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IEC
SOFTWARES LTD.

5th Annual Report 1998-99

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IEC SOFTWARES LTD.

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BOARD OF DIRECTORS

S.L. Gupta, Chairman
R.L. Gupta, Managing Director
Brig. S.V.S. Choudhary (Retd.), Director
Naveen Gupta, Director (Operations)
R.N. Aggarwal, Director
Ram Kumar, Director

COMPANY SECRETARY

C.V. Jain

BANKERS

Central Bank of India

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AUDITORS

Nath & Hari, Chartered Accountants

Regd. Office :
IEC House,
M-92, Connaught Place
New Delhi-110001 (INDIA)

Corporate Office :
16, Todermal Road,
New Delhi-110001
(INDIA)

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NOTICE

Notice is hereby given that the 5th Annual General Meeting of the Members of IEC Softwares Ltd. will be held on Monday, the 27th of September, 1999 at 10.00 a.m. at Shah Auditorium, 2, Raj Niwas Marg, Delhi-54, to transact following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as on 31st March '99 and profit and loss account for the year ended on that date, and the reports of the Board of Directors and auditors thereon.
2. To appoint a Director in place of Mr. Ram Kumar who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Brig. S.V.S. Chowdhary who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
4. To appoint auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, with authority to the Board of Directors of the company to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution with or without modification, as a special resolution:

"Resolved that pursuant to Section 81(1A) and. other applicable provision, (if any, of the Companies Act 1956 or any statutory modification or re-enactment thereof and the Memorandum and Articles of Association of the Company, and subject, to any other approvals of appropriate authorities, the Board of Directors of the Company (hereinafter referred to as "The Board" - which term shall be deemed to include any duly authorised committee thereof for the time being exercising the powers conferred on the Board by this resolution) be and is hereby authorised on behalf of the company, subject to the provisions of the Companies Act, 1956, SEBI regulations and such other rules and regulations; to issue equity shares of Rs. 10/- each out of 66,36,000 unissued equity shares of the company either to the existing shareholders at such premium not exceeding Rs. 100/- per share and such quantum and in such ratio that may be decided by the Board of Directors and/or in one or more tranches to such person(s) whether or not share holders of the company, including one or more of the members/ Promoters/Employees/Overseas body corporates/their associates/ Foreign institutional investors/ Indian institutional investors/ Mutual funds/Banks/Public or Private body corporates/ Associates/Welfare funds or any such funds whether through public issue or on private placements basis, such quantum at such premium not exceeding Rs. 100/- per share as may be decided by the Board of Directors of the company.

The Board of Directors are further authorised to make a composite issue including right issue, public issue and issue through private placement out of 66,36,000 unissued equity share of the company in such ratio and with such combination as the Board may deem fit in this regard.

These equity shares shall rank in all respects including voting rights, pari passu with the existing equity shares except that such further equity shares shall not confer on the holders thereof the right to dividend, if any, declared in respect of company's financial year 1998-99 but shall entitle such holders to dividend, if any, declared in respect of company's financial year subsequent to the financial year 1998-99 as from the first day of the month following the date or dates of allotment thereof.

For the purpose of giving effect to this resolution the Directors be and are hereby authorised to prescribe the forms of application and renunciation and other documents in respect of such further equity shares to give such other directions as they may think fit and proper, including direction for the settling any question or difficulty that may arise in regard to the issue and allotment of the further equity shares and do to all such acts, deeds, matters and things as the Directors in its absolute discretion consider necessary, expedient, usual or proper.

6. To consider and if thought fit, to pass the following resolution with or without modification, as an ordinary resolution :

RESOLVED that pursuant to clause (d) of sub-section (1) of section 293 of the Companies Act 1956, and all other enabling provisions, if any, in addition to all borrowings by the Directors for and on behalf of the Company authorised by Resolution No. 3 passed at the extra ordinary general meeting of the Company held on 28.02.95 namely, the borrowing of Rs. 10 crores, the Company hereby consents to the further borrowing by the Board of Directors for and on behalf of the Company from time to time of further sums of money for the purpose of the Company amounting in the aggregate to a sum of not more than Rs. 15 crores (excluding temporary loans obtained from the Company's bankers in the ordinary course of business), that is to say, to the total borrowing by the Board of Directors for and on behalf of the Company of an aggregate sum not, exceeding

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Rs. 25 crores, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from such temporary loans obtained or to be obtained from the Company's Bankers) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

7. To consider and if thought fit, to pass the following resolution with or without modification, as a special resolution:

RESOLVED that the Company hereby approves the remuneration payable to Mr. R.L. Gupta on his re-appointment as a Managing Director of the Company for a further period of five years from 01.04.2000 on terms and conditions set out in an agreement to be entered into between the Company and Mr. R.L. Gupta, a draft of which was laid on the table and initiated by the Chairman for the purpose of identification and that the Board of Directors of the Company be and is hereby authorised to execute such agreement on behalf of the Company subject to such modifications thereof (not being more advantageous to Mr. R.L. Gupta) as may be agreed to by the Board and Mr. R.L. Gupta.

Place: New Delhi
Date : 01.09.99

By order of the Board

Sd/-
(C.V. Jain)
Company Secretary

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NOTES:

- The relative explanatory statement pursuant to Section 173(2) of the Companies Act 1956 in respect of special business under item no. 5, 6 and 7 as set out above is annexed.

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- Members/Proxies should bring the attendance slip duly filled in for attending the meeting.

- Shareholders seeking any information with regard to accounts are requested to write to the company at an early date but not later than 48 hours before the scheduled time for holding the AGM so as to enable the Management to keep the information ready.

- Members are requested to quote their registered folio number in all correspondence with the company and notify the company immediately of change, if any, in their address.

- Shareholders are requested to kindly bring their copies of Annual Report to the meeting.

- The register of members and share transfer books of the company will remain closed from 16.09.99 to 25.09.99 (both days inclusive).

- No gift will be distributed during or after the AGM

EXPLANATORY STATEMENT

Pursuant to Section 173 (2) of the Companies Act, 1956

ITEM NO. 5

There has been positive shift on the focus area of activities of the company. Of late the company has concentrated successfully on contracts from various Government Sectors/ Autonomous Bodies where in your company has been providing software services and turn-key solutions to these Govt. Bodies. Your company has been awarded prestigious contracts by the Bureau of Indian Standards (BIS) and NCPUL an autonomous body under Ministry of HRD, Govt. of India. Another major contract is at the advanced stage of finalisation with Grih Kalyan Kendra, under Ministry of Personnel Public Grievances & Pensions, Govt. of India. All these contracts are to the tune of over Rs. 10 crores. During the year, your company has tied up with Universiti Putra Malaysia, the largest University of Malaysia and the Global Knowledge Vision - IT, a leading software giant of Malaysia for software development, consultancy and training. Your company has signed the MOU with UPM on 5th May 1999. Your company is planning to invest 2 million US Dollars in Malaysia to create the requisite infrastructure for providing the software services. This has resulted in sharp increase in capital expenditure and long term working capital needs of the company.

The resolutions seek to enable the company to have various alternatives in its hand for raising the funds by issuing equity shares out of 66,36,000 unissued equity shares either to the existing shareholders on right basis and/or to the general public whether holding equity shares of the company or not and/or through private placement,as may be decided by the Board of Directors at their absolute discretion.

The equity shares of the company if issued, may be at such premium as may be decided by the board but not exceeding Rs. 100/-.

The approval of the members is sought pursuant to the provisions of Section 81 of the Companies Act, 1956.

No Director of the company is interested or concerned in the resolution except to the extent of his shareholding in the company.

ITEM NO. 6

At the extra ordinary general meeting of the Company held on 28.02.95, the Company had accorded its consent under section 293(1)(d) of the Companies Act, 1956, to the Directors borrowing moneys up to a limit of Rs. 10 crores (excluding temporary loans obtained from the Company's bankers in the ordinary course of business). Taking into account the further requirements of additional finance for the expansion programme/new projects undertaken by the Company, a fresh resolution is proposed providing that, in addition to the Company's existing borrowings, the Directors may, for and on behalf of and for the purposes of the Company, borrow further sums of money amounting in the aggregate to a sum of not more that Rs. 15 crores, thereby raising the total borrowing limit from Rs. 10 crores to Rs. 25 crores.

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ITEM NO. 7

The present term of appointment of Mr. R.L. Gupta as Managing Director will expire on 31.03.2000. The Board of Directors feels that for the sake of continuity of the present management and for efficient running of the Company, the services of Mr. R.L. Gupta should be available to the Company for a further period of five years with effect from 01.04.2000. In terms of the provisions of the Articles of Association of the Company, the Board of Directors at a meeting held on 17.08.99 re-appointed him as a Managing Director for a further period of five years with effect from 01.04.2000 without any change in the terms and conditions under the previous agreement. The remuneration proposed to be paid to Mr. R.L. Gupta as a Managing Director, is as under:

He shall be entitled to the following remuneration and perquisites provided that the aggregate of remuneration and perquisites shall not exceed the ceiling of 5% of net profits laid down in sub-section (3) of section 309 of the Act:

(a) Salary Scale : Rs. 30,000-5,000-50,000/- per month.

(b) Perquisites: [Subject to the ceiling of Rs. 1,35,000 per annum]:

(i) Rent-free furnished accommodation with service of personnel for maintenance and protection of property of the accommodation [provided, monetary value of which shall not exceed 60 percent of the salary over and above 10 percent payable by the appointee, the expenditure to be incurred by the Company on gas, electricity, water and furnishing] subject to the ceiling of 10 percent of the salary of the appointee, being valued as per the Income-tax Rules, 1962;

(ii) Reimbursement of medical expenses of the appointee and his family, the total cost of which to the company shall not exceed one month's salary in a year or three months' salary over a period of three years;

(iii) Leave Travel Concession for the appointee and his family once in a year in accordance with the rules of the Company;

(iv) Fees of clubs subject to a maximum of two clubs. But the Company shall not pay admission or life membership fee;

(v) Personal accident insurance premium not exceeding Rs. 1,000 per annum;

(vi) Free use of Company's car and driver for Company's business.

(vii) Free use of telephone at residence for Company's business.

(viii) Contribution to the provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income-tax Act, 1961;

(ix) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;

(x) Encashment of leave at the end of the tenure.

The aforesaid terms of remuneration have been set out in a draft agreement to be executed in due course between the Company and Mr. R.L. Gupta. The said agreement also provides for the mutual rights and obligations of the parties and stipulations relating to its termination in certain circumstances.

In compliance with section 309 of the Companies Act, 1956, the terms of remuneration specified above are now placed before the members for their approval and your Directors commend the acceptance of the resolution.

After obtaining the approval of the members, the Company will enter into an agreement with Mr. R.L. Gupta on the lines of the aforesaid draft agreement incorporating therein such modifications (not being more advantageious to Mr. R.L. Gupta) as may be accepted by the Board and Mr. R.L. Gupta.

This statement should be treated as an abstract of the terms of the contract with Mr. R.L. Gupta for the purpose of section 302 of the Companies Act, 1956.

A copy of the draft agreement may be inspected at the registered office of the company on any working day during business hours. Except Mr. R.L. Gupta none of the Directors is concerned or interested in the resolution.

By order of the Board of Directors

sd/-
(C.V. Jain)
Company Secretary

Place: New Delhi
Date: 01.09.99

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DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the fifth Annual Report and Statement of Accounts of your company for the Financial Year ending 31st March '99.

CORPORATE RESULTS

(Rs. in Lacs)

	Year ended 31.03.99	Year ended 31.03.98
Income from Operations	**692.28**	541.57
Other Income	**5.21**	3.76
Total Expenditure	**557.18**	474.47
Interest	**17.91**	13.37
Gross Profit (after interest but before Depreciation and Taxes)	**122.41**	57.49
Depreciation	**30.28**	21.43
Provision for taxation	**13.50**	9.00
Profit	**78.62**	27.06
Profit b/f	**49.61**	23.93
Profit available for appropriation	**99.61**	50.99

Information Technology has taken a quantum leap in terms of evolution in the global software industry and is poised for phenomenal growth as indicated by the recent NASSCOM survey. According to the survey, the software export industry in India grew at the rate of 65.5% in the first half 1998-99. The software industry is aiming for a revenue of $ 6 billion by the year 2000, out of which the component of software exports is as high as $ 4 billion. The IT industry will require over $ 1 million trained manpower by the year 2008. The world is now responding positively to Indian talent and expertise in software, which has helped put India prominently on the world IT map. Taking cognizance of this fact, IEC-the premier IT organisation in India and emerging as a global software player, provides a major thrust of the industry offering its services in software development, consultancy, training & software exports.

Company Performance

Since inception the company has been showing a steady growth. This year is also not an exception as the total income of the company has been increased from Rs. 545.33 lacs in the year 1997-98 to Rs. 697.49 lacs having a growth of 27.90% over the previous year. The net profit has also jumped by 190.54% to Rs. 78.62 lacs in the year 1998-99 from 27.06 lacs during 1997-98. Despite all the constraints the company has been able to curtail its expenditures which helped the company to improve its profitability as compared to the last year. There has been a growth of 27.19% in the franchise business whereas income from the software training has increased by 14.46%. The emphasis of the company has shifted to software activities which is evidently clear from 43.4% jump in software processing activities which has has grown upto Rs. 86.63 lacs in the year 1998-99.

Your company has entered into alliances with two US based global IT giants, the Unified Access Communications Inc., Boston, USA, and Nextgen Solutions, Inc., Chicago which specialise in Netware Security, Date Warehousing and Data Mining respectively. The collaboration which these two software

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giants in USA will open the floodgrates of off-shore and on-site development business in United States which is the biggest market today for software development & exports. The best of software professionals in India have been shortlisted and recruited for USA for this purpose.

During this year, your company bagged a prestigious 6 crores contract from NCPUL (National Council for Promotion of Urdu Language), under the Ministry of HRD, Govt. of India for providing a one year training course in computer Applications and DTP Urdu. This contract is for a period of 4 years and is expandable upto Rs. 25 crores for 200 centres across the country. Your company is the only company shortlisted for the project. We do not foresee any competition in this project. Presently this project has been financed through Central Bank of India, Bhagirath Palace which has sanctioned Rs. 183.75 lacs for the project.

This contract has paved the way for your company to procure and execute similar contracts in India. The one year training course under this contract has the distinction of being one of the first of its kind in India to provide training on Urdu software, which will offer your company an opportunity for procuring orders from the users of bilingual softwares, which is today a focus area of the software industry. The contract with regard to development of Sanskrit software is also at an advanced stage.

During the year, your company made a significant dent in the South East Asian region by entering into contract with University Putra Malaysia (UPM), the largest University of Malaysia and the Global Knowledge Vision - IT, a software giant of Malaysia for total IT Solutions. The University Putra Malaysia has a student strength of over 25000, which is a captive target audience, which IEC has at its disposal. The bottom-line of this whole tie-up is IEC's expertise, both in software development and training. Malaysia is a big market for the IT Services as it has set up a Multimedia Super Corridor (MSC), which is a multi billion dollar cyber city, known as Cyber Jaya. Your company plans to become a partner in the Multimedia Super Corridor by acquiring on MSC status. The company is already processing the application for becoming the MSC company. Along with the Multimedia Super Corridor, your company will focus on developing CD-ROM based training, which will help the students to learn and practice at the same time. Taking into consideration the CD-ROM based training, your company plans to open virtual campuses which will revolutionise the concept of IT education.

Your company plans to invest nearly 2 million US dollars in Malaysia in the next two years i.e. 1999-2000 & 2000-2001 to create the requisite infrastructure by becoming partner in Multimedia Super Corridor. This investment in aimed at creating the state-of-the-art Multimedia Development Centre. Also taking into fact that e-commerce is emerging as the most prudent market in the times to come, your company shall develop e-commerce based utilities and implement them world-wide.

Today business enterprises are increasingly looking at integrated systems to compete and grow. Avenues for optimising use of resources, improving productivity, better quality and speed of decision making and reducing response time are being aggressively sought after. Enterprise Resources Planning (ERP) system help to achieve just that. The ERP market is growing at 25-30% globally over the past few years. Realising that ERP related business is a major opportunity in the world market, your company entered into strategic alliance with BaaN Institute at Hyderabad for providing ERP training at a highly professionalised level. BaaN is one of the most widely acknowledged and accepted ERP packages. the world-over and IEC's alliance with the prestigious BaaN Institute shall go a long way in creating a market for the trained BaaN professionals in the international market.

During the year under review, your company bagged the prestigious contract worth Rs. 1 million from B.I.S. (Bureau of Indian Standards) for providing training to over 1000 employees from all over the country. The Company's proposal has been selected from among all the major IT training institutes, which underlines the credibility of your company.

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