi/New Delhi. It was decided by the Board of Directors to hire one floor at DMRCs IT Park at Shastri Park, Delhi to locate the entire office of NICS at one place. Accordingly, the 5th floor at DMRC's IT Park at Shastri Park, Delhi has been hired to locate a combined office of NICS there. The interior and furnishing work towards the same has been awarded to NBCC, which is in process.

**(F) New Projects Received**

a) Operating Margin rates-wise break-up	Slabs	Number of Projects	
		April 2013 to March' 2014	April 2012 to March' 2013
	i) Upto Rs. 70 lakhs	2067	1610
	ii) Rs. 70 lakhs to Rs.3.00 crores	97	100
	iii) Rs.3.00 crore to Rs.25.00 crores	44	32
	iv) Rs.25.00 crores to Rs.50.00 crores	1	-
	v) Above Rs. 50 crores	-	1
	<b>Total</b>	<b>2209</b>	<b>1743</b>
b) Segment- wise breakup:			
		April 2013 to March' 2014	April 2012 to March' 2013
	1. Hardware Items	410	326
	2. Software Items	272	256
	3. Manpower	667	478
	4. Web/Soft Dev	68	135
	5. Training	5	8
	6. Network	208	196
	7. General Projects	341	256
	8. Other items	238	88
	<b>Total</b>	<b>2209</b>	<b>1743</b>

**(G) Tenders Floated**

		April 2013 to March' 2014	April 2012 to March' 2013
	No. of 'Open Tenders'	20	18
	No. of 'Limited Tenders'	7	11
	No of 'Strategic Alliances'	7	28
	<b>Total</b>	<b>34</b>	<b>57</b>

**(H) PI's Issued**

	No. of PI Issued	April 2013 to March' 2014	April 2012 to March' 2013
	Hardware	2467	2363
	Software	1337	1456
	Manpower	2125	2939
	Network	2836	1772
	Miscellaneous	757	628
	Proposal Based Web/SW/e-Office/Security Audit	205	134
	Data Centre	187	159
	<b>Total</b>	<b>9914</b>	<b>9451</b>

## **(I) Manpower**

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

The total staff strength of NICS I as on 31st March 2014 was 50.

## **(J) Particulars of Employees**

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956. The particulars as required under the Companies (Particulars of Employees) Rules, 1975 are NIL.

## **(K) Corporate Social Responsibility and Sustainable Development**

As per MoU for the year 2013-14 entered into between NICS I and its Administrative Ministry i.e. Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology, Government of India read with recommendations by the Task Force of DPE, under Corporate Social Responsibility (CSR) expenses of Rs. 1.50 Crores and under Sustainable Development (SD) Rs. 4.50 Crores, total amounting to Rs. 6.00 crores was estimated and approved during F.Y.2013-14.

(A) The following initiatives taken during the year under CSR:

1. Core Banking Solution and related training to Co-operative/remote areas for awareness to villagers.

The details are as under:

- Cooperative Core Banking System (CCBS) was developed jointly by NIC & NICS I and is specifically designed for State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) & Primary Agriculture Cooperative Society (PACS).
- PACS functioning at grass-root level have direct contact with the rural people and meet the financial requirements of rural people.
- NICS I in an effort to extend the computerization benefits of PACS to the rural masses, organised training sessions in Jaipur, Rajasthan between 6 to 8 February, 2014 and Raipur, Chhattisgarh between 11-13 March, 2014.
- NICS I has also developed a portal that is aimed at providing information about functioning of PACS, welfare schemes, benefits of PACS etc.
- The e-learning training portal designed by NICS I has the following features:
  - Introduction to PACS and its benefits
  - Effective utilization of CCBS in PACS
  - Details of schemes available through PACS
  - Web-based and classroom training for rural population
  - Download documents for knowledge enhancement of rural people.

- The workshops conducted at the two locations helped in spreading awareness about benefits of financial stability & financial inclusion amongst the villagers and PACS members.
- The participants were educated about the benefits of adopting CCBS (Cooperative Core Banking Software) towards ensuring the goal of financial inclusion; and

**Further;**

2. NICSI identified the Government Girls High School at Tekkali in Andhra Pradesh for setting up of a computer lab. The computer lab at the school has been established successfully. All the students of the school now have access to computer and are being provided learning support through the deployment of an assistant programmer at the school.

(B) The following projects taken during the year under SD:

Activities at National Data Centre with Disaster Management Facility at Shastri Park, Delhi continued throughout the year for the projects from the Government Sector.

The above CSR and SD activity would be beneficial for backward area and the entire government sector, as well as public in general.

**(L) Meetings held in Financial Year 2013-14**

S. No.	Board Meetings in FY 2013-14	Date	Venue
1	82nd	24.06.2013	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
2	83rd	25.09.2013	NICSI Development Centre, 2nd Floor, Block-3, DMRC Building, Delhi IT Park, Shastri Park, Delhi 110053
3	84th	11.12.2013	NICSI H.Q. Hall No. 2 & 3, 6th Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi - 110066
4	85th	28.03.2014	Same as above
5	18th Annual General Meeting	25.09.2013	NICSI Development Centre, 2nd Floor, Block-3, DMRC Building, Delhi IT Park, Shastri Park, Delhi 110053

**(M) Directors' Responsibility Statement**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 read with section 134 (3) (c) of the Companies Act, 2013, the Board of Directors of the company hereby state that:

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

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

Information towards Conservation of Energy and Technological Absorption is NIL. Foreign Exchange earning of the company during the year was NIL and outgo of foreign exchange was Rs. 2, 56, 58,621/- only.

**(O) 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 2015.

**(P) Acknowledgement**

The Board places on record its gratitude to acknowledge the cooperation, assistance and guidance extended to the Company by Central and State Government Ministries/Departments / Organizations, PSUs etc. The Directors are also grateful to the Comptroller and Auditor General of India and Auditors for their valuable 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**

**Chairman**

Place: New Delhi

Date: 26th September, 2014

# National Informatics Centre Services Incorporated (NICSI)

## Addendum to the Directors Report for Financial Year 2013-14

**Replies to the points in the Statutory Auditor's Report dated 28.07.2014  
from M/s. ASA & Associates, Chartered Accountants  
on the Accounts of NICSI for F.Y. 2013-14**

	Observations	NICSI Reply
1.	<p>Refer to note no. 44 of the financial statements in relation to the grants-in-aids; total interest earned by the Company till previous year Balance Sheet date includes interest earned on grants-in-aid funds, which as per the terms &amp; conditions lay down by grantor institution, is required to be adjusted towards future installments of the grants-in-aid. Hence income of the Company and accumulated reserves were overstated to that extent for many previous years. During the current year, the Company has recognized accumulated interest expense of Rs. 2,014,319 (PY – Rs. 176,076,020) under the head exceptional and extraordinary items in the Statement of Income and Expenditure, being prior period expense pertaining to previous years. For the current year, interest expense of Rs. 100,857,015 (PY-Rs. 57,503,495) has been reduced from interest income under the head Other Income. This interest calculation is based on the management estimation. The unaudited accounts of grant-in-aid projects have been incorporated in the financial statements. In the absence of convincing evidence to ascertain reasonableness of recognition other than board approval, we are unable to comment on the accuracy and completeness of such interest and its non-quantifiable impact on Statement of Income and Expenditure and Balance Sheet. This was also the subject matter of our Previous Year (PY) report.</p>	<p>NICSI has been implementing a number of grants in aid projects from various Ministries / Departments since its inception. Earlier, as per the approval of the Board of Directors, the fund received as grants in aid was being treated as 'Advance' and hence, the interest earned by NICSI was neither calculated nor refunded to the grantor departments. Subsequently, the Board of Directors, in its 75th meeting held on 21.12.2011, had re-considered the matter and in view of the provisions in the terms &amp; conditions in the sanctions towards release of grants-in-aid about refund / adjustment of interest earned, approved to calculate the interest on the unspent amount available from time to time in each grants in aid project as per the Savings Account Policy of the Public Sector Banks. Accordingly, NICSI had started calculating the year-wise interest earned and in F.Y.2012-13 itself, it had refunded / provided Rs.23,35,79,515/- to the grantor Departments, out of which Rs.17,60,76,020/- related to the previous years and Rs.5,75,03,495/- to F.Y. 2012-13. Similarly, in the current F.Y.2013-14, NICSI has refunded / provided Rs. 10,08,57,015/- as interest, which includes Rs. 20,14,319/- for the previous years and Rs.9,88,42,696/- towards F.Y.2013-14. The interest in future years would be calculated and refunded / provided accordingly.</p>

2.	<p>Refer to note no. 46 of the financial statements; the Company has purchased hardware and software which were supplied to the customers / users. With effect from August 1, 2013, the Company has started recognizing the sales, purchase and stock for such hardware and software instead of recognizing only administrative charges. However, in relation to the purchase orders issued and accepted by the Company till July 31, 2013, the revenue has been recognized only to the extent of administrative charges of Rs. 112,488,219. This has resulted in the understatement of sale and purchase for the year. Due to this, Value Added Tax ('VAT')/Central Sales Tax ('CST') is not charged by the company on the sale value, which may lead to an exposure under indirect tax laws. The amount of impact on financial statements remains unascertainable due to the absence of detailed working and documentation.</p>	<p>The Board of Directors in its 79th meeting held on 26.09.2012, had approved to reflect entire turnover on Gross basis w.e.f. 1st April, 2013 onwards. Accordingly, discussions were held in detail but due to certain issues relating to Accounts, Stores, Tax, etc. etc. involved therein, the revised system could be adopted from August, 2013 only and the financial statements for F.Y. 2013-14 finalised accordingly. The Board of Directors in its 87th meeting held on 25.07.2014, had noted the same. However, for the next financial year i.e. 2014-15 and onwards, almost entire turnover would be reflected on 'Gross' basis.</p>
3.	<p>The Company has compiled a list of ongoing and closed projects. However, old data is still not completely available on records of the Company. In absence of complete information and integrated data management system, we are unable to comment on the impact, if any, of the matter on the revenue and expenses recognized during the year. This was also the subject matter of our PY report.</p>	<p>NICSI has been implementing various projects since its inception in the year 1995. Initially, NICSI had been maintaining the accounts manually and subsequently, it switched over to the Tally system and maintaining individual project-wise ledger account for each project.</p> <p>Since the year 2009, NICSI had also started maintaining the record of the projects in soft system through the Project Management System (PMS).</p> <p>The position is that NICSI is having complete details of the receipt and expenditure date-wise with complete details in Tally Accounts System and since 2009, in PMS also. The Auditors require a tallied statement of Projects between Tally Accounts and PMS since inception, which was not feasible, as PMS was started in the year 2009 only. However, the Auditors were provided with the statements of projects from the Tally Accounts upto the year 2008 and from the year 2009, a tallied statement both from Tally Accounts/PMS without any discrepancy.</p>



4.	Refer to note no. 22 of financial statements; in relation to prior period expenses/income disclosed under extraordinary and exceptional items in Statement of Income and Expenditure; the Company has disclosed Rs. 17,267,235 (PY Rs. 29,657,181 as net prior period expense) as prior-period income (net) under Extraordinary and Exceptional items in Statement of Income and Expenditure. In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount. This was also the subject matter of our PY report.	During the year the prior period expenses were Rs. 7,96,26,135/- and prior period income were Rs. 9,68,93,370/- and the net resulted in excess of income by Rs. 1,72,67,235/- and as such it is shown in bracket. All these expenses and income were recognised after complete verification of each and every transaction.
5.	Refer to note no. 49 of the financial statements; the Company has set up a National Data Centre as per Administrative approval issued by Department of Electronics & Information Technology ('DeitY'). As per information provided to us, the company has incurred operational expenditure of Rs. 409,031,538 (PY Rs. 245,155,961) till March 31, 2014. During the year, revenue of Rs. 43,972,225 (PY Rs. 4,747,183) has been recognized by the company towards facilitation charges. In the absence of sufficient and reasonable documentary evidence and confirmation, we are unable to comment on the accuracy and completeness of such revenue and its impact on Statement of Income and Expenditure and Balance Sheet.	An amount of Rs. 16.00 crores was approved to be incurred by NICS I towards OPEX in the initial 2 years on the setting up of National Data Centre. As the Centre was required to be run on 24x7 basis, NICS I continued to incur OPEX thereat even after 2 years. The Board of Directors of NICS I considered the same and in its 82nd meeting held on 24.06.2013, approved to continue to incur OPEX on the centre upto 30.09.2013, in its 83rd meeting held on 25.09.2013 to continue the same upto 15.10.2013 and in the 84th meeting held on 12.12.2013 upto 31.12.2013. Thereafter, NIC had submitted a proposal to DeitY to allow NICS I to continue to incur OPEX on the Centre upto 31.03.2014 out of NICS I's own resources, which was subsequently approved by Secretary, DeitY. Thus, NICS I has incurred the expenditure towards OPEX upto 31.03.2014 on the Centre with the approvals of the Competent Authority from time to time.
	Further, refer to note no. 52 of the financial statements; the company has recognized revenue of Rs. 32,223,820 (PY Rs. 18,435,090) during the year in relation to the renting of workstations at Development Centre at Shastri Park, Delhi. This amount is outstanding as receivable as at balance sheet date. In the absence of sufficient	NICS I had set up a Development Centre at Shastri Park, Delhi, with 387 seats and work stations. These work stations were mainly being used for the projects with NIC from various Ministries / Departments. The matter towards non receipt of revenue towards the seats thereat was considered by the Board of Directors in its 84th meeting held

	and reasonable documentary evidence and confirmation from user, we are unable to comment on the accuracy and completeness of such revenue and its impact on Statement of Income and Expenditure and Balance Sheet.	on 11.12.2013 and it was decided that from 1st October, 2013 onwards, the invoices be raised uniformly by NICS. The invoices are being raised by NICS accordingly.
6.	Refer to note no. 48 of the financial statements; as per information provided to us the company recognized revenue of Rs. 130,383,544 during FY 2010-11 on the basis of advances received instead of actual expenses incurred for National Knowledge Network 'NKN' Project. As at the end of the year, advances of Rs. 595 crores (approx.) is still pending to be adjusted. Accumulated reserves are overstated to the extent of Rs. 5.95 crores (approx.) recognized as income on unadjusted advances. This was also the subject matter of our PY report.	Towards NKN Project, NICS had inadvertently taken its income in FY.2010-11 on the advances of around Rs.1303.83 crores pending, treating it as an expenditure. Most of these advances have since been adjusted and the pending advances are also likely to be adjusted in next financial year.
7.	In our opinion, internal audit systems in relation to, project management, book keeping, invoicing, procurement, stores, inventory, and tendering process of the company are not commensurate with the size and nature of its operations. This was also the subject matter of our PY report.	<p>NICS has internal control system through Delegation of Powers and Directives from the Board of Directors from time to time. All the activities of NICS are got performed within those approved guidelines.</p> <p>Further, NICS had empanelled the Internal Auditors i.e. M/s. Vinay Jain &amp; Associates, Chartered Accountants through tender process and the company has been conducting the audit as per the scope of work given and issuing the Reports on quarterly basis since FY 2011-12. The shortcomings have not specifically been pointed out in this Report and these are general comments. However, as mentioned in reply to para 2 above, the correct project lists have been provided to the Auditors. Proper accounting and other procedures are being followed towards purchase of goods, stores, inventory, fixed assets, book keeping etc. However, more care would be taken in future in such matters.</p>

8.	Refer note no.33 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, 2014. In the absence of confirmations, we are unable to express our opinion on the accuracy of the balances and recoverability thereof, along with impact, if any, on Statement of Income and Expenditure and balance sheet. This was also the subject matter of our PY report.	NICSI has issued Balance Confirmation Letters to all the Debtors, Creditors etc. but almost no response. It is a regular feature that the Users / Customers of NICSI, being all the Government Ministries / Departments / Organisations, no reply is received back to those letters from them. As per previous year, NICSI has also sent the self addressed / stamped envelopes to all the above for F.Y. 2013-14 but still very negligible response.
9.	Refer note no. 12 and 14 of the financial statements; balance of Long Term Trade Receivables are Rs. 757,422,388 (PY - Rs. 681,373,435) and Short Term Trade Receivables are Rs. 718,571,043 (PY Rs. 556,976,236) as at Balance Sheet date. Total Provision for bad & doubtful debts as at March 31, 2014 is Rs. 21,608,180 (PY-Rs. 26,646,112). In the absence of balance confirmations and proper documentation, we are unable to comment on the adequacy of such provision. This was also the subject matter of our PY report.	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.
10.	Refer note no. 55 of the financial statements; during the previous years, the Company has recognized excess revenue as service support charges (including facility management charges and others). During the year, the Company has issued credit note of Rs. 75,674,947. In the absence of reasonable and sufficient documentation in relation to completeness of reversal of such excess income, we are unable to comment on the impact of the matter, if any, on the Statement of Income and Expenditure and Balance Sheet as at March 31, 2014. This was also the subject matter of our PY report.	In F.Y. 2013-14, NICSI has taken its Administrative Charges as per the rates (3 to 8% of the total cost of the project) approved by its Board of Directors. However, based on observation in previous year report, the revenue taken in earlier years has been reviewed this year and based on that, the credit notes issued for Rs.75,674,947/-.  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 finalisation of accounts of each project.

11.	Schedule VI of the Companies Act; 1956 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. This was also the subject matter of our PY report.	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.
12.	Refer to note no. 11 of the financial statements; Taxes Recoverable as at March 31, 2014 includes sales tax recoverable balance of Rs. 9,384,384 (PY Rs. 9,384,384) which is shown as recoverable since FY 1997-98. In the absence of documentation and supporting papers, we are unable to comment on the accuracy and existence of this asset.	The long outstanding Sales Tax cases have been followed up and are still being followed by NICS I with the concerned Tax Authorities regularly. These cases are now at final stage and it is likely that the decisions therein would be arrived at in the near future.
13.	Refer to note no. 45 of the financial statements; the company has received a demand-cum-show cause notice of Rs. 389.02 crores dated 24.06.2014 from the Commissioner of Service Tax, New Delhi. The Company has neither recognized this amount as liability nor disclosed it as a contingent liability in the financial statement. We are unable to comment on its consequential impact on the financial statements, if any.	A Demand-cum-Show Cause Notice No. 38 / Audit / 2014-15 / 13266 – 71 dated 24.06.2014 has been received in NICS I 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 and to furnish the reply to that office within 30 days. NICS I has always been depositing the Service Tax applicable on its services from time to time, except in depositing the same on "Advances" upto November, 2012, on which the interest liability only appear to be payable. As it involves a major amount spread over 5 years, the matter has been considered in NICS I and based on that, a firm has been given the work to (i) seek extension of time for around 3 months to provide the reply, (ii) to file a detailed reply with Adjudicating Authority and (iii) get the matter pursued and settled from the Adjudicating Authority, by getting its final order. The firm has since commenced the work. Hence, the amount of Rs.13.94 crores only towards interest has been provided under Contingent Liability in the current year.

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

i.	Refer to Cash Flow Statement; Savings/Deposits with bank, including 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 Accounting Standard – 3 "Cash Flow Statement".	It was rectified.
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. As informed to us, sometimes information related to such expense and acquisition comes after closing date and has not been recognized in the financial statements. This was also the subject matter of our PY report.	NICS I continues to receive the bills from the vendors after 31st March every year and based on that, the entries are made in the accounts for the bills received after 31st March till the closure of the financial statements for that year.
iii.	Refer to note no. 2(iii) 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'. This was also the subject matter of our PY report.	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. 28 (iv) of the financial statements, provision for Pension Contribution and Leave Salary liability as at March 31, 2014 has been made on the basis of guidelines issued by the Central Government and not made as per requirement of AS 15 – 'Employee Benefits (revised 2005)', as prescribed by the Companies (Accounting Standard) Rules 2006. This was also the subject matter of our PY report.	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.	Refer to note no. 29 of the financial statements; the Company has disclosed only key managerial person of the Company as a related party. The company has not examined and disclosed the transactions with other related parties. This has resulted in non-compliance with Accounting Standard –18 on "Related Party Disclosures".	The Managing Director is the related party since getting remuneration from the company. No other Director or Share Holder is getting paid any remuneration by the company. Same position existed in the previous years also.

	Further, the company has not examined applicability of the transfer pricing provisions under Income Tax Act, 1961, in relation to its specified domestic transaction with associated enterprises. We are unable to comment on the impact on the financial statements in case of non-compliance, if any, in this regard. This was also the subject matter of our PY report.	The transfer pricing provisions under Income Tax Act, 1961 are not applicable to NICS I as was confirmed last year by its Tax cum Accounts Consultant firm.
vi.	Refer note no. 43 of the financial statements; intangible assets acquired before FY 2011-12 have not been separately classified in the gross block of intangible assets as at March 31, 2014. This is a non-compliance with the disclosure requirements of AS 26-'Intangible Assets'. This was also the subject matter of our PY report.	NICS I has been working out the amount towards intangible assets since FY.2011-12. For the prior period, it is difficult to work out as the expenditure towards Computer Software items are not distinctly available but are merged with Hardware figures.
Without qualifying our opinion, we lay emphasis that-		
a.	As per information provided to us, there is no full time Director Finance in the Company. This was also the subject matter of our PY report.	NICS I had taken up the matter with NIC for appointment of Director Finance on full time basis. Reminders towards the same have also been sent. NIC would be requested further in the matter.
b.	Being a Section-25 Company (Section 8 of the Companies Act, 2013), the company has to APPLY its profits, if any, or other income in promoting its objects. The company has accumulated reserves of Rs. 407 crores (PY - Rs. 371 crores) on account of profits earned. No proper information is readily available with regard to future plans of the company with respect to application of its profits in promoting its objects as mentioned in Memorandum of Association ('MOA').	NICS I is setting up its combined office at Shastri Park, Delhi which would involve a one time expenditure of around Rs.15.00 crores, apart from the recurring expenditure. This office would be having latest facilities, including Video Conferencing etc. and the entire expenditure towards the same would be debited to its reserves.

c.	<p>Refer to note no. 54 of the financial statements; the Company has incurred extra expenditure than the advances received from user departments in case of some projects and therefore these project accounts show a negative balance i.e. recoverable from user departments as at March 31, 2014. Refer to note no. 12 &amp; 14 of the financial statements, amount of Long term trade receivables of Rs. 757,422,388 (PY Rs. 681,373,435) and short term trade receivables of Rs. 718,571,043 (PY Rs. 556,976,236) as at March 31, 2014 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 NICS I has to issue the work orders to the empanelled vendors to full extent. After the order is executed, the vendors submit the bills to NICS I for payment and based on that, NICS I 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 NICS I has to release the payments to the vendors, as per the terms and conditions of empanelment / work orders.</p>
d.	<p>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.</p>	<p>NICS I receives a large number of new projects every year. During F.Y.2013-14 itself, NICS I has received 2209 new projects for implementation from various Ministries / Departments / Organisations of the Government of India / State / UTs. It is neither a requirement to have separate bank account for each projects 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 NICS I is already doing as a new ID is allotted to each new project in the PMS as with the same number, the Ledger Account is opened in Tally and all the receipts and payments are booked therein.</p>
e.	<p>Refer to note no. 53 of the financial statements; regarding the cancellation of interior and furnishing work Contract given to a vendor for Rs. 15.76 crores and subsequent allotment of this work to another vendor at a contract price of Rs. 24.78 crores resulting in a excess cost of Rs. 9.02 crore (approx.).</p>	<p>Both the cancellation of interior and furnishing work to the firm and subsequent allotment of work to NBCC have been with the approval of Board of Directors of NICS I.</p>
f.	<p>Refer to note no. 34 of the financial statements; conveyance / title deeds in respect of office building at Bhikaji Cama Place of Rs. 9.32crore are pending for execution/registration.</p>	<p>NICS I has taken up the matter with NBCC, as well as with Land &amp; Development Office under Ministry of Urban Development (GOI) from time to time but the registration of the deed is yet to be done. NICS I would be following further in the matter.</p>

g.	The Company has purchased goods directly from the original equipment manufacturers (OEM) and/or their channel partners / system by way of entering into strategic alliance agreements without any tendering process.	NICS I had been entering into the Strategic Alliances / Agreements with the OEMs and procuring / supplying the products & services through them to the User Organisations, as per the guidelines approved / amended by the Board of Directors from time to time.
h.	The company has deposited excess advance tax of Rs. 14.98 crore during the year. Further, the Company has incurred an expense of Rs. 11 crores (approx.) which as per management estimate is not allowable under Income Tax Act.	The excess Advance Tax deposited during the year has been due to the projected "Surplus" approved by the Board of Directors for that year in the Budget Estimates and the likely turnover during the year. However, a detailed review had been done and based on that, no advance tax was deposited by NICS I in the last quarter of the financial year. More care would be given to this matter in future.
As regards the expenses of around Rs.11 crores, it has been disallowed by the Auditors in the Tax Audit Report also.		
i.	In NKN Project, the company has issued Limited Tenders for procurement of Rs. 100 crores (approx.). As per the Government guidelines on tendering, such limited tendering can only be done in case of transactions with overall value less than Rs. 25 lacs. This has resulted in violation of General Financial Rules ('GFR') issued by Ministry of Finance.	Procurements of Rs.100 crores (approx) do not appear to have been made against any limited tender. NICS I has been following the procedures for procurement and supply of products & services completely as per the provisions in the General Finance Rules, 2005 of the Government of India or through the Strategic Alliances entered into by NICS I as per the guidelines approved / amended by its Board of Directors from time to time.

**For and on behalf of the Board of Directors**

**(Chairman)**

Place: New Delhi

Date: 26th September, 2014



# National Informatics Centre Services Inc.

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

## Balance Sheet as at March 31, 2014

Particulars	Notes	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	3	2,00,00,000	2,00,00,000
Reserves and surplus	4	4,07,05,12,841	3,70,95,48,251
		<b>4,09,05,12,841</b>	<b>3,72,95,48,251</b>
<b>Non-current liabilities</b>			
Other long term liabilities	5	7,87,58,63,319	8,73,30,43,284
Long-term provisions	6	15,40,40,366	10,10,20,662
		<b>8,02,99,03,685</b>	<b>8,83,40,63,946</b>
<b>Current liabilities</b>			
Trade payables	7	7,45,69,13,218	5,87,35,80,351
Other current liabilities	8	13,27,97,884	16,30,28,103
Short-term provisions	6	85,18,59,297	55,15,28,818
		8,44,15,70,399	6,58,81,37,272
<b>TOTAL</b>		<b>20,56,19,86,925</b>	<b>19,15,17,49,469</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets	9		
- Tangible assets		31,30,64,824	32,22,26,247
- Intangible assets		1,36,19,636	1,89,48,155
Capital Work in Progress A/C		98,61,644	1,82,52,234
		<b>33,65,46,104</b>	<b>35,94,26,636</b>
Deferred tax Assets (Net)	10	2,91,71,711	1,10,50,427
Long-term loans and advances	11	19,26,81,426	12,65,48,875
Other non-current assets	12	76,72,05,976	91,96,89,441
		<b>98,90,59,113</b>	<b>1,05,72,88,743</b>

**Current assets**

Inventory	13	-	1,06,61,438
Trade receivables	14	71,85,71,043	55,69,76,236
Cash and cash equivalents	15	10,19,61,31,569	7,73,92,96,702
Short-term loans and advances	11	7,87,74,21,603	9,12,38,63,029
Other current assets	12	44,42,57,493	30,42,36,685
		<b>19,23,63,81,708</b>	<b>17,73,50,34,090</b>
<b>TOTAL</b>		<b>20,56,19,86,925</b>	<b>19,15,17,49,469</b>
Summary of Significant accounting policies and Notes to Accounts	2		

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

In terms of our report of even date

**For ASA & Associates LLP**

Chartered Accountants

Firm Registration No. 009571N/N500006

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

CIN: U74899DL1995NPL072045

**Parveen Kumar**

Partner

Membership No. 088810

**Rajesh Bahadur**

Managing Director

DIN: 03630471

**Dr. Mahesh Chandra**

Chairman

DIN: 06445176

**Girish Kumar**

Company Secretary

**H. Madhava Reddy**

Financial Advisor

DIN: 06609234

Place: New Delhi

Date: 28.07.2014

Place: New Delhi

Date: 25-07-2014

# National Informatics Centre Services Inc.

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

## Income & Expenditure Account for the year ended March 31, 2014

Particulars	Notes	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>Income</b>			
Revenue from operations	16	5,33,88,67,358	3,89,23,74,927
Other income	17	79,01,54,782	66,97,86,596
<b>Total (I)</b>		<b>6,12,90,22,140</b>	<b>4,56,21,61,523</b>
<b>Expenditure</b>			
Purchases of stock-in-trade	18	2,57,19,20,070	1,73,51,35,806
Change in inventories of stock-in-trade	19	1,06,61,438	1,13,72,789
Service Support Expenses		2,10,79,40,436	1,36,84,30,948
Employee benefit expenses	20	7,50,34,304	7,15,19,983
Depreciation and amortization expenses	9	7,23,64,090	6,44,51,385
Other expenses	21	59,43,03,767	56,50,76,791
<b>Total (II)</b>		<b>5,43,22,24,105</b>	<b>3,81,59,87,702</b>
<b>Surplus / (Deficit) before tax and extraordinary items (I-II)</b>		<b>69,67,98,035</b>	<b>74,61,73,821</b>
Extraordinary & Exceptional items-			
Additional Service Tax Demand		7,80,82,940	-
Interest on Grant-in-Aid (Prior Period)		20,14,319	17,60,76,020
Prior period expenses/(Income)	22	(1,72,67,235)	2,96,57,181
Doubtful Debts of earlier years Written back		(96,86,874)	-
<b>Surplus / (Deficit) before tax</b>		<b>64,36,54,885</b>	<b>54,04,40,620</b>

**Tax Expenses**

- Current Tax		30,08,11,579	27,97,22,750
- Deferred Tax Credit	10	(1,81,21,284)	(1,69,80,959)
- Prior Year's Income Tax Expense		-	73,26,057
		<b>28,26,90,295</b>	<b>27,00,67,848</b>
<b>Surplus /(Deficit) after tax for the year</b>		<b>36,09,64,590</b>	<b>27,03,72,772</b>

Earnings per equity share:	23		
-Basic		1,804.82	1,351.86
-Diluted		1,804.82	1,351.86
Summary of Significant accounting policies and Notes to Accounts	2		

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

In terms of our report of even date

**For ASA & Associates LLP**

Chartered Accountants

Firm Registration No. 009571N/N500006

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

CIN: U74899DL1995NPL072045

**Parveen Kumar**

Partner

Membership No. 088810

**Rajesh Bahadur**

Managing Director

DIN: 03630471

**Dr. Mahesh Chandra**

Chairman

DIN: 06445176

**Girish Kumar**

Company Secretary

**H. Madhava Reddy**

Financial Advisor

DIN: 06609234

Place: New Delhi

Date: 28.07.2014

Place: New Delhi

Date: 25-07-2014

# National Informatics Centre Services Inc.

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

## Cash Flow Statement for the year ended March 31, 2014

Particulars	Year ended March 31, 2014 ₹	Year ended March 31, 2013 ₹
<b>Cash Flow from Operating Activities</b>		
Surplus /(Deficit) before tax and extraordinary items	<b>69,67,98,035</b>	<b>74,61,73,821</b>
Prior Period Items	1,72,67,235	(2,96,57,181)
Additional Service Tax Demand	(7,80,82,940)	-
Interest on Grant-in-Aid Projects	(20,14,319)	(17,60,76,020)
Doubtful Debts earlier years	96,86,874	-
Surplus /(Deficit) before tax	64,36,54,885	54,04,40,620
<b>Adjustments for:</b>		
Depreciation on fixed assets	7,23,64,090	6,44,51,385
Loss on sale of fixed assets	22,989	1,29,781
Interest expense	10,14,73,355	3,95,67,787
<b>Deduct:</b>		
Interest income	86,83,16,055	70,39,50,581
<b>Operating Surplus /(Deficit) before Working Capital changes</b>	<b>(5,08,00,736)</b>	<b>(5,93,61,008)</b>
<b>Adjustments for :</b>		
(Increase) /Decrease in inventories	1,06,61,438	1,13,72,789
(Increase) /Decrease in trade receivables	(16,15,94,807)	13,75,39,241
(Increase) /Decrease in loans and advances and other assets	95,71,10,299	4,22,71,10,790
Increase/(Decrease) in trade payable & other liabilities	69,59,22,683	(4,95,29,46,531)
Increase/(Decrease) in provisions	35,33,50,183	30,92,09,274
<b>Cash Generated from Operations</b>	<b>1,80,46,49,060</b>	<b>(32,70,75,443)</b>
Income tax Paid	(30,08,11,579)	(27,97,22,750)
Income tax for Previous Years	-	(73,26,057)
<b>Net Cash inflow/(outflow) from Operating activities (A)</b>	<b>1,50,38,37,481</b>	<b>(61,41,24,250)</b>

**Cash Flow from Investing Activities**

Purchase of fixed assets	(5,78,97,136)	(11,05,60,031)
Capital Work in Progress	83,90,590	3,18,55,737
Interest received	86,83,16,055	70,39,50,581
<b>Net Cash inflow/(outflow) from Investing activities (B)</b>	<b>81,88,09,508</b>	<b>62,52,46,287</b>

**Cash Flow from Financing Activities**

Interest paid	(10,14,73,355)	(3,95,67,787)
<b>Net Cash inflow/(outflow) from Financing activities (C)</b>	<b>(10,14,73,355)</b>	<b>(3,95,67,787)</b>

**Net increase /(decrease) in cash and cash equivalents (A+B+C)**      **2,22,11,73,634**      **(2,84,45,751)**

**Cash and Cash Equivalents at the beginning of the year**      **8,00,41,17,935**      **8,03,25,63,686**

**Cash and Cash Equivalents at the closing of the year**      **10,22,52,91,569**      **8,00,41,17,935**

**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:

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Cash and Cash Equivalents</b>		
Balances with Banks	1,02,45,73,948	1,34,27,19,976
Fixed Deposits having maturity within 3 month	3,03,10,38,912	2,24,81,07,787
Imprest Account	50,000	34,505
<b>Other Bank Balances</b>		
Fixed Deposits having maturity more than 3 months	6,16,96,28,709	4,41,32,55,667
	<b>10,22,52,91,569</b>	<b>8,00,41,17,935</b>

In terms of our report of even date

**For ASA & Associates LLP**

Chartered Accountants

Firm Registration No. 009571N/N500006

**Parveen Kumar**

Partner

Membership No. 088810

Place: New Delhi

Date: 28.07.2014

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

CIN: U74899DL1995NPL072045

**Rajesh Bahadur**

Managing Director

DIN: 03630471

**Girish Kumar**

Company Secretary

**Dr. Mahesh Chandra**

Chairman

DIN: 06445176

**H. Madhava Reddy**

Financial Advisor

DIN: 06609234

Place: New Delhi

Date: 25-07-2014

# **National Informatics Centre Services Inc.**

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

Significant Accounting Policies & Notes to the financial statements for the year ended March 31, 2014

### **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 as per 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. Summary of Significant Accounting Policies**

#### **i. Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles of India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared on an accrual basis and under the historical cost convention.

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 of acquisition less depreciation which has been charged on Written Down Value on pro-rata basis from/upto the day of such addition/deduction by the management at the rates specified in Schedule XIV of the Companies Act, 1956. Asset(s) up to the value of Rs. 5,000 are depreciated @ 100% in the first year of purchase.

#### **iii. Revenue Recognition**

The company follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. Revenue in respect of 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.



#### **iv. Inventories**

Inventories (including inventory of software's) have been valued at cost or net realizable value whichever is less. Cost has been ascertained by following the First-In-First-Out (FIFO) method of accounting. Consumable stores have been charged to revenue in the year of purchase, being negligible.

#### **v. 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.

#### **vi. 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 regularly. The Company is not liable to pay any other retirement benefits to these employees, which shall entirely be borne by NIC in future.

#### **vii. Prior Period Items**

Prior Period items are items of income & expenses, which arise, in the current year as a result of errors or omissions of one or more prior period.

#### **viii. 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.

#### **ix. 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.

#### **x. 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.

## **xi. 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.

## **xii. 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.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## **xiii. Provision for Bad & Doubtful Debts**

A provision @5% is recognized towards doubtful debts when an enterprise has sundry debtors outstanding for more than atleast three years.

### 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, 2014	As at March 31, 2013
<b>Authorised Share Capital</b> 200,000 (PY 200,000) Equity Shares of Rs.100/- each	20,000,000	20,000,000
<b>Issued, subscribed and fully paid-up shares</b> 200,000 (PY 200,000) Equity Shares of Rs.100/- each	20,000,000	20,000,000
	<b>20,000,000</b>	<b>20,000,000</b>

#### b. Information on shareholders

Name of Shareholder	Relationship	As at March 31, 2014		As at March 31, 2013	
		No. of Equity shares held	Percentage (%)	No. of Equity shares held	Percentage (%)
President of India through DG, NIC	Shareholder	199,995	99.9975	199,995	99.9975
Dr. (Mrs.) Shefali Shushil Dash	Shareholder	1	0.0005	1	0.0005
Sh. C. S. R. Prabhu	Shareholder	1	0.0005	-	-
Dr. Mahesh Chandra	Shareholder	1	0.0005	1	0.0005
Smt. P. P. Joag	Shareholder	1	0.0005	1	0.0005
Sh. Rajiv P. Saxena	Shareholder	1	0.0005	-	-
Sh. A. Mohan	Shareholder	-	-	1	0.0005
Dr. Y. K. Sharma	Shareholder	-	-	1	0.0005
<b>Total</b>		<b>200,000</b>	<b>100</b>	<b>200,000</b>	<b>100</b>

#### c) Reconciliation of the Shares

Reconciliation of the shares outstanding as on March 31, 2014 is given below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Rs.	Number	Rs.
Shares outstanding at the beginning of the year	200,000	20,000,000	200,000	20,000,000
Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	200,000	20,000,000	200,000	20,000,000

#### d) Terms /rights attached to Equity Shares

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

#### 4. Reserves & Surplus

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

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Surplus</b>		
Opening balance	3,70,95,48,251	3,43,91,75,479
(+) Net Surplus/(Deficit) for the current year	36,09,64,590	27,03,72,772
<b>Closing Balance</b>	<b>4,070,512,841</b>	<b>3,709,548,251</b>

#### 5. Other Long Term Liabilities

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

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Trade payables</b>	-	-
- Due to Micro and Small Enterprises		
- Other than Micro and Small Enterprises	80,121,614	52,761,113
Sundry Creditors*		
- Sundry Creditors for Expenses	3,141,681	2,954,762
Grant-in-Aid received from customers	7,692,422,954	8,567,635,338
LST 6%	70,200	70,200
EMD Payable	98,611,000	108,376,000
Security Deposits Payable	1,495,870	1,245,870
<b>Total</b>	<b>7,875,863,319</b>	<b>8,733,043,284</b>

\* In F. Y. 2013-14, Sundry Creditors for expense amounting to Rs. 31,41,681/- has been shown separately from Trade Payables (P. Y. Rs. 29,54,762/-).

## 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, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee Benefits</b>				
Leave Encashment	-	-	-	119,157
Salary and Reimbursement	-	-	4,266,515	3,644,204
Project Incentive Payable	-	-	3,297,181	3,303,021
Provision for Leave Salary Contribution	-	-	2,550,627	2,488,837
Provision for Pension Contribution	-	-	4,166,477	5,078,096
<b>Total(A)</b>	<b>-</b>	<b>-</b>	<b>14,280,800</b>	<b>14,633,315</b>
<b>Other Provisions</b>				
Provision for Taxation*	-	-	829,878,758	529,067,179
Provision for Interest on Tax	-	-	-	128,585
Provision for Stamp Duty	-	-	7,451,987	7,451,987
Provision for Rent Equalisation**	<b>154,040,366</b>	<b>101,020,662</b>	<b>247,752</b>	<b>247,752</b>
<b>Total (B)</b>	<b>154,040,366</b>	<b>101,020,662</b>	<b>837,578,497</b>	<b>536,895,503</b>
<b>Grand Total (A)+(B)</b>	<b>154,040,366</b>	<b>101,020,662</b>	<b>851,859,297</b>	<b>551,528,818</b>

\* Provision for taxation includes Rs. 24,93,44,429/- towards F. Y. 2011-12, Rs.27,97,22,750/- towards F. Y. 2012-13 and Rs. 30,08,11,579/- towards F.Y. 2013-14 are not adjusted against Advance Tax and TDS of that year as the Assessment of these years is pending as of now.

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

## 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.

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Trade payables</b>		
- Due to Micro and Small Enterprises	31,208,436	19,063,414
- Other than Micro and Small Enterprises	2,042,190,855	1,399,833,970
Sundry Creditors*		
- Sundry Creditors for Expenses	11,015,046	80,705,363
Advances received from customers**	5,372,498,881	4,373,977,605
<b>Total</b>	<b>7,456,913,218</b>	<b>5,873,580,351</b>

\* In F. Y. 2013-14, Sundry Creditors for expense amounting to Rs.1,10,15,046/- has been shown separately from Trade Payables (P. Y. Rs. 8,07,05,363/-).

\*\* Includes Rs. 60,40,414/- in F. Y. 2013-14 & Rs. 46,10,435/- in F. Y. 2012-13 towards income in advance.

Note: Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to dues to Micro, Small and Medium enterprises. Based on the information available with the Company, the three parties have been identified as micro, small and medium enterprises.

## 8. Other Current Liabilities

The components of other current liabilities are presented as under:

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Service Tax Payable	22,485,218	59,669,848
HBA Deduction	25,870	23,161
HBA Interest	1,640	1,640
CGEGIS	5,820	5,340
GPF	766,893	599,970
GPF Advance	76,220	47,213
Vat Output 5%	80,738	1,266,297
CST 5%	8,197,862	460,088
Professional Tax	858	200

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Stale Cheque	-	55,776
Service Tax on Reverse Charges Payable	-	737,210
Service Tax Payable Advance	-	18,300,157
TDS on Professional	62,768,434	44,409,279
TDS on Salaries	766,239	557,875
TDS on Contractors	1,732,457	2,979,492
TDS on Rent	168,788	598,712
TDS On Work Contract Payble	696,934	279,280
TDS on Rent Payable (NKN)	9,839	17,111
TDS on Contractor Payable (NKN)	9,060,306	7,836,943
TDS on Professional Payable (NKN)	3,698,760	14,855,325
TDS on Commission	1,685	1,500
Audit Fee Payable	635,885	677,045
Expenses Payable	6,567,815	9,459,182
Motor Car Advance	8,520	6,360
Motor Car Advance Interest	1,000	1,000
PC Advance	2,660	2,420
P.C.Adv. Interest	1,570	796
Working Allowance Payable	20,786	29,241
Miscellaneous Deduction	55,143	23,313
Staff Advance	141,841	126,330
Performance Bank Gurantee	14,775,927	-
Work Contract Tax @ 12.5%	(9,603)	-
CST Work Contract Tax @ 12.5%	37,687	-
CST Work Contract Tax @ 5 %	2,137	-
Central Sales Tax 12.5%	11,955	-
<b>Total</b>	<b>132,797,884</b>	<b>163,028,103</b>

## 9. Fixed Assets

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

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at April 1, 2013	"Additions during the Year"	Deletions during the Year	As at March 31, 2014	As at April 1, 2013	Depreciation charge for the year	Depreciation On disposals	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b>Tangible Assets</b>										
Building (Office)	198,585,498	-	-	198,585,498	73,346,105	6,261,970	-	79,608,075	118,977,423	125,239,393
Leasehold Improvements*	7,649,583	-	7,649,583	-	280,708	-	-	280,708	-	7,368,875
Plant & Machinery	14,736,893	-	-	14,736,893	8,305,150	894,655	-	9,199,805	5,537,088	6,431,743
Furniture & Fixtures	47,792,840	6,791,444	-	54,584,283	19,181,569	6,227,476	-	25,409,045	29,175,238	28,611,270
Vehicles	701,793	-	-	701,793	198,664	130,260	-	328,924	372,869	503,129
Office Equipment**	139,501,106	26,702,545	-	166,203,650	51,091,879	15,623,318	-	66,715,197	99,488,453	88,409,227
Computers	282,676,954	28,342,739	90,823	310,928,870	217,014,343	34,411,863	11,089	251,415,117	59,513,753	65,662,611
<b>Total (A)</b>	<b>69,16,44,666</b>	<b>6,18,36,727</b>	<b>77,40,406</b>	<b>74,57,40,987</b>	<b>36,94,18,419</b>	<b>6,35,49,542</b>	<b>11,089</b>	<b>43,29,56,871</b>	<b>31,30,64,824</b>	<b>32,22,26,247</b>
<b>Previous Year</b>	<b>60,48,28,063</b>	<b>8,78,61,865</b>	<b>10,45,262</b>	<b>69,16,44,666</b>	<b>30,96,85,212</b>	<b>6,05,62,114</b>	<b>8,28,907</b>	<b>36,94,18,419</b>	<b>32,22,26,247</b>	<b>-</b>
<b>Intangible Assets</b>										
<b>Computer Software</b>	22,842,662	3,486,029	-	26,328,691	3,894,507	8,814,548	-	12,709,055	13,619,636	18,948,155
<b>Total (B)</b>	<b>22,842,662</b>	<b>3,486,029</b>	<b>-</b>	<b>26,328,691</b>	<b>3,894,507</b>	<b>8,814,548</b>	<b>-</b>	<b>12,709,055</b>	<b>13,619,636</b>	<b>18,948,155</b>
<b>Previous Year</b>	57,922	22,784,740	-	22,842,662	5,236	3,889,271	-	3,894,507	18,948,155	-

\* In F. Y. 2013-14, Leasehold improvements has been considered as revenue expenditure.

\*\* Includes Rs.3,12,361/- towards Depreciation for earlier years

## 10. Deferred Tax Assets (Net)

The company has calculated the Deferred Tax Liabilities/Assets as on March 31, 2014 based on Income & Expenditure approach. The major components of deferred tax liabilities/assets as recognized in the financial statement are as follows:

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Deferred tax liabilities</b>		
Provision for Employee benefits	-	-
<b>Gross deferred tax liabilities</b>	1,985	39,381
	<b>1,985</b>	<b>39,381</b>
<b>Deferred tax assets</b>		
Excess of depreciation on fixed assets as per books of accounts over depreciation as per		
Income Tax	94,058	(15,46,191)
Provision for Rent Equalization	1,80,21,397	1,85,24,423
Others	7,814	42,107
<b>Gross deferred tax assets</b>	1,81,23,269	1,70,20,340
<b>Net deferred tax Charge/(Credit) for the year</b>	<b>(1,81,21,284)</b>	<b>(1,69,80,959)</b>
Deferred Tax (Assets)/Liabilities carried forward from Last Year	(1,10,50,427)	59,30,532
Net Deferred Tax (Assets)/Liabilities as on March 31, 2014	<b>(2,91,71,711)</b>	<b>(1,10,50,427)</b>



## 11. Loans & Advances

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

Particulars	Long Term		Short Term	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>Security deposits</b>				
Unsecured, considered good	143,592,338	100,904,285	-	-
	<b>143,592,338</b>	<b>100,904,285</b>	-	-
Loans and advances to related parties*				
Unsecured, considered good	-	-	653,078	1,076,103
	-	-	<b>653,078</b>	<b>1,076,103</b>
<b>Advance recoverable in cash or kind</b>				
Advances for goods & services	48,855,171	25,410,673	-	-
	<b>48,855,171</b>	<b>25,410,673</b>	-	-
<b>Other loans and advances</b>				
Advances to Suppliers	-	-	6,024,831,094	8,340,578,666
Advance Income Tax	-	-	491,942,120	292,642,820
Prepaid expenses	-	-	14,127,745	10,243,305
Taxes Recoverable**	233,917	233,917	1,345,867,566	479,322,135
	<b>233,917</b>	<b>233,917</b>	<b>7,876,768,525</b>	<b>9,122,786,926</b>
<b>TOTAL</b>	<b>192,681,426</b>	<b>126,548,875</b>	<b>7,877,421,603</b>	<b>9,123,863,029</b>

\* Loans and advances to related parties includes

Particulars	As at March 31, 2014	As at March 31, 2013
Officers of the Company	653,078	1,076,103

\*\* Break-up of Taxes Recoverable

Particulars	As at March 31, 2014	As at March 31, 2013
Tax Deducted at Source	526,133,576	271,997,156
Service Tax on Advances	658,557,619	46,536,313
Income Tax & Sales Tax recoverable	161,176,371	160,788,667
<b>Total</b>	<b>1,345,867,566</b>	<b>479,322,135</b>

## 12. Other Assets

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

Particulars	Long Term		Short Term	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>Long term trade receivables</b>				
Secured, considered good	-	-	-	-
Unsecured, considered good	75,74,22,388	68,13,73,435		
Doubtful	-	-	-	-
Less:				
Provision for Doubtful Debts*	(2,16,08,180)	(2,66,46,112)		
	<b>73,58,14,208</b>	<b>65,47,27,323</b>	-	-
<b>Long term Fixed Deposits</b>				
Fixed Deposit having maturity more than 12 months	2,91,60,000	26,48,21,233	-	-
<b>Long term Interest Accrued on Fixed Deposits</b>				
Interest Accrued	22,31,768	1,40,885	44,42,57,493	30,42,36,685
	<b>76,72,05,976</b>	<b>91,96,89,441</b>	<b>44,42,57,493</b>	<b>30,42,36,685</b>

\* Total Provision for Doubtful Debts as at March 31, 2014 is Rs.2,16,08,180/- (PY Rs. 2,66,46,112/-) based on the sundry debtors which are outstanding more than 3 years.

## 13. Inventory

The components of inventory as at Balance Sheet date, showing the valuation as certified by management is presented as under:

Particulars	As at March 31, 2014	As at March 31, 2013
Goods in Transit	-	10,661,438
<b>Total</b>	-	<b>10,661,438</b>

#### 14. 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.

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Trade receivables outstanding for a period less than six months	-	-
Unsecured, considered good	69,03,95,412	52,83,26,198
Doubtful	-	-
Less: Provision for doubtful debts	-	-
<b>Total (A)</b>	<b>690,395,412</b>	<b>528,326,198</b>
<b>Trade receivables outstanding for a period exceeding six months</b>		
Secured, considered good	-	-
Unsecured, considered good	28,175,631	28,650,038
Doubtful		
Less: Provision for doubtful debts	-	-
<b>Total (B)</b>	<b>28,175,631</b>	<b>28,650,038</b>
<b>Gross Total (A+B)</b>	<b>718,571,043</b>	<b>556,976,236</b>

#### 15. Cash & Cash Equivalents

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

<b>Particulars</b>	<b>Short Term</b>	
	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
a. Balances with banks		
Saving Account	1,02,45,73,948	1,34,27,19,976
Fixed Deposit*	9,13,33,17,621	6,38,75,12,221
Fixed Deposit mortgaged against Bank Guarantee	3,81,90,000	90,30,000
b. Others		
Imprest Account	50,000	34,505
<b>Total</b>	<b>10,196,131,569</b>	<b>7,739,296,702</b>

\* Refer note no. 12 for Fixed Deposits with maturity date more than 12 months.

## 16. Revenue from Operations

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

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
<b>Revenue from operations</b>		
Sale of Traded Goods	2,743,783,235	1,991,088,451
Service Income	2,482,595,904	1,786,224,527
<b>Total (A)</b>	<b>5,226,379,139</b>	<b>3,777,312,978</b>
<b>Other operating revenue</b>		
Administrative Charges	112,488,219	115,061,949
<b>Total (B)</b>	<b>112,488,219</b>	<b>115,061,949</b>
<b>Total Revenue from operations (A)+(B)</b>	<b>5,338,867,358</b>	<b>3,892,374,927</b>

- i. Service Income includes revenue of Rs. 1,80,60,55,553/- (Previous Year Rs.1,27,32,39,169) as service support charges (including facility management charges and others).

## 17. Other Income

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

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
Interest Income	868,316,055	703,950,581
Other non-operating income *	22,695,742	23,339,510
Less: -		
Interest on Grant-in-Aid Projects	22,212,247	19,964,708
Interest on NKN Projects	78,644,768	37,538,787
	<b>790,154,782</b>	<b>669,786,596</b>

\* Includes Rs.9,66,601/- due to reversal of long outstanding liabilities in F. Y. 2013-14

## 18. Purchases of Stock-in-Trade

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
Purchases:-		
Hardware	1,71,08,45,325	1,07,48,62,514
Software	86,10,74,745	66,02,73,292
	<b>2,57,19,20,070</b>	<b>1,73,51,35,806</b>

**Break up of Purchases:-**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Purchase against Form 'C'	742,441,852	126,681,367
Purchase without Form 'C'	59,796,414	-
Purchase VAT-5%	1,711,488,754	670,247,224
Purchase VAT-12.5%	33,961,167	-
Purchase-Import	24,041,066	938,207,215
Purchase-Exempted	<b>190,817</b>	-
	<b>2,571,920,070</b>	<b>1,735,135,806</b>

**19 - Changes in inventories of stock-in-trade**

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

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
<b>Inventory at the beginning of the year</b>		
<b>Stock-in-trade</b>		
Routers	-	1,38,74,213
Software	-	81,59,414
VSAT	-	600
Goods In Transit	1,06,61,438	-
<b>Total (A)</b>	<b>10,661,438</b>	<b>22,034,227</b>
Inventory at the end of the year	-	-
Stock-in-trade	-	-
Routers	-	-
Software	-	-
VSAT	-	-
Goods In Transit	-	10,661,438
<b>Total (B)</b>	-	<b>10,661,438</b>
<b>Changes in inventories of stock-in-trade (A)-(B)</b>	<b>10,661,438</b>	<b>11,372,789</b>

**20. Employee benefit expenses**

The components of employee benefit expenses are presented as under:

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
Salaries and incentives	7,15,54,262	6,81,29,768
Staff Welfare	34,80,042	33,90,215
	<b>7,50,34,304</b>	<b>7,15,19,983</b>

## 21. Other expenses

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

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
Consumption of stores and spare parts	6,249,781	5,824,044
Doubtful Debts	4,648,942	16,959,238
Power and Fuel expenses	116,941,880	108,597,608
Rent	213,754,467	160,385,443
Repairs & Maintenance	33,344,214	32,849,712
Rates and Taxes	555,736	329,390
Legal and Professional	16,413,235	14,217,936
Telephone Expenses	6,253,793	6,505,359
Advertisement Expenses	2,794,865	5,254,889
Conference Seminar W/Shop Expenses	4,509,067	8,105,328
Conveyance Expenses	388,242	717,939
Taxi Hire Charges	28,516,008	29,918,925
Vehicle Maintenance	55,971	218,964
Vehicle - Petrol	282,299	403,977
Exhibition Expenses	-	200,000
Printing & Stationery	4,623,386	3,057,122
Books & Periodicals	477,933	2,166,335
Office Expenses	71,073,933	58,705,332
Hire Charges	374,736	2,728,043
Diesel for D.G. Set	1,076,715	1,956,859
House Keeping & Cleaning Charges	13,155,194	11,967,332
Bank Charges	2,210,847	924,402
Audit fess (2011-12)	-	15,584
Audit Fee ( 2012-2013 )	-	523,563
Audit Fees ( 2013-14 )	487,318	-
Statutory Audit Fees: - 4,29,960/-		
Tax Audit Fees: - 57,358/-	-	
Internal Audit Fee	174,240	185,400
Travelling Expenses ( Director ) Foreign	45,188	135,457
Travelling Expenses ( Director )	281,655	319,555
Travelling Expenses ( Staff ) Foreign	911,139	1,692,849
Travelling Expenses( Staff )	25,226,403	42,715,244
Foreign Exchange Loss	10,647,497	13,763,010
E Office Development Expenses	-	14,169,130
Core Banking Expenses	8,843,881	10,460,732
Miscellaneous Expenses	7,004,185	8,800,184
Design & Devlopment E Hospital	316,275	-
Corporate Social Responsibilities Expenses	1,036,138	-
Leasehold Improvements (Expenses)	11,628,605	-
Service Tax on Reverse Charges	-	301,908
	<b>594,303,767</b>	<b>565,076,792</b>

## 22. Prior Period

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Prior Period Expenses*	7,96,26,135	2,96,57,181
Prior Period (Income)	(9,68,93,370)	-
	(1,72,67,235)	2,96,57,181

\* In F. Y. 2012-13, prior period expenses has been shown as net off prior period income.

## 23. Earnings Per Equity 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, 2014	Year Ended March 31, 2013
<b>Basic/diluted earnings per share</b>		
Surplus attributable to Equity shareholders	360,964,590	270,372,772
Weighted average number of equity shares	200,000	200,000
<b>Basic/diluted earnings per share</b>	<b>1,804.82</b>	<b>1,351.86</b>
<b>Face value per share</b>	100	100

## 24. Contingent Liabilities

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

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

Particulars	Year Ended March 31, 2014 ₹	Year Ended March 31, 2013 ₹
Claim against the Company not acknowledged as debts	NIL	NIL
Guarantees*	38,190,000	9,030,000
Income Tax Demand (Assessment Year 2011-12)	6,396,690	NIL
Interest on Service Tax Demand	139,372,760	NIL
<b>Total</b>	<b>183,959,450</b>	<b>9,030,000</b>

\* includes Rs. 1,49,85,000/- and Rs. 1,41,75,000/- towards bank guarantees given to M/s Delhi Metro Rail Corporation Ltd. in F.Y. 2013-14 for hiring office space for 4th & 5th Floor at Shastri Park, Delhi .

## 25. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 24,13,06,967/- (PY: Rs.5,18,46,918/-).

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 NICS internal projects is Rs.7,62,201/- (PY 7,25,534/-) as at March 31, 2014.

## 26. Information pursuant to Para 5(viii) of the General Instructions to the Income & Expenditure Account

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

Particulars	Year Ended March 31, 2014 (Rs.)	Year Ended March 31, 2013 (Rs.)
Routers, Switches and Networking Equipments etc.	2,40,41,066	90,90,12,501
<b>Total</b>	<b>2,40,41,066</b>	<b>90,90,12,501</b>

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

Particulars	Year Ended March 31, 2014 (Rs.)	Year Ended March 31, 2013 (Rs.)
Routers, Switches and Networking Equipments etc.	2,40,41,066	90,90,12,501
Professional and consultation fees	13,99,580	34,89,686
Travelling - Staff (Foreign)	2,17,975	12,47,737
Travelling - Directors (Foreign)	NIL	1,35,457
<b>Total</b>	<b>2,56,58,621</b>	<b>91,38,85,381</b>

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

## 27. Auditor Remuneration

Particulars	Year Ended March 31, 2014 (Rs.)	Year Ended March 31, 2013 (Rs.)
As Auditor	4,87,318	5,23,563
For Reimbursement of expenses	1,14,799	1,23,338
<b>Total*</b>	<b>6,02,117</b>	<b>6,46,901</b>

\* Inclusive of Service Tax



## 28. Disclosure pursuant to Accounting Standard – 15 'Employee Benefits'

### i. Contribution to Provident Fund

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

### ii. Leave Salary

Since all the officers 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 NICSI in its account every month and subsequently, passed on to NIC. No liability is thus, there on NICSI towards payment of leave salary / encashment.

### iii. Pension Contribution

Since all the officers 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 NICSI in its account every month and subsequently, passed on to NIC. No liability is thus, there on NICSI towards payment of Pensionery Contribution.

iv. As on the balance sheet date, provision for gratuity liability has not been separately made in the books as per the actuarial valuation prescribed by Accounting Standard-15 'Employee Benefits'. Provision for Pension benefits has been made as per the Central Government guidelines.

## 29. 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, 2014 (Rs.)	Year ended March 31, 2013 (Rs.)
Sh. Rajesh Bahadur	01-04-2013 to 31-03-2014	Managerial Remuneration	18,61,255	15,55,155

### iii. Balance Outstanding of Related Parties: Rs. 2,72,428/- (PY Rs.2,35,268/-)

## 30. Operating Lease

The Company has hired office space under operating lease. The lease rental expenses provided in Income & Expenditure Account is Rs. 21,37,54,467/- (PY Rs. 16,03,85,443/-). During the year Provision for Rent Equalization

has been made for Rs. 5,30,19,704/- (PY Rs. 10,12,68,414/-) 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, 2014 (Rs.)	Year Ended March 31, 2013 (Rs.)
i.	Not Later than one year	12,49,39,845	80,55,28,254
ii.	Later than one year and not later than five years	68,32,84,970	65,99,53,355
iii.	Later than five years	2,06,81,01,860	2,21,71,01,449

### 31. Un-hedged foreign currency exposure

Purpose	Currency	Year Ended March 31, 2014		Year Ended March 31, 2013	
		Amount in foreign currency	Amount in Rupees	Amount in foreign currency	Amount in Rupees
Payables	US Dollars	NIL	NIL	26,44,555	14,38,35,477

### 32. Disclosure pursuant to Accounting Standard – 17 'Segmental Reporting'

NICSI 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.

### 33. 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.

### 34. Non-execution of Conveyance/Title Deed

Conveyance/title deeds in respect of office Building at Bhikaiji Cama Place amounting to Rs.931.50 lakhs (PY Rs.931.50 lakhs) are pending for execution/registration as M/s NBCC is yet to finalize the title deed.

35. 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.

### 36. Information on Inventory

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

Particulars	FY 2013-2014		FY 2012-2013	
	Qty.	Value	Qty.	Value
	(Nos.)	(Rs.)	(Nos.)	(Rs.)
<b>OPENING STOCK</b>				
VSATs/DPC/skysurfer Cards/VSAT Spares	Nil	Nil	14	600
Software	Nil	Nil	448	81,59,414
Routers/Switches	Nil	Nil	100	1,38,74,213
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>562</b>	<b>2,20,34,227</b>
<b>PURCHASE</b>				
Hardware	133175	72,59,15,106	Nil	Nil
Routers	5394	87,29,77,752	96635	70,18,51,173
Software	68395	98,36,88,650	63073	102,74,35,037
<b>Total</b>	<b>206964</b>	<b>258,25,81,508</b>	<b>159708</b>	<b>172,92,86,210</b>
<b>SALES</b>				
Hardware	133175	77,06,32,282	14	2,666
Routers	5394	92,38,85,185	97083	77,77,89,171
Software	68395	104,92,65,768	63173	121,78,28,235
<b>Total</b>	<b>206964</b>	<b>274,37,83,235</b>	<b>160270</b>	<b>1,99,56,20,072</b>
<b>CLOSING STOCK</b>				
VSATs/DPC/Skysurfer Cards/VSAT Spares	Nil	Nil	Nil	Nil
Software	Nil	Nil	Nil	Nil
Routers/Switches	Nil	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

### 37. Services (including Administrative Charges)

During the year, the company has recognized a service income (including income from administrative charges) of Rs.259,50,84,123/- (PY Rs.190,12,86,476). The Company has recognized only the Administrative charges of Rs.11,24,88,219/- (PY Rs. 11,50,61,949) on purchases of hardware and software which has been directly supplied to the customers/users.

### 38. Recognition of Administrative Charges

NICSI 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.

39. As per the information available till March 31, 2014, there is an amount of Rs. Nil (PY Rs. Nil) overdue and remaining unpaid for more than 30 days to small scale and/or ancillary industrial suppliers on account of principal and/or interest, as required to be disclosed under Section 22 of the MSMED Act, 2006.

- 40.** As per Accounting Standard 28 'Impairment of Assets', the impairment of Assets has been carried out during the FY 2013-14 in respect of Data Centre at Laxmi Nagar and Development Centre at Shastri Park locations, which are cash generating units of NICS I and no impairment loss has been identified thereon.
- 41.** During FY 2013-14, an amount of Rs. Nil 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: -

<b>S. No.</b>	<b>Particulars</b>	<b>FY 2013-14 (Rs.)</b>	<b>FY 2012-13 (Rs.)</b>
(a)	Total Revenue as per P&L A/c of the Company	6,12,90,22,140	4,56,21,61,523
(b)	Income from V-sat Services (CSC Project) towards said DOT license	NIL	NIL
(c)	Revenue from Projects other than at (b)	6,12,90,22,140	4,56,21,61,523

- 42.** 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 DietY towards levying 1% Administrative Charge on the expenditure under NKN Project is awaited. However, as per the approval from the Board of Directors, National Informatics Centre Services Inc. has been booking its Operating Margin (Administrative Charges) @1% of expenditure, subject to DietY's approval.

**43. Disclosure pursuant to Accounting Standard – 26 'Intangible Assets'**

The Company has classified the Fixed Assets into Tangible & Intangible, as required by Accounting Standard -26 'Intangible Assets' since F. Y. 2011-12 onwards. The amortization of the intangible assets has been made as per the useful life of the assets.

**44. Grants-in-Aid Projects**

- i.** The Company is in process of getting the accounts of grants-in-aid projects audited as on March 31, 2014.
- ii.** The interest on total Grant-in-Aid projects (including NKN Project) for the F. Y. 2013-14 amounting to Rs.10,08,57,015/- (P. Y. Rs.5,75,03,495/-including NKN Project) has been reduced from interest income for the year.
- iii.** Apart from the above interest (point no. ii), an amount of Rs. 20,14,319/- (P. Y. Rs. 17,60,76,020/-) towards interest on Grant-in-Aid projects has been shown under the head exceptional and extraordinary items in the Income and Expenditure Account as it is related to earlier years.

**45. Service Tax on Advance**

A Demand-cum-Show Cause Notice No. 38 / Audit /2014-15 / 13266 – 71 dated 24.06.2014 has been received in NICS I 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 and to furnish the reply to that office within 30 days. NICS I has always been depositing the Service Tax applicable on its services from time to time, except in depositing the same on

"Advances" upto November, 2012, on which the interest liability only appear to be payable. Hence, the amount of Rs.13.94 crores only towards interest has been provided under Contingent Liability in the current year. However, NICS I has deposited Rs. 50.17 crore towards service tax on advance received during the above period.

#### **46. Change of Business Methodology**

Till the previous year 2012-13, the company was having dual system of accounting for sale/purchase of Hardware items i.e. for Stock & Sale items on net basis and for other on gross basis. The Board of Directors had approved to adopt the Gross basis system for all the procurement w.e.f. 01.04.2013. Due to some administrative reasons the revised system could be adopted from 01.08.2014 only. Due to change of business methodology there would not be any impact on net profit of the company but total turnover and purchase has been increased as all the items are booked as purchase of the company and then company sells these with certain percentage of profit. However, the P.O's/W.O's issued by NICS I till July 2013 as per earlier methodology may result in accounting as per earlier practice to some extent even in next financial year also.

#### **47. Performance Bank Guarantee**

During the year 2013-14, a vendor has not submitted the performance bank guarantees as per the terms & conditions of empanelment but rather requested to NICS I to retain the amount equivalent to performance bank Guarantee from his payment. Accordingly Rs. 1,47,75,927/-(P. Y. Rs. NIL) has been retained and transferred to a new head naming Performance bank Guarantee.

#### **48. Advance under the NKN Project**

In earlier years, 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 current F.Y. 2013-14, whatever be the bills are received for settlement against the advance of Rs. 1303 Crores, the administrative charges (Operating margin) are not levied on these. Further, Rs. 595 crores (approx) is still pending as at the yearend for settlement against the advance given in different years including against the advance of Rs.1303 crores.

#### **49. Income/Expenditure on National Data Centre Project**

Board of Directors of NICS I and Secretary, DeitY have approved the Operational Expenditure incurred on the National Data Centre, Shastri Park, Delhi by NICS I totaling to around Rs.42.95 crores incurred by NICS I till 31-03-2014, as against the original approval of Rs.16.00 crores for initial 2 years. During the year, revenue of Rs. 4,39,72,225/- (PY Rs. 47,47,183/-) has been recognised by the company towards facilitation charges.

#### **50. Expenditure towards Leasehold Improvements**

Expenses on renovation of hired office space were capitalized in F.Y. 2012-13. Leasehold improvement is revenue expenditure and hence, the expenses on renovation of Rs. 42,59,730/- in F.Y. 2013-14 and balance carried forward as on 01.04.2013 under fixed assets amounting to Rs. 73,68,875/- has been considered as revenue expenditure

## 51. Expenditure towards Corporate Social Responsibility

During the Financial Year 2013-14 the company has incurred Rs.1,01,96,294/- expenditure towards corporate social responsibility under the following heads: -

Sl. No.	Particulars	Year Ended March 31, 2014 (Rs.)	Year Ended March 31, 2013 (Rs.)
i.	Core Banking	88,43,881	1,04,60,732
ii.	E-Office	NIL	1,41,69,130
iii.	Training or Computers to backward Schools	10,36,138	NIL

## 52. Workstations at the Development Centre at Shastri Park, Delhi

NICSI is having 387 workstations at the Development Centre at Shastri Park, Delhi, most of which were occupied by NIC for various projects in the current year but the Revenue against the same was not being paid to NICSI. The Board of Directors, in its 84th meeting held on 11.12.2013, had approved that from 01.10.2013 onwards, NICSI should charge uniformly for all the seats occupied and based on that NICSI has raised invoices to the concern department to pay the charges towards the same. Accordingly, during the year, income of Rs. 3,22,23,820/- (PY 1,84,35,090/-) has been recognised towards renting of work stations at Development Centre, Shastri Park, New Delhi.

## 53. Interior etc. work on the 5th floor at Shastri Park, Delhi

NICSI had placed a Work Order in April, 2013 to M/s Teekays towards Interior etc. work on the 5th floor at Shastri Park, Delhi. Due to some administrative reasons, the Work Order given to M/s Teekays was subsequently cancelled and based on the guidelines from Ministry of Urban Development (Works Division), the work was awarded to M/s. NBCC Limited, a CPSE of Government of India, on nomination basis. NBCC is in the process of floating the tenders for the said work, based on which, the actual cost involved would be known.

## 54. Trade Receivables (negative balance in the project)

NICSI implements a large number of new projects every year from various Ministries/ Departments / Organizations of the Government of India and States / UTs. As per the provisions in the General Financial Rules (GFRs), they restrict the release of advances to NICSI to 40% or so, whereas in many cases mainly related to procurement of ICT Hardware, NICSI has to release the work orders to full extent and after delivery / installation of those items, NICSI has to release the payments to the vendors as per the payment terms in the work orders. This, on many occasions, result Trade Receivables (negative balance in the project), disclosed in note no. 12 & 14 of the financial statements, amount of long term trade receivables of Rs. 75,74,22,388/- (PY Rs. 68,13,73,435/-) and short term trade receivables of Rs. 71,85,71,043/- (PY Rs. 55,69,76,236/-) as at March 31, 2014, which is followed up by NICSI from time to time with the concerned Department /Organization to recover the same.

### **55. Issuance of Credit Notes related to excess booking of revenue in earlier year**

NICSI has issued Credit Notes of Rs.7.57 crores in the current year to nullify the effect of excess revenue booked in previous years with due care, which is complete, subject to preparation of Closure Statement of Expenditure for each project on their completion.

### **56. Appointment of Company Secretary**

The Company has a fulltime Company Secretary on its payroll and financial statements have been authenticated by the Company Secretary as required by the Companies Act, 1956.

### **57. Prior period comparatives**

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

In terms of our report of even date attached

#### **For ASA & Associates LLP**

Chartered Accountants

Firm Registration No. 009571N/N500006

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

CIN: U74899DL1995NPL072045

#### **Parveen Kumar**

Partner

Membership No. 088810

#### **Rajesh Bahadur**

Managing Director

DIN: 03630471

#### **Dr. Mahesh Chandra**

Chairman

DIN: 06445176

#### **Girish Kumar**

Company Secretary

#### **H. Madhava Reddy**

Financial Advisor

DIN: 06609234

Place: New Delhi

Date: 28.07.2014

Place: New Delhi

Date: 25-07-2014

# 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 March 31, 2014, the Statement of Income & Expenditure, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Basis for Qualified Opinion

1. Refer to note no. 44 of the financial statements in relation to the grants-in-aids; total interest earned by the Company till previous year Balance Sheet date includes interest earned on grants-in-aid funds, which as per the terms & conditions lay down by grantor institution, is required to be adjusted towards future installments of the grants-in-aid. Hence income of the Company and accumulated reserves were overstated to that extent for many previous years. During the current year, the Company has recognized accumulated interest expense of Rs. 2,014,319 (PY – Rs. 176,076,020) under the head exceptional and extraordinary items in the Statement of Income and Expenditure, being prior period expense pertaining



to previous years. For the current year, interest expense of Rs. 100,857,015(PY - Rs. 57,503,495) has been reduced from interest income under the head Other Income. This interest calculation is based on the management estimation. The unaudited accounts of grant-in-aid projects have been incorporated in the financial statements. In the absence of convincing evidence to ascertain reasonableness of recognition other than board approval, we are unable to comment on the accuracy and completeness of such interest and its non-quantifiable impact on Statement of Income and Expenditure and Balance Sheet. This was also the subject matter of our Previous Year (PY) report.

2. Refer to note no. 46 of the financial statements; the Company has purchased hardware and software which were supplied to the customers/users. With effect from August 1, 2013, the Company has started recognizing the sales, purchase and stock for such hardware and software instead of recognizing only administrative charges. However, in relation to the purchase orders issued and accepted by the Company till July 31, 2013, the revenue has been recognized only to the extent of administrative charges of Rs. 112,488,219. This has resulted in the understatement of sale and purchase for the year. Due to this, Value Added Tax ('VAT')/Central Sales Tax ('CST') is not charged by the company on the sale value, which may lead to an exposure under indirect tax laws. The amount of impact on financial statements remains unascertainable due to the absence of detailed working and documentation.
3. The Company has compiled a list of ongoing and closed projects. However, old data is still not completely available on records of the Company. In absence of complete information and integrated data management system, we are unable to comment on the impact, if any, of the matter on the revenue and expenses recognized during the year. This was also the subject matter of our PY report.
4. Refer to note no. 22 of financial statements; in relation to prior period expenses/income disclosed under extraordinary and exceptional items in Statement of Income and Expenditure; the Company has disclosed Rs. 17,267,235 (PY Rs. 29,657,181 as net prior period expense) as prior-period income (net) under Extraordinary and Exceptional items in Statement of Income and Expenditure. In the absence of sufficient and reasonable documentary evidence, we are unable to comment on completeness and accuracy of this amount. This was also the subject matter of our PY report.
5. Refer to note no. 49 of the financial statements; the Company has set up a National Data Centre as per Administrative approval issued by Department of Electronics & Information Technology ('DeitY'). As per information provided to us, the company has incurred operational expenditure of Rs. 409,031,538 (PY Rs. 245,155,961) till March 31, 2014. During the year, revenue of Rs. 43,972,225 (PY Rs. 4,747,183) has been recognized by the company towards facilitation charges. In the absence of sufficient and reasonable documentary evidence and confirmation, we are unable to comment on the accuracy and completeness of such revenue and its impact on Statement of Income and Expenditure and Balance Sheet.

Further, refer to note no. 52 of the financial statements; the company has recognized revenue of Rs. 32,223,820 (PY Rs. 18,435,090) during the year in relation to the renting of workstations at Development Centre at Shastri Park, Delhi. This amount is outstanding as receivable as at balance sheet date. In the absence of sufficient and reasonable documentary evidence and confirmation from user, we are unable to comment on the accuracy and completeness of such revenue and its impact on Statement of Income and Expenditure and Balance Sheet.

6. Refer to note no. 48 of the financial statements; as per information provided to us the company recognized revenue of Rs. 130,383,544 during FY 2010-11 on the basis of advances received instead of actual expenses incurred for National Knowledge Network 'NKN' Project. As at the end of the year, advances of Rs. 595

crores (approx.) is still pending to be adjusted. Accumulated reserves are overstated to the extent of Rs. 5.95 crores (approx.) recognized as income on unadjusted advances. This was also the subject matter of our PY report.

7. In our opinion, internal audit systems in relation to, project management, book keeping, invoicing, procurement, stores, inventory, and tendering process of the company are not commensurate with the size and nature of its operations. This was also the subject matter of our PY report.
8. Refer note no. 33 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, 2014. In the absence of confirmations, we are unable to express our opinion on the accuracy of the balances and recoverability thereof, along with impact, if any, on Statement of Income and Expenditure and balance sheet. This was also the subject matter of our PY report.
9. Refer note no. 12 and 14 of the financial statements; balance of Long Term Trade Receivables are Rs. 757,422,388 (PY - Rs. 681,373,435) and Short Term Trade Receivables are Rs. 718,571,043 (PY Rs. 556,976,236) as at Balance Sheet date. Total Provision for bad & doubtful debts as at March 31, 2014 is Rs. 21,608,180 (PY-Rs. 26,646,112). In the absence of balance confirmations and proper documentation, we are unable to comment on the adequacy of such provision. This was also the subject matter of our PY report.
10. Refer note no. 55 of the financial statements; during the previous years, the Company has recognized excess revenue as service support charges (including facility management charges and others). During the year, the Company has issued credit note of Rs. 75,674,947. In the absence of reasonable and sufficient documentation in relation to completeness of reversal of such excess income, we are unable to comment on the impact of the matter, if any, on the Statement of Income and Expenditure and Balance Sheet as at March 31, 2014. This was also the subject matter of our PY report.
11. Schedule VI of the Companies Act; 1956 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. This was also the subject matter of our PY report.
12. Refer to note no. 11 of the financial statements; Taxes Recoverable as at March 31, 2014 includes sales tax recoverable balance of Rs. 9,384,384 (PY Rs. 9,384,384) which is shown as recoverable since FY 1997-98. In the absence of documentation and supporting papers, we are unable to comment on the accuracy and existence of this asset.
13. Refer to note no. 45 of the financial statements; the company has received a demand-cum-show cause notice of Rs. 389.02 crores dated 24.06.2014 from the Commissioner of Service Tax, New Delhi. The Company has neither recognized this amount as liability nor disclosed it as a contingent liability in the financial statement. We are unable to comment on its consequential impact on the financial statements, if any.
14. The Company has not complied with the following Accounting Standards (AS) prescribed by the Companies (Accounting Standard) Rules 2006 -

- i. Refer to Cash Flow Statement; Savings/Deposits with bank, including 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 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. As informed to us, sometimes information related to such expense and acquisition comes after closing date and has not been recognized in the financial statements. This was also the subject matter of our PY report.
- iii. Refer to note no. 2(iii) 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'. This was also the subject matter of our PY report.
- iv. Refer note no. 28 (iv) of the financial statements, provision for Pension Contribution and Leave Salary liability as at March 31, 2014 has been made on the basis of guidelines issued by the Central Government and not made as per requirement of AS 15 – 'Employee Benefits (revised 2005)', as prescribed by the Companies (Accounting Standard) Rules 2006. This was also the subject matter of our PY report.
- v. Refer to note no. 29 of the financial statements; the Company has disclosed only key managerial person of the Company as a related party. The company has not examined and disclosed the transactions with other related parties. This has resulted in non-compliance with Accounting Standard –18 on "Related Party Disclosures".

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

- vi. Refer note no. 43 of the financial statements; intangible assets acquired before FY 2011-12 have not been separately classified in the gross block of intangible assets as at March 31, 2014. This is a non-compliance with the disclosure requirements of AS 26–'Intangible Assets'. This was also the subject matter of our PY report.
15. Refer to note no. 50 of the financial statements; during the year the Company has recognized expense of Rs. 4,259,730. Amount of Rs. 7,368,875 has also been charged as expense during the year, which was outstanding as lease hold improvement (Fixed Assets) as on April 1, 2013. This has resulted in non-compliance of the AS-10 "Accounting for Fixed Assets" as prescribed by the Companies (Accounting Standard) Rules 2006 and overstatement of expenses, understatement of Reserve & Surplus and fixed assets to that extent.

### **Qualified Opinion**

In our opinion, and subject to the effects of the matters described in the Basis of Qualified Opinion Paragraph given above, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Income & Expenditure, of the surplus for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of cash flows of the Company for the year ended on that date.

### **Other Matters**

Without qualifying our opinion, we lay emphasis that-

- a. As per information provided to us, there is no full time Director Finance in the Company. This was also the subject matter of our PY report.
- b. Being a Section-25 Company (Section 8 of the Companies Act, 2013), the company has to APPLY its profits, if any, or other income in promoting its objects. The company has accumulated reserves of Rs. 407 crores (PY - Rs. 371 crores) on account of profits earned. No proper information is readily available with regard to future plans of the company with respect to application of its profits in promoting its objects as mentioned in Memorandum of Association ('MOA').
- c. Refer to note no. 54 of the financial statements; the Company has incurred extra expenditure than the advances received from user departments in case of some projects and therefore these project accounts show a negative balance i.e. recoverable from user departments as at March 31, 2014. Refer to note no. 12 & 14 of the financial statements, amount of Long term trade receivables of Rs. 757,422,388 (PY Rs. 681,373,435) and short term trade receivables of Rs. 718,571,043 (PY Rs. 556,976,236) as at March 31, 2014 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. Refer to note no. 53 of the financial statements; regarding the cancellation of interior and furnishing work Contract given to a vendor for Rs. 15.76 crores and subsequent allotment of this work to another vendor at a contract price of Rs. 24.78 crores resulting in a excess cost of Rs. 9.02 crore (approx.).
- f. Refer to note no. 34 of the financial statements; conveyance/title deeds in respect of office building at Bhijakji Cama Place of Rs. 9.32crore are pending for execution/registration.
- g. The Company has purchased goods directly from the original equipment manufacturers (OEM) and/ or their channel partners/system by way of entering into strategic alliance agreements without any tendering process.
- h. The company has deposited excess advance tax of Rs. 14.98 crore during the year. Further, the Company has incurred an expense of Rs. 11 crores (approx.) which as per management estimate is not allowable under Income Tax Act.
- i. In NKN Project, the company has issued limited tenders for procurement of Rs. 100 crores (approx.). As per the Government Guidelines on tendering, such limited tendering can only be done in case

of transactions with overall value of less than Rs. 25 Lacs. This has resulted in violation of General Financial Rules (GFR) issued by Ministry of Finance.

### **Report on Other Legal and Regulatory Requirements**

1. The company is licensed to operate under Section 25 of the Companies Act, 1956 ('the Act')(Now Section 8 of the Companies Act, 2013), therefore the disclosure required under the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Company Law Board in terms of Section 227(4A) of the act is not applicable to the company.
2. As required by section 227(3) of the Act, subject to the effects of the matter described in the Basis for Qualified Opinion paragraph given above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Income & Expenditure and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, the Statement of Income & Expenditure and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - e) on the basis of written representations received from the directors as on March 31, 2014, and on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For ASA & Associates LLP**

Chartered Accountants  
Firm Registration No: 009571N/N500006

Parveen Kumar  
Partner  
Membership No. 088810

Place: New Delhi  
Date: July 28, 2014

## **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL INFORMATICS CENTRE SERVICES INC. (NICS) FOR THE YEAR ENDED 31 MARCH 2014**

The preparation of financial statements of National Informatics Centre Services Inc. (NICS) for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the standards on auditing prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28th July 2014.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of NICS for the year ended 31 March 2014. The supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor 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 supplementary to Statutory Auditor's Report under Section 619(4) of the Companies Act, 1956.

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

**(R.B. Sinha)**

Director General of Audit (P&T)

Place: Delhi

Date: 29-09-2014