



Quality
Endorsed
Company

ANNUAL REPORT 1997 - 98

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

No Notice

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LEADING EDGE SYSTEMS LIMITED



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BOARD OF DIRECTORS

S.Y. REGE
ATUL KAMATH
RAM BHAGWAT
TUSHAR VAIDYA

COMPANY SECRETARY

S. MUKUNDHAN

AUDITORS

M.H. KALE & CO

SOLICITORS

CRAWFORD BAYLEY & CO

LEGAL ADVISORS

M/s SANJAY A PATKAR

BANKERS

STATE BANK OF INDIA
THE VYSYA BANK LTD

CORPORATE OFFICE

UNIT 27, SDF-I
SEEPZ, ANDHERI (EAST)
MUMBAI 400 096

US OFFICE

1 METROPLEX DRIVE
EDISON, NJ 08817
USA

DEVELOPMENT CENTRES

214-216, UDYOG BHAWAN
SONAWALA ROAD
GOREGAON (EAST)
MUMBAI 400 063

A1, PIROJSHA NAGAR
GODREJ SOAPS COMPLEX
EASTERN EXPRESS HIGHWAY
VIKHROLI (EAST), MUMBAI 400 079

LEADING EDGE SYSTEMS LIMITED

Quality Policy

At Leading Edge Systems, the management and the employees are committed to secure a long-term partnership with each customer. We are in the business of providing Custom Engineered Software Solutions, Consulting Assignments, Software Migration & Maintenance. We want to be the preferred supplier of the products and services that we offer. We intend doing this by

- Ensuring that all products and services will provide complete satisfaction through meeting or exceeding the mutually agreed requirements and expectations consistently.
- Fostering a team environment where quality is everyone's responsibility.
- Promoting a philosophy of continuous improvement embraced by each and every employee.
- Inculcate awareness in all our employees to be responsible for what they produce.

Goals

- ⇒ To maintain and continuously improve the Quality System based on ISO 9001 - 1994, IEEE 1298. 1-1992 and AS 3563, 1-1991 standards.
- ⇒ Introduce / inculcate TQM culture
- ⇒ Achieve SEI - CMM Level 4 by year 2000
- ⇒ (Score a 700 on the IQRS scale by 2000) to achieve :
 - Customer Delight
 - Empowered Employees
 - Higher Revenues
 - Lower Costs

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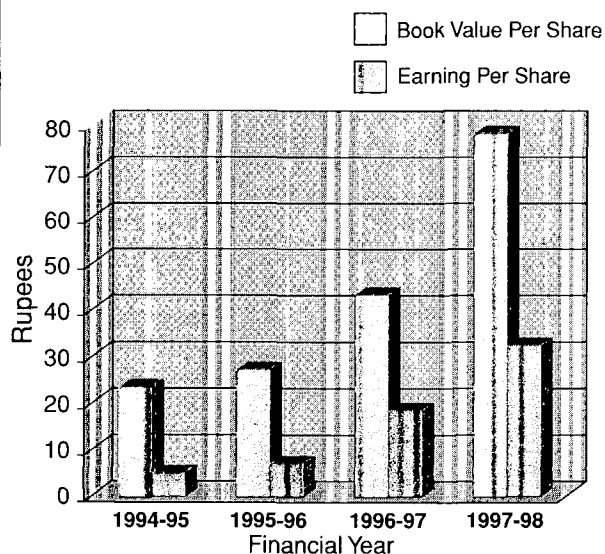
PERFORMANCE AT A GLANCE

(Rs. In Millions)

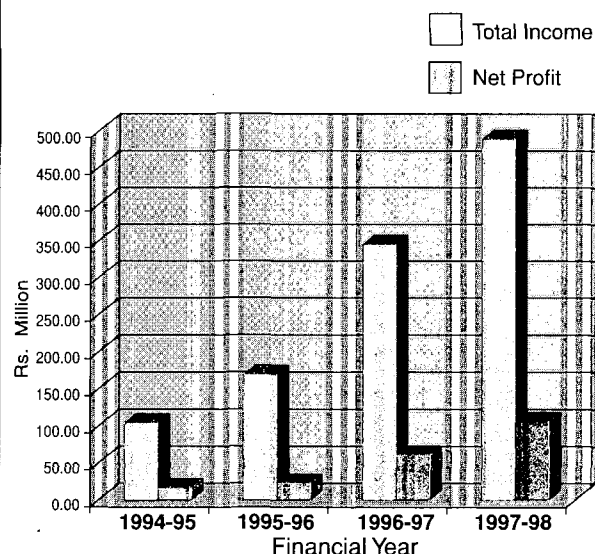
	for the year ending March 31,			
	1998	1997	1996	1995
Total income	488.20	345.60	169.56	104.80
Operating expenses	347.15	255.81	137.17	81.25
Operating profit	141.05	89.79	32.39	23.55
Interest and finance charges	1.21	0.89	0.67	0.53
Depreciation	7.49	5.78	4.73	2.59
Profit before taxes	132.35	83.12	26.99	20.43
Taxation	25.53	22.12	3.69	3.80
Net profit	106.82	61.00	23.30	16.63
Dividend %	30.00	22.50	15.00	15.00
Dividend amount	10.85	7.40	4.93	2.97
Equity Capital	32.89	32.89	32.89	32.89
Reserves & Surplus	209.86	111.91	59.16	46.94
Net worth	242.75	142.90	89.91	77.35
Net Assets	247.76	147.78	93.72	81.38
Performance Indicators				
as a % of total income				
Operating Margin	28.89	25.98	19.10	22.47
Net Margin	21.88	17.65	13.74	15.87
Taxation	5.23	6.40	2.18	3.63
Taxation/Profit before taxes	19.29	26.61	13.67	18.60
Current Ratio	4.24	3.66	4.26	10.11
Total income/net working capital(times)	2.43	3.16	2.32	1.52
Fixed assets turnover (times)	8.21	7.61	6.20	6.36
Receivable (in days)	108.78	82.96	79.37	70.35
CAGR -total income %	62	89	62	—
Investment Indicators				
Book value per share	73.28	43.43	27.33	23.51
Earnings per share	32.47	18.54	7.08	5.05
Return on capital employed %	43.11	41.28	24.86	20.43
Share price as on March 31, (BSE) Rs.	421.00	61.50	27.00	81.00
Market capitalisation (in millions)	1385	202	89	266

LEADING EDGE SYSTEMS LIMITED

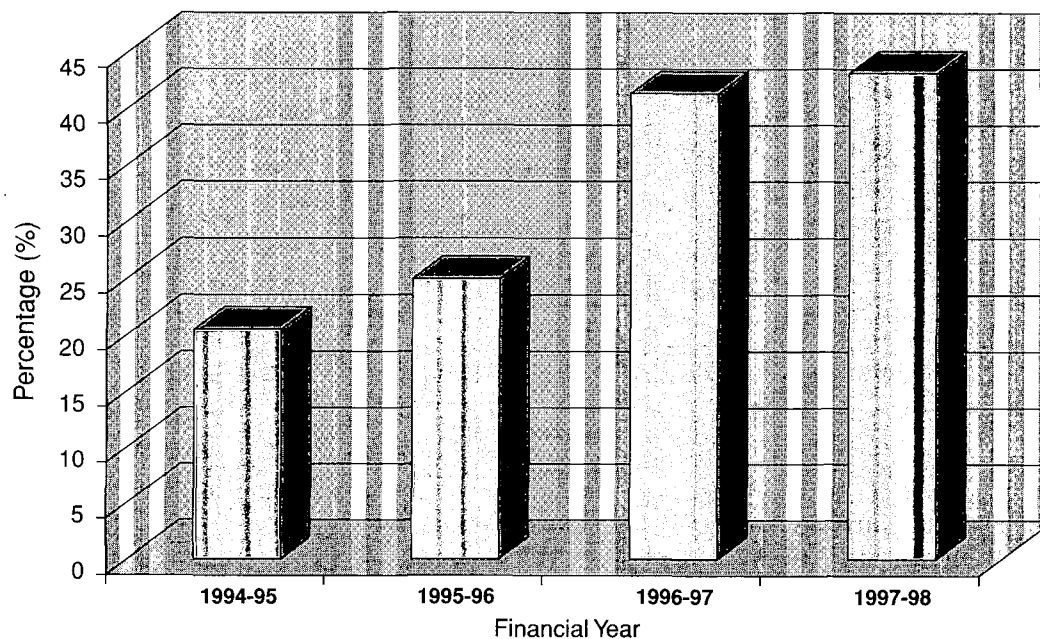
BOOK VALUE AND EPS



TOTAL INCOME AND NET PROFIT



RETURN ON CAPITAL EMPLOYED (%)



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Dear Shareholder,

1997-98 was another successful year at Leading Edge Systems (LES). During the year under review, the total income of LES was higher by 41% at Rs.488.19 million as against Rs. 345.60 million for the year ended March 31, 1997. The profit after tax was higher by 75% at Rs.106.8 million.

Alongwith the strong expansion in the US economy, the demand for software services continues unabated. LES, being one of the very few companies in the Indian software industry to have a full fledged operation in the US, has already established itself as a prime software vendor to several major US corporations which, being satisfied by the quality of services provided, continue to source their requirements from us.

In 1997-98, approximately 30% of the business sourced from the US was executed at the company's software export facilities in SEEPZ, whereas the balance was executed in the US itself, at the company's facility in Edison, New Jersey. LES is undertaking a major expansion programme at both locations, having recently leased 20,000 sq. ft. at Vikhroli in North East Mumbai which is due to be commissioned in September 1998. This facility will accommodate approximately 250 engineers and will be connected to the company's US facilities through a 64 kbps satellite link. With this facility, LES will make a substantial entry in the mainframe business, initially by offering to solve the millenium date (Y2K) problem. Your management firmly believes that the Y2K opportunity, which substantially will contribute to both revenues and profits, offers very little by way of value addition and must only be used as a stepping stone for securing customers who are heavily dependent on mainframe platforms. This approach should help in sustaining the company's growth well beyond the year 2000 by which time your company would be well positioned to offer

a diverse product mix to its strong customer base. Systems, processes and procedures form the underlying base on which one can expect to build a successful company. In the unceasing quest for continuous improvement, your management expects to achieve level 3 of the Capability Maturity Model (CMM) as defined by the Software Engineering Institute (SEI) during the year and to reach level 4 by the year 2000.

Going forward, your management's greatest challenge today is logistically gearing up to the substantial flow of business without, in any way, making any sacrifices in terms of quality and time schedules. This requires intensive training within the organization as well as developing the ability to manage a much larger workforce while keeping intact the same, collaborative atmosphere that has been a key ingredient of the company's success to date. In the current year, your management will focus on institutionalizing systems and processes within the company in order to handle higher volumes of business with the same degree of efficiency and control.

Your management believes that its current growth levels can be sustained through the ploughback of internal accruals alone. However, in case the management feels that higher growth rates could be achieved given additional financial resources to finance investments in infrastructure, it will consider the need to gear up its otherwise debt free balance sheet. Your management is conscious of the fact, however, that every rupee raised must incrementally produce the same return on capital employed in the business and will, therefore, approach any programme of raising resources very cautiously.

Finally, your management would like to thank the company's employees, customers and shareholders for their unstinted support.

Atul Kamath

Tushar Vaidya

Ram Bhagwat

LEADING EDGE SYSTEMS LIMITED

DIRECTORS' REPORT

The directors are pleased to present the twelfth annual report and audited statement of accounts of Leading Edge Systems Limited for the year ended March 31, 1998.

Financial Results

	(Rs. in Millions)	
	Year ended	Year ended
	March 31, 1998	March 31, 1997
Gross Revenue	488.19	345.60
Operating profit (PBITD)	141.48	89.79
Interest	1.21	0.90
Depreciation	7.49	5.78
Provision for tax	25.53	22.11
Profit After tax	106.82	60.99
Appropriations		
Add : Refund of excess tax paid	2.73	0.84
Less : Tax on dividend	0.74	
Proposed Dividend	10.85	7.40
Transfer to General Reserve	10.68	6.77
Profit after Appropriations	87.27	45.97
Add: Balance Brought Forward	68.52	22.54
Balance To Be Carried Forward	155.79	68.52

Dividend

The directors are pleased to recommend a dividend of Rs. 3 per share for the year ended March 31, 1998. The total dividend amount will be Rs. 10.85 millions (inclusive of dividend tax) as compared to Rs. 8.14 millions in the previous year.

Operations

The year under review was again a successful one for the company. The total income of the company was higher by 41% at Rs. 488.19 millions as against Rs. 345.60 millions for the year ended March 31, 1997. The profit after tax was higher by 75% at Rs. 106.82 millions.

During 1997-98, LES invested Rs.13.60 millions in upgrading its hardware and software infrastructure. During the current year, in line with our plans for expansion, LES has leased 20,000 sq. ft. at Vikhroli in North-East Mumbai and the major activity during the first half of the current year would be the commissioning of this facility which would accommodate upto 250 people. The company expects to invest Rs. 60 millions in this facility.

Leading Edge Infotech Limited

The Indian business of the company is carried out through Leading Edge Infotech Limited (LEI), a 100% subsidiary of LES. LES has invested Rs. 5 millions as equity in LEI. LEI was formed to focus on developing products and providing services to the financial services sector in India. It boasts some of the top names in this sector in its client list including DSP Merrill-Lynch, I-Sec, ABN-AMRO, Hoare-Govett Asia, Ceat Financial etc. However, the financial services industry has been facing severe problems during the last two years and this resulted in LEI making only a modest profit of Rs.0.34 millions on a turnover of Rs. 15 millions.

Employee Stock Option Plan (ESOP)

Success in the software business is dependent upon our people to a far greater extent than in almost any other business. In order to reward and retain our key employees, LES has recommended the introduction of an Employees Stock Option Plan (ESOP) from this year. We want our employees to be partners in our growth and the ESOP would be the vehicle for their direct participation in this endeavour. The necessary resolution for ESOP has been included in the agenda for the ensuing Annual General Meeting.

Bonus issue of shares

The directors recommend a bonus issue of shares in the ratio of one bonus share for every existing equity share of the company. The necessary resolutions are being placed before the ensuing Annual General Meeting.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. S.Y. Rege, Director, is liable to retire by rotation and is eligible for re-appointment.

Auditors

The auditors, M/s. M. H. Kale & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Information Pursuant To Section 217 of The Companies Act, 1956

The information required under the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and under Section 217 (1) (e) of the said Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in the Annexure included in this report (which forms a part of this report). As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report together with Accounts is being sent to the shareholders of the company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the company.

Acknowledgments

The directors would like to gratefully acknowledge the contribution made by our employees to the growth of the company. We would also like to thank our shareholders, customers, vendors and bankers for their continued support. The directors would also like to thank the Government of India, the SEEPZ authorities, RBI and other government agencies as well as NASSCOM for their support.

On behalf of the Board of Directors

Sd/-

Mumbai
May 19, 1998

Atul Kamath
Director

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ANNEXURE TO DIRECTORS' REPORT

Information under section 217 (1) (e) of the Companies Act, 1956, read with Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 1998.

CONSERVATION OF ENERGY

- a) Energy conservation measures taken : The computer systems installed are designed for low power consumption.
- b) Additional investments and proposal if any, being implemented for reduction of consumption of energy : As above
- c) Impact of measures in (a) and (b) for reduction of energy consumption and consequent impact on the cost of production : N. A.

- d) Total energy consumption and energy consumption per unit of production : N. A.

TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption : N. A.

FOREIGN EXCHANGE EARNINGS & OUTGO

- f) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans : As detailed elsewhere in the report
- g) Statement of Expenditure/Earning incurred in Foreign Currency
- | | |
|--------|---------------------|
| Outgo | : Rs. 360,544,552/- |
| Income | : Rs. 489,040,517/- |