

## REPORT ON CORPORATE GOVERNANCE

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## Report on Corporate Governance

*“Corporate Governance is the acceptance by Management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a Company.” Excerpts from Securities and Exchange Board of India (SEBI) Consultative Paper on Review of Corporate Governance Norms in India.*

Both globally as well as in India, Corporate Governance is increasingly being recognized as a key component in the efficient functioning of every business. Good Corporate Governance practices are sine qua non for a sustainable business organisation that aims at generating long term value for all its stakeholders. It mainly involves the establishment of structures and processes, with appropriate checks and balances, that enable the Board to discharge its responsibilities accordingly.

Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement with an objective to align it with the provisions of the Companies Act, 2013, adopt best practices of Corporate Governance and to make the Corporate Governance framework more effective. The revised framework was subsequently notified by SEBI. Nucleus is already compliant with most of the new provisions.

The flow of content in this Report is as follows:

### Report on Corporate Governance

- A. Board of Directors
- B. Committee of the Board of Directors
- C. Shareholder Information
- D. Disclosures
- E. General Shareholder Information
- F. Compliance with Non-Mandatory Requirements



Figure 1

Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment of all its stakeholders including shareholders, partners, vendors, customers and employees. The driving forces of Corporate Governance at Nucleus are its core values: belief in people, entrepreneurship, customer orientation and pursuit of excellence. Corporate Governance philosophy at Nucleus is to not only comply, not just in letter but also in spirit, with the statutory requirements, but also voluntarily formulate and adhere to best Corporate Governance practices.

**The Company’s Corporate Governance practice is based on the following :**

#### A. Board of Directors

The Company’s Board of Directors plays a key role in providing direction in terms of strategy, target setting and performance evaluation of top management. It places special emphasis on compliance as also ensuring that the Company operates in the best interests of all its shareholders.

The Companies Act, 2013 has made several significant changes which seek to redefine “Governance” in India. New concepts have been introduced such as Women Directors on the boards to bring in gender diversity, Small Shareholder Director, Board Performance Evaluation and Corporate Social Responsibility. The internal financial controls and risk management oversight of the Boards have been strongly emphasised, disclosures have been enhanced and Independent Directors have been entrusted with larger responsibilities to make their role more objective and purposeful. Overall, the new Act aims to raise the governance profile of Indian companies.

#### a) Attributes of a Board

It is important to consider a variety of personal attributes among the Board incumbents including intellect, judgment, openness, honesty and the ability to develop trust. A Board requires Directors who have the intellectual capability to question status quo and debate any new policy/strategy as also offer suggestions and alternatives.

#### b) Size of the Board

An ideal Board should ensure an appropriate balance of power, independence and authority. As of March 31, 2014, the Board at Nucleus consists of six members, all except the promoter are Independent, Non-Executive Directors. All Independent Directors, with their diverse knowledge and expertise, provide valuable contribution in the deliberations and decisions of the Board, maintaining the requisite independence.

#### The Board composition as on March 31, 2014:

Name of Director	Position	Age in years
Mr. Janki Ballabh (DIN 00011206)	Chairman, Non-Executive, Independent Director	71
Mr. Vishnu R Dusad (DIN 00008412)	Managing Director, Promoter, Executive Director	57
Mr. Prithvi Haldea (DIN 00001220)	Non-Executive, Independent Director	63
Mr. Sanjiv Sarin (DIN 00016155)	Non-Executive, Independent Director	55

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Name of Director	Position	Age in years
Prof. Trilochan Sastry (DIN 02762510)	Non-Executive, Independent Director	54
Mr. N. Subramaniam (DIN 00166621)	Non-Executive, Independent Director	53

Table 1

### c) Board Membership Criteria

Our Board comprises of eminent professionals of integrity with relevant skills and experience. Their contribution is facilitated by:

- high quality board documentation;
- expert opinions, wherever deemed necessary; and
- healthy debate especially on complex, contentious and critical issues.

A brief profile of each of the Board members is presented below.

#### **Mr. Janki Ballabh, Chairman, Non-Executive, Independent Director**

Mr. Janki Ballabh, an eminent banker and former Chairman of the State Bank of India and State Bank Group, has vast experience and expertise in finance, banking and corporate management.

He is presently a Director on the Boards of Tata AIG Life Insurance Co. Ltd., Tata Capital Ltd., Tata Capital Housing Finance Ltd., Tata Capital Financial Services Ltd., and Tata AIG General Insurance Company Ltd. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy, provides strategic and operational excellence to the Company and a capability to drive innovation.

Mr. Janki Ballabh joined the Board of Directors of Nucleus Software Exports Ltd. in November 2008.

#### **Mr. Vishnu R. Dusad, Managing Director & CEO**

Mr. Vishnu R. Dusad is one of the main founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad has enriched Nucleus with his technology background and 28 years of valuable professional experience in the exciting space of Information Technology Solutions for the BFSI sector. He has a deep commitment to making a difference in the lives of fellow Nucleites, and through Nucleus, to the world around. His success in concluding business deals for implementing Nucleus Products globally owes much to a deep sensitivity to cross-cultural nuances. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Dusad attributes the success of Nucleus to teamwork, entrepreneurial skills and the ability to leverage opportunities in the marketplace.

#### **Mr. Prithvi Haldea, Non-Executive, Independent Director**

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with The World Bank and the U.S Department of Commerce.

In 1989, Mr. Haldea set up PRIME Database, the country's first and still the only database on the primary capital market. It has a large subscriber base, and is widely reported by the media. Mr. Haldea is a visiting faculty at several institutions and has addressed hundreds of conferences in India and abroad.

Mr. Haldea is presently the Member of the Government's Standing Council of Experts for the Financial Sector, Board of Governors of Indian Institute of Corporate Affairs, and Member of the Quality Review Board-ICAI. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Application Form in Public Issues, ICSI Standing Committee for Development of a Model for Assessing Corporate Governance, Listing Advisory Committee of NSE and Delisting Committee of DSE. Mr. Haldea is the Chairman of PHDCCI Capital Markets Committee and Chairman of the ASSOCHAM's National Council for Capital Markets. He is an Advisor to the Association of Investment Bankers of India and to Gaja Capital Pvt. Ltd.

In the past, Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority-SEBI, First Trustee of the Pension Fund Regulatory & Development Authority, Central Government Nominee on the Governing Council of The Institute of Chartered Accountants of India, Central Government Nominee on the Governing Council of The Institute of Company Secretaries of India, Finance Minister's High-level Expert Committee on Corporate Bonds and Securitization, SEBI Secondary Market Advisory Committee, SEBI Committee on Disclosures & Accounting Standards, SEBI Committee for Review for MAPIN, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, and Index Committee, Listing Committee and Delisting Committee of BSE. He was also on the board of UTI Mutual Fund as an Independent Director for nearly 6 years till end 2011. He was also a member of CII's National Task force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee.

As an investor protection activist and proponent of good corporate governance, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched several unique websites which include [www.watchoutinvestors.com](http://www.watchoutinvestors.com), aggregating information on economic defaulters which now lists over 1,60,000 cases, [www.primedirectors.com](http://www.primedirectors.com): a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, [www.indianboards.com](http://www.indianboards.com) profiling directors of listed companies and [www.msmemotor.in](http://www.msmemotor.in), a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained [www.directorsdatabase.com](http://www.directorsdatabase.com), covering detailed profiles of directors

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of Indian listed companies and [www.iepf.gov.in](http://www.iepf.gov.in), an investor education initiative. Mr Haldea has also extended his skills of information management to other organizations, by creating [www.bsepsu.com](http://www.bsepsu.com), a website dedicated to disinvestments, a new website [www.divest.nic.in](http://www.divest.nic.in) for the Department of Disinvestment, and the PE/VC Directory for the Indian Venture Capital Association.

Mr. Prithvi Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, and of Nucleus Software Ltd. in April 2008.

### **Mr. Sanjiv Sarin, Non-Executive, Independent Director**

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM from XLRI, Jamshedpur. He has 32 years of corporate experience and has held senior positions (including CEO) in Indian and multinational companies in India and overseas. He is currently working as a consultant based in New Delhi.

He has played leadership roles in establishing new businesses and new markets. His various interventions have contributed significantly to the growth and success of the organizations he has been associated with. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organization building and human capital development. He plays the role of a friend, advisor and mentor to start ups. He also works as a freelance editor.

Mr. Sanjiv Sarin joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, and of Nucleus Software Ltd. in April 2008.

### **Professor Trilochan Sastry, Non-Executive, Independent Director**

Professor Trilochan Sastry, former Dean at IIM Bangalore, currently teaches at IIM Bangalore. A BTech. from IIT, Delhi, an MBA from IIM, Ahmedabad, and a Ph.D. from MIT, USA, Professor Sastry has taught for several years at IIM, Ahmedabad after which he moved to IIM, Bangalore. A recipient of national award for research and teaching, Professor Sastry has taught in many prestigious Universities in India, Japan, Hong Kong and United States and has published several academic papers in Indian and International journals. He serves on the Board of NABARD and had earlier served on the Board of IIM Bangalore for 5 years.

Professor Trilochan Sastry joined the Board of Directors of Nucleus Software Exports Ltd. in April 2013.

### **Mr. N. Subramaniam, Non-Executive, Independent Director**

Mr. N. Subramaniam is a post graduate from IIM Ahmedabad and is also CA, CS and CWA by qualification. Having a corporate experience of over 30 years, he founded M Cap Fund Advisors and is its Managing Partner. He is currently an Independent Director on the Board of L&T Finance Ltd and Omkar Clean Energy Services Limited. In the past, he has been the Chairman of Venture Capital Association of India, Infracore Technologies, Vice Chairman of Mphasis, Chairman of Audit Committee of Mphasis and Director of Auro Mira Energy, Maples ESM Technologies, SECOVA, Cybernet Software Systems and SlashSupport Inc. He was also the member of Board at Integra Software Services, SlashSupport, Jyothy Laboratories, SRA Systems and B&M Hotbreads

Pvt Ltd. His interests, beyond finance, include a passion for Executive Coaching and Green Energy Technologies.

Mr. Subramaniam joined the Board of Directors of Nucleus Software Exports Ltd. in July 2012.

### **d) Diversity in Board**

Diversity, in all its aspects, serves an important purpose for Board effectiveness. It can widen perspectives while making decisions, avoid similarity of attitude and help companies better understand and connect with its stakeholders. Such diversity may be with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality and age. The Nucleus Board represents diversity in terms of all these parameters.

### **e) Separation of the Office of Chairman and the Chief Executive Officer (CEO)**

At Nucleus, the role and office of the Chairman and Chief Executive Officer (CEO) have always been separate. This promotes the right balance and prevents unfettered decision making power with a single individual. For greater efficiency, there is also a clear demarcation of the role and responsibilities of the Chairman and the CEO.

Chairman provides the necessary support to the CEO, and both have regular and structured access to the executive and management team. CEO is the principal executive of the Company and is accountable for the management and operations of the Company and implementation of business policies and strategies agreed to by the Board of Directors in a manner that is consistent with best business practices. CEO leads internally, with the Chairman adding value in strategy and structure, and ensuring that the Company is represented with integrity to institutions, investors, analysts and other stakeholders.

#### **Roles and Responsibilities of the Nucleus Board Chairman are:**

- Ensure that the Board establishes and regularly reviews the Company's policies, strategies and plans.
- Provide consistent strategic input and scrutiny.
- Assist and guide the CEO as a mentor/coach.
- Chair the meetings of the Board and of the General Meetings.
- Ensure sufficient Board and Committee time for discussion of complex or contentious issues, with additional informal meetings for prior discussion, if necessary.
- Oversee the balance of membership of the Board and appointments to the Committees.
- Identify the development needs of individual Directors, and of the Board as a whole, and facilitate appropriate training.

#### **Role and Responsibilities of the Nucleus CEO are:**

- Prepare strategy, plans, mission and vision of the Company and strive for its implementation.
- Responsible for running the Company's business operations and financial performance.
- Provide clear leadership.
- Develop the right organisation structure.
- Responsible for succession planning for key executives and its implementation.
- Communication with investors and other stakeholders.

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### f) Membership Term

The Companies Act, 2013, mandates that not less than two-thirds of the total number of Directors of a public company shall be persons whose period of office is liable to determination by retirement of Directors by rotation; and at every annual general meeting, one-third of such of the directors for the time being as are liable to retire by rotation. The Independent Directors proposed to be appointed in the ensuing Annual General Meeting shall not liable to retire by rotation.

The Managing Director is appointed by the shareholders for a maximum period of five years at a time and is eligible for re-appointment upon the completion of the term. Mr. Vishnu R Dusad, Managing Director of the Company was re-appointed as Managing Director w.e.f January 1, 2012 for a period of 5 years. His present term expires on December 31, 2016.

### g) Compensation of the Board of Directors

Compensation of the Managing Director has been approved by the shareholders at the Annual General Meeting held on July 8, 2011.

Non-Executive Directors are paid an amount not exceeding one percent of the net profits of the Company, in terms of Section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2009. As per the Companies Act, 2013, Independent Directors are not eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time.

#### Compensation Paid /Payable to the Directors for the period April 2013 to March 2014

(Amount in `)

Name of Director	Position	Salary	Company's Contribution to Provident and other funds	Perquisites/ Allowances	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	–	–	–	1,280,000	200,000	1,480,000
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	6,000,000	360,000	89,003	–	–	6,449,003
Mr. Arun Shekhar Aran*	Non-Executive, Independent Director	–	–	–	91,180	60,000	1,51,180
Mr. Prithvi Haldea	Non-Executive, Independent Director	–	–	–	1,280,000	520,000	1,800,000
Mr. Sanjiv Sarin	Non-Executive, Independent Director	–	–	–	1,280,000	540,000	1,820,000
Prof. Trilochan Sastry	Non-Executive, Independent Director	–	–	–	1,188,820	200,000	1,388,820
Mr. N. Subramaniam	Non-Executive, Independent Director	–	–	–	1,280,000	340,000	1,620,000
<b>Total</b>		<b>6,000,000</b>	<b>360,000</b>	<b>89,003</b>	<b>6,400,000</b>	<b>1,860,000</b>	<b>14,709,003</b>

Table 2

\* Mr. Arun Shekhar Aran ceased to be a Director of the Company w.e.f April 27, 2013

The above remuneration of the Executive Director does not include provision for incremental liability on account of gratuity, compensated absences since actuarial valuation is done for the Company as a whole.

None of the above Directors are eligible for any severance package and do not hold any stock options of the Company as on March 31, 2014. The notice period for a Director is as mutually agreed between the Executive Director and the Board.

#### Details of Equity Shares held by Non-Executive Directors as on March 31, 2014

Name of Director	Position	No. of Equity Shares
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	–
Mr. Prithvi Haldea	Non-Executive, Independent Director	–
Mr. Sanjiv Sarin	Non-Executive, Independent Director	17,300
Prof. Trilochan Sastry	Non-Executive, Independent Director	–
Mr. N. Subramaniam	Non-Executive, Independent Director	7,684

Table 3

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### h) Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2014 is mentioned in the table below :

Name of Director	Position	Relationship with other Directors	Directorships Held of other Companies			Committee Positions held as a	
			Public	Private	Section 25 Company	Chairperson	Member
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	None	5	–	–	5	3
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	None	2	6	1	–	1
Mr. Prithvi Haldea	Non-Executive, Independent Director	None	2	4	–	–	3
Mr. Sanjiv Sarin	Non-Executive, Independent Director	None	2	–	–	1	2
Prof. Trilochan Sastry	Non-Executive, Independent Director	None	–	–	–	–	1
Mr. N. Subramaniam	Non-Executive, Independent Director	None	1	4	–	1	1

Table 4

In accordance with Clause 49 of the Listing Agreement :

- i) Membership/Chairmanships of only the Audit Committee and Shareholders/Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.
- ii) None of our Directors are members of more than ten Board level committees, or Chairman of more than five committees in Companies in which they are Directors. All the Directors are, as such, fully compliant with the requirement.

Furthermore, all our Directors besides informing the Company annually about their Committee positions in other companies, also notify changes as and when these take place.

### i) Board Meetings

#### (i) Information supplied to the Board

The Board has complete access to all information available with the Company. All information stipulated under Clause 49 is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings. There is a structured manner in which the agenda items are prepared and distributed for the Board meetings. During the Board meetings, the senior management is invited to present the plans and achievements relating to their respective areas of responsibility.

#### (ii) The information placed before the Board includes:

- o Annual operating plans and budgets, with updates, if any.
- o Capital budgets and updates, if any.
- o Quarterly results of the Company and its operating divisions or business segments.
- o Minutes of meetings of Audit Committee and other Committees of the Board.
- o Information on recruitment, remuneration and removal of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.

- o Materially important show cause, demand, prosecution notices and penalty notices, if any.
- o Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- o Any material default in financial obligations to and by the Company or substantial non-payment for products sold by the Company.
- o Any issue that involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken on adverse view regarding another enterprise that can have negative implications on the Company.
- o Details of any joint venture or collaboration agreement.
- o Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- o Any significant development concerning human resources/ industrial relations.
- o Sale of material nature, of investments and assets, which are not in the normal course of business.
- o Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- o Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o Quarterly details of investments by the Company in liquid mutual funds, bank deposits and bonds, and returns thereon.
- o Quarterly update on HR related activities.
- o Quarterly update on wholly-owned subsidiaries.
- o Quarterly update on large orders.
- o Report on order book position.
- o Report on compliances under "Code of Insider Trading" of the Company.

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- o Quarterly Certificates from SBU Heads, Global Managers and Department Heads with regard to HR, Finance & Secretarial.

### (iii) Board Agenda

- The Company Secretary, in consultation with the Chairman of the Company and Chairman of the respective Board Committees, prepares the agenda and supporting papers for discussion at each Board and Committee Meeting. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters for discussion at the meeting with permission of the Chairman.
- Moreover, the Company also attaches the “Impact Analysis on Minority Shareholders” for every agenda item at the Board meeting, proactively stating if the agenda item has any adverse impact on the rights of minority shareholders. The Directors discuss such impact analysis, and take appropriate decisions.

- The dates on which the Board meetings were held during 2013-14, and the attendance record of the members in these meetings is provided in Table 5.

Board Meeting	Name of Directors						
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran *	Mr. Prithvi Haldea	Mr. Sanjiv Sarin	Prof Trilochan Sastry	Mr. N. Subramaniam
April 27, 2013	✓	✓	✓	✓	✓	✓	✓
July 10, 2013	✓	✓	–	✓	✓	✓	✓
July 20, 2013	✓	✓	–	✓	✓	x	✓
September 29, 2013	x	x	–	✓	✓	x	✓
October 19, 2013	✓	✓	–	✓	✓	✓	x
November 11, 2013	✓	✓	–	✓	✓	✓	✓
January 19, 2014	✓	✓	–	✓	✓	x	✓
March 30, 2014	✓	✓	–	✓	✓	✓	✓

\* Mr. Arun Shekhar Aran ceased to be a Director of the Company w.e.f April 27, 2013

Table 5

- 4 Board meetings are scheduled in advance for the entire year to be held after the end of each financial quarter. Additional Board meetings are convened by giving appropriate notice. In addition, for any business exigencies, the resolutions are passed by circulation, and later placed in the ensuing Board meeting.
- Committees of the Board meet whenever required.
- The Board meetings are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.

### (vii) Board Meeting via Video Conferencing

There was one meeting held via video conferencing during the year.

### (iv) Board Materials Distributed in Advance

Information and data that is important to the Board's understanding of matters on the agenda is distributed to the Board several days prior to the Board meetings in order to allow the members adequate time for a detailed review.

### (v) Minutes of Board meetings of the Company's unlisted subsidiary companies

Minutes of the Board meetings of the Company's unlisted subsidiary companies are also placed before the Board for information.

### (vi) Scheduling of Board Meetings and Attendance during the Year 2013-14.

- A minimum of four Board Meetings are required to be held each year. Moreover, the gap between two Board Meetings should not exceed four months. Eight Board meetings were held by your Company during the year 2013-14 and the maximum gap between two Board meetings during the year was two months and nine days.

### (viii) Recording Minutes of Proceedings at Board Meeting

- The Company Secretary, who is present in each Board meeting, records the minutes of the proceedings. The draft minutes are circulated to all Board members within 48 hours of the meeting for their comments.
- The final minutes are entered in the Minutes Book within 30 days from the conclusion of each meeting.

### (ix) Compliance

The Company Secretary, while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all applicable laws and regulations.

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**(x) Action Taken Report**

All items discussed in the Board meetings which require an action are recorded separately and are circulated to the relevant persons for requisite action. The action taken by them is then reported through an "Action Taken Report", which is placed at each Board meeting.

**B. Committees of the Board of Directors**

Committees are a means of improving Board effectiveness in areas where more focused, specialized and extensive discussions are required. Some of the Board functions are performed through specially constituted Board Committees consisting of Executive and Non-Executive / Independent Directors, which then report to the Board. While some of these Committees are mandatory, some are voluntary.

During the year, in accordance with the Companies Act, 2013, the Board re-constituted some of its Committees and also formed a Corporate Social Responsibility Committee.

The Board's Committees include Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Corporate Governance Committee and Corporate Social Responsibility Committee

All Committees have formally established terms of reference/charter.

The Chairman of each Committee fulfills an important leadership role similar to that of the Chairman of the Board, particularly in creating an environment for effective contribution of each Committee member. While each Committee follows its charter, it also takes up for discussions matters referred to it by the Board. The Company Secretary, in consultation with the Board Chairman and Committee Chairman, prepares the agenda for each meeting. The minutes of each Committee's meeting are submitted to the Board for information and appropriate action.



Figure 2

**a) Audit Committee**

A key element in the Corporate Governance process of any organization is its Audit Committee. Effective Audit Committees can greatly assist the Boards in discharge of their duties in respect of integrity of the Company's financial reporting. Indeed, it is essential that Boards, Management, Internal Auditors, External Auditors and Audit Committees all work with a common purpose to ensure that the Company obtains the benefits of the Audit Committee in terms of better financial reporting and greater effectiveness of internal controls.

The Audit Committee at Nucleus was formed in August 2001. To efficiently carry out its functions, the Audit Committee has the following charter:

**(i) Terms of Reference/Charter of the Audit Committee**

**Scope of Work**

1. Search and recommend to the Board the Independent Statutory Auditors for the Company.
2. Provide an open avenue of communication between the Independent Auditors, Internal Auditors and the Board of Directors.
3. Review and update the Committee's charter annually.
4. To meet at least four times per year or more frequently if need be.
5. Review along with the Independent Auditors, the Company's Internal Auditor and Financial Personnel:
  - a) the adequacy and effectiveness of the accounting and financial controls of the Company.
  - b) related findings and recommendations of the Independent Auditor and Internal Auditor together with Management's responses.
6. Consider and review with the Internal Auditor and Statutory Auditor, and with the Management:
  - a) significant findings during the quarters and the year, including the status of previous audit recommendations.
  - b) any difficulties encountered in the course of the audit work including any issues with regard to access to required information, and
  - c) any changes required in the planned scope of the internal audit plan.
7. Prepare a letter for inclusion in the Annual Report that describes the Committee's composition and responsibilities, and how these were discharged.
8. Chairman of the Committee to be present at the AGM to answer shareholders' queries.

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9. Review legal and regulatory matters that may have a material impact on the financial statements, compliance policies, and programs and reports received from the regulators.
10. Report proceedings of the Committee to the Board of Directors with necessary recommendations.
11. Perform such other functions as are assigned by law, the Company's charter or bylaws, or the Board of Directors.
12. Mandatorily perform the following functions as stipulated under Clause 49 of the Listing Agreement:
  - a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
  - c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    - ii. Changes, if any, in accounting policies and practices and reasons for the same.
    - iii. Major accounting entries involving estimates based on the exercise of judgment by Management.
    - iv. Significant adjustments made in the financial statements arising out of audit findings.
    - v. Compliance with listing and other legal requirements relating to financial statements.
    - vi. Disclosure of any related party transactions.
    - vii. Qualifications in the draft audit report.
  - e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
  - f) Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - h) Discussion with internal auditors any significant findings and follow up there on.
  - i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  - l) To review the functioning of the Whistle Blower mechanism.
  - m) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
  - n) Carrying out any other function as mentioned in the terms of reference of the Audit Committee.
  - o) Management Discussion and Analysis of financial condition and results of operations.
  - p) Statement of significant related party transactions (as defined by the audit committee), submitted by Management.
  - q) Management letters of internal control weaknesses issued by the Statutory Auditors.
  - r) Internal audit reports relating to internal control weaknesses.
  - s) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
  - t) Reviewing compliance of legal and regulatory requirements;

## Report on Corporate Governance

13. The Audit Committee is further empowered to do the following:

- i. To investigate any activity within terms of reference;
- ii. To seek information from any employee;
- iii. To obtain outside legal professional advice; and
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### (ii) Review of Auditors

#### The Audit Committee :

- a) Recommends to the Board of Directors, the Statutory Auditors to be appointed and approve the compensation of the Statutory Auditors.
- b) Confirms and assures the independence and objectivity of the Statutory Auditors and Internal Auditor.

The Audit Committee encourages the Statutory and Internal Auditors to have open and frank discussions on their judgments about the quality of financial controls and statements, and not just accepting the Company's accounting principles as applied in its financial reporting, including such issues as the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting practices.

### (iii) Composition of the Audit Committee and Meetings Held during 2013-14

Mr. N. Subramaniam was appointed as Chairman of the Audit Committee during the year. The Audit Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreements entered into with the Stock Exchanges read with section 292 A of the Companies Act, 1956 ("Act"). The Company Secretary of the Company is the Secretary of the Committee.

The Audit Committee met ten times during the year. As per the statutory requirement, the maximum gap between two Audit Committee Meeting did not exceed the mandatory four months. (The maximum gap between two meetings was two months and twenty seven days).

**The Composition of the Audit Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:**

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. N. Subramaniam	Committee Chairman, Non-Executive, Independent Director	10	9
Mr. Prithvi Haldea	Non-Executive, Independent Director	10	10
Mr. Sanjiv Sarin	Non-Executive, Independent Director	10	10

Table 6

Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 10, 2013 to answer shareholders' queries.

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings of the Committee upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters, internal audit reports relating to internal control weaknesses as required by Clause 49 of the Listing Agreement are reviewed by the Committee.

### (iv) Separate Meetings of the Audit Committee Members with the Auditors

In line with the best Corporate Governance practices, meetings of the Audit Committee, independent of the Management, are scheduled every quarter, a few days prior to the Audit Committee's meeting to review the quarterly results. The main objective of such meetings is to allow the Internal Auditor and the Statutory Auditor to express any areas of concern with respect to any matter as also raise such issues where there is some disagreement with the Management.

### (v) Audit Committee Report for the Year Ended March 31, 2014

As of March 31, 2014, all members of the Committee are Independent Directors, as required by Clause 49 of the Listing Agreement.

The Audit Committee is empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit. The Committee reviews the adequacy of internal audit function. The Internal Auditor of the Company, who is an external professional firm, is in the best position to evaluate and report on the adequacy and effectiveness of the internal controls. Keeping in view the need for the Internal Auditors' independence, the Audit Committee has created a formal mechanism to facilitate regular discussions with the Internal Auditors at the end of each quarter. The Committee has recommended the continuance of the Internal Audit function.

The Statutory Auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Generally Accepted Auditing Standards and for issuing a report thereon. The Committee is responsible to oversee the processes related to financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible. The Committee also reviews the quarterly, the half yearly and the annual financial statements before these are submitted to the Board. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

## Report on Corporate Governance

The Committee, during the year, reviewed that the internal controls are in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with the prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.

The Committee also reviewed the financial and risk management framework in accordance with the Clause 49 of the Listing Agreement.

The Committee, over the year, regularly discussed with the Statutory Auditors the accounting policy and principles followed by the Company. Relying on the review and discussions conducted with the management and the Statutory Auditors, the Audit Committee confirmed that the Company is following prudent accounting practices and that the financial statements are fairly presented in conformity with the Generally Accepted Accounting Principles in all material aspects.

Moreover, the Committee considered whether any non-audit services provided by the Statutory Auditor could impair the auditors' independence, and concluded that there were no such services provided.

The Committee has recommended to the Board the appointment of Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditor of the Company for the financial year ending March 31, 2015 and that the necessary resolutions for appointing them as the Statutory Auditors be placed before the shareholders.

Sd/-

**N. Subramaniam**

### b) Nomination and Remuneration Committee

In accordance with Section 178 (1) of the provisions of Companies Act, 2013, during the year, the Board of Directors of the Company merged the Nomination Committee and Remuneration Committee of the Company. The newly formed Committee was named "Nomination and Remuneration Committee".

#### (i) Terms of Reference/Charter of the Nomination and Remuneration Committee

This Committee is responsible for:

- Identifying persons who are qualified to become Directors, and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal, and carry out evaluation of every Director's performance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

- Formulation of criteria for evaluation of Independent Directors and the Board.
- Devising a policy on Board diversity.

#### (ii) Appointment of Independent Directors

According to Clause 49 of the Listing Agreement, an Independent Director is a person who is not an officer or employee of the Company or its subsidiaries. The Companies Act 2013 and relevant Rules also prescribe definition and qualifications of Independent Director.

The Board continuously assesses its current and requisite strengths and enumerates the desired composition of the Board in line with the Company's strategic priorities. The Board interacts with the Nomination and Remuneration Committee whenever there is a need for induction of new Director/s and also highlights the attributes of the desirable candidate.

#### The criteria / basis for appointment of Directors at Nucleus is as below:

The Nomination and Remuneration Committee, while evaluating the potential candidates, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. Broadly, the following criteria have been set for selection of Independent Directors based on:

- Independence from Management
- No substantial shareholding
- Other significant relationship which may cause a conflict of interest.
- Capability of taking fair decisions without being influenced.
- Independent Directors are expected to balance the decision-making process of the Board by constructively challenging the Company's strategy and exercise due diligence
- Independent Directors should possess the requisite business and industry expertise in the domain we operate in.
- Independent Directors should be competent enough to work effectively like a team member as well as leader with the other Directors of the Board and committees
- Independent Directors should contribute constructively in the Board's deliberations.

The aim is to secure a boardroom which achieves the right balance between challenge and teamwork, and fresh input and thinking.

#### (iii) Composition of the Nomination and Remuneration Committee and Meetings Held during 2013-14

Mr. Prithvi Haldea is the Chairman of the Nomination and Remuneration Committee. As of March 31, 2014, the Committee consisted of six members, out of

## Report on Corporate Governance

which five members are non-executive Directors. The Company Secretary of the Company is the Secretary of the Committee. The Committee met once during the year.

**The Composition of the Nomination and Remuneration Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:**

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Non-Executive, Independent Director	1	1
Mr. Janki Ballabh	Non-Executive, Independent Director	1	1
Mr. Vishnu R. Dusad	Managing Director, Promotor, Executive Director,	1	1
Mr. Sanjiv Sarin	Non-Executive, Independent Director	1	1
Prof. Trilochan Sastry	Non-Executive, Independent Director	1	–
Mr. N Subramaniam	Non-Executive, Independent Director	1	–

Table 7

#### (iv) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company takes into consideration their role and responsibilities. During the year, certain changes were made in the policy in accordance with the regulatory provisions. The salient features of the policy are highlighted below:

- The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission to its Managing Director (an Executive Director).
- The Nomination and Remuneration Committee decides the commission payable to the Managing Director and the Non-Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 2013 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fees for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 2013 and as prescribed in the Articles of Association of the Company.
- The Company reimburses expenditure reasonably incurred by the Directors in the performance of

their duties as per the provisions of the applicable laws Companies Act 2013 and in conjunction with the rules and policies of the Company.

- The Nomination and Remuneration Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

#### c) Stakeholder Relationship Committee

The Board of Directors in order to align with the Companies Act 2013, decided to rename "Share Transfer and Shareholders' Grievance Committee" to "Stakeholders Relationship Committee," in their meeting held in October 2013.

##### (i) Terms of Reference/Charter of Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Board is constituted with powers and responsibilities including, but not limited to. :

- To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- To redress shareholder and depositor complaints like non receipt of Balance Sheet, non receipt of declared dividends etc.;
- To review service standards and investor service initiatives undertaken by the Company;
- To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;
- To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of its Charter.

The Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the Board.

##### (ii) Composition of the Stakeholder Relationship Committee and Meetings Held during 2013-14

Mr. Sanjiv Sarin is the Chairman of the Stakeholder Relationship Committee. The Company Secretary of the Company is the Secretary of the Committee. The Committee met four times during the year.

## Report on Corporate Governance

**The Composition of the Stakeholder Relationship Committee as on March 31, 2014 and a details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Sanjiv Sarin	Committee Chairman, Non-Executive, Independent Director	4	4
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	4	4
Mr. Prithvi Haldea	Non-Executive, Independent Director	4	3
Prof. Trilochan Sastry	Non-Executive, Independent Director	4	1

Table 8

**(ii) Details of investor complaints/requests received and resolved during the year 2013-14 are as follows:**

Nature of Complaints	No. of Complaints/Requests		
	Received	Resolved	Pending at the year end
Non Receipt of Annual Report	Nil	Nil	Nil
Non Receipt of Dividend Warrant	12	12	Nil
Duplicate/Revalidation of Dividend Warrant	43	43	Nil
Non receipt of securities	1	1	Nil
SEBI/Stock Exchange/Legal	1	1	Nil

Table 9

### d) Corporate Governance Committee

To promote good Corporate Governance practices, a Corporate Governance Committee was constituted.

#### (i) Terms of Reference/Charter of the Corporate Governance Committee

This Committee assists the Board in:

- developing and recommending to the Board a set of Corporate Governance principles and practices for adoption by the Company, both as required by law and those which are considered as best practices
- taking a leadership role in implementing best Corporate Governance practices in the Company.

In accordance with the requirements of the Companies Act, 2013 the Committee referred to the Board, adoption of a Code of Conduct for Independent Directors. The Code is a guide to professional conduct

for Independent Directors, which will provide confidence to the investor community, particularly minority shareholders, regulators and companies in the institution of the Independent Directors.

#### (ii) Composition of the Corporate Governance Committee and Meetings Held during 2013-14

Mr. Janki Ballabh Chairman of the Board, is Chairman of the Corporate Governance Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met twice during the year.

**(ii) Composition of the Corporate Governance Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, Non-Executive, Independent Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	2	2
Mr. Prithvi Haldea	Non-Executive, Independent Director	2	2
Mr. Sanjiv Sarin	Non-Executive, Independent Director	2	2
Prof. Trilochan Sastry	Non-Executive, Independent Director	2	2
Mr. N. Subramaniam	Non-Executive, Independent Director	2	1

Table 10

### e) Compensation Committee

Compensation Committee of the Board, consisting of a majority of Independent Directors, was constituted as per the terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines").

#### (i) Terms of Reference/Charter of the Compensation Committee

The Committee administers and supervises the employee stock options schemes of the Company, including review and grant of options to eligible employees.

The Committee is constituted with powers and responsibilities including, but not limited to, :

- To administer and supervise the employee stock option schemes / restricted stock grant plans and other equity-based compensation award plans launched by the Company from time to time.
- To decide the quantum of equity shares / options to be granted under Employee Stock Options

## Report on Corporate Governance

Plans (ESOP), per employee and the total number in aggregate;

- o To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- o To determine the exercise period within which the employees should exercise the option and the condition in which the option will lapse on failure to exercise the option within the exercise period;
- o To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- o To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
- o To lay down the rights of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
- o To specify the grant, vesting and exercise of shares/ option in case of employees who are on long leave;
- o To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and/or vary/amend the terms to adjust to the situation that may arise;
- o To attend to any other responsibility as may be entrusted by the Board.

### (ii) Composition of the Compensation Committee and Meetings Held during 2013-14

Mr. Prithvi Haldea is the Chairman of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met once during the year.

**The Composition of the Compensation Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Non-Executive, Independent Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	1	1
Mr. Sanjiv Sarin	Non-Executive, Independent Director	1	1
Prof. Trilochan Sastry	Non-Executive, Independent Director	1	1

Table 11

### f) Corporate Social Responsibility (CSR) Committee

As per the Companies Act, 2013, all companies having net worth of ` 500 crore or more, or turnover of ` 1,000 crore or more or a net profit of ` 5 crore or more during any financial year will be required to constitute a Corporate Social Responsibility (CSR) Committee of the Board. In accordance with the law, the Board of Directors constituted the CSR committee in their meeting held in October 2013.

#### (i) Terms of Reference/Charter of the Audit Committee

The purpose of the Committee is to assist the Board in setting Company Corporate Social Responsibility policies and programs and assessing Company Corporate Social Responsibility performance.

The responsibilities of the Corporate Social Responsibility Committee are:

1. To formulate and recommend to the Board, a CSR policy for undertaking permissible CSR activities.
2. To identify and bring to the attention of the Board key Social Responsibility issues that may affect the business operations, brand image or reputation of the Company.
3. To recommend the amount of expenditure to be incurred on CSR activities.
4. To re-evaluate Social Responsibility, from time to time, in light of changes in public perception, industry best practices, and evolving priorities and needs in the communities where the Company does business
5. To provide oversight of Social Responsibility
6. To monitor and review the operation and effectiveness of company's Corporate Social Responsibility policies and programs
7. To update Board at each regularly scheduled meeting and make relevant recommendations in relation to matters arising for consideration by the Committee
8. To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently
9. To make any amendments or modifications in CSR Policy as required by law or otherwise
10. Perform such functions as the Board may from time to time assign to it

The CSR Policy of the Company, as approved by the Board is available on our website [www.nucleussoftware.com](http://www.nucleussoftware.com)

#### (ii) Composition of the Corporate Social Responsibility Committee and Meetings Held

Prof. Trilochan Sastry is Chairman of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met once during the year.

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The Composition of the Corporate Social Responsibility Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Prof. Trilochan Sastry	Committee Chairman, Non-Executive, Independent Director	1	1
Mr. Vishnu R. Dusad	Managing Director, Promoter, Executive Director	1	1
Mr. Prithvi Haldea	Non-Executive, Independent Director	1	1
Mr. Sanjiv Sarin	Non-Executive, Independent Director	1	1

Table 12

### C. Shareholder Information

#### a) Means of Communication

##### (i) Quarterly/Annual Results

- The Company releases Quarterly Report for each quarter (except fourth quarter ) in the form of soft copy and is uploaded on the Company's website [www.nucleussoftware.com](http://www.nucleussoftware.com). This ensures prompt information to the shareholders and also contributes in saving paper thus saving trees and making the planet greener.

These reports contain audited financials of the parent Company along with the Auditors Report thereon, Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management's Discussion and Analysis".

- The Company also communicates financial results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- The Company also sends an instant email alert of the results, to all persons who get themselves registered on the Company's website.
- Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates the investor community on the progress made by the Company and also answers their queries. The audio as well as the transcript of the call is uploaded on the website [www.nucleussoftware.com](http://www.nucleussoftware.com), for public information.

The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all the stakeholders in their preferred medium.

##### (ii) Newspapers for publication of financial results

The Company's financial results are published in Business Standard, the leading national financial daily and in the Hindi edition of Business Standard for regional circulation.

##### (iii) Company's website with a new Investors section

During the year, the Company revamped its investors section on its website. Our goal, through this new initiative, is to enable shareholders and potential investors ( as also media and researchers) to easily find or navigate pertinent information about us, including:

- Company Overview, Financials, Board of Directors, Stock Exchange filings, Shares, Corporate Governance, Corporate Social Responsibility, Awards, Investor contact, Investor related Frequently Asked Questions (FAQ) and various forms for shareholder assistance.
- The important events such as AGM etc. and official press releases of the Company are also updated on the Company's website regularly.
- Interested persons, who register on the Company's website, receive alerts and updates on financial events, financial results, press releases and annual and quarterly reports.

##### (iv) Interaction with Institutional investors, analysts etc.

- The Investor Relations team of the Company conducts regular meetings and conference calls of the Company Management with the institutional investors, analysts etc.
- Financial results and press releases are sent to all institutional investors, analysts who are registered in the Company database, to keep them abreast of all significant developments.
- The investor presentations made to institutional investors or analysts are displayed on the Company's website.

##### (v) Annual Report

The Company's Annual Report containing, inter alia, Letter from the Chairman, Letter from the CEO, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance and Risk Management, Financial Highlights, Management Discussion and Analysis and other important information is circulated to all the members. The Annual Report of the Company is also available on the Company's website; both in a downloadable pdf format and an HTML online format, for ease of use.

##### (vi) Dedicated Email id for shareholders

[investorrelations@nucleussoftware.com](mailto:investorrelations@nucleussoftware.com) is the email id exclusively devoted for shareholders' queries.

## Report on Corporate Governance

### (vii) Investor Relations - Our communication with the Investor Community

The Company values transparent relationship with the shareholders, prospective investors and the wider investment community. The Investor Relations (IR) team at Nucleus manages these relationships with high standards of clarity and transparency. It proactively interacts with the investors through meetings, investor conference calls, investor meets, conferences and mails. Dedicated Investors' page on corporate website of the Company provides an efficient medium of information to the investors. The IR team can be reached at [ir@nucleussoftware.com](mailto:ir@nucleussoftware.com)

**(viii) NSE Electronic Application Processing System (NEAPS):** NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are filed electronically by the Company on NEAPS.

**(ix) BSE Corporate Compliance & Listing Centre (the 'Listing Centre'):** BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are also filed electronically by the Company on the Listing Centre.

### b) Corporate Identity Number (CIN)

Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is

L74899DL1989PLC034594 and the Company Registration Number is 55-034594. The Company is registered in the State of New Delhi.

### c) Shareholder Education

Shareholders of the Company are provided with timely information on all Company related matters including recruitment/appointment of Directors and other important events through Press Releases.

In the Annual Report, a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included, with most of the relevant information about the Company, its history, promoters, employees, share transfers, dematerialisation etc. All such material information is also available on the Company's website under "FAQs".

It is our constant endeavor to provide efficient and prompt services to the shareholders. Shareholder satisfaction survey is conducted through a shareholder feedback form uploaded on the Investors section of the Company's website, for online filing. Responses received through this survey help us :

- o to assess the level of satisfaction among Nucleus shareholders and
- o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

### d) General Body Meetings

#### (i) Particulars of Annual General Meetings (AGM) held during the previous three years is as follows:

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
<b>FY 12-13, July 10, 2013, 11.30 a.m.</b>	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> <li>• Adoption of Annual Accounts for the year ended March 31, 2013.</li> <li>• Re-appointment of Mr. Janki Ballabh and Mr. Prithvi Haldea.</li> <li>• Appointment of Deloitte Haskins &amp; Sells as the Statutory Auditors.</li> <li>• Declaration of Dividend on equity shares.</li> </ul>	<ul style="list-style-type: none"> <li>Regularisation of appointment of Mr. N. Subramaniam - Additional Director.</li> <li>Regularisation of appointment of Prof. Trilochan Sastry - Additional Director.</li> </ul>
<b>FY 11-12, July 11, 2012, 11.30 a.m.</b>	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> <li>• Adoption of Annual Accounts for the year ended March 31, 2012.</li> <li>• Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors.</li> <li>• Appointment of Deloitte Haskins &amp; Sells as the Statutory Auditors.</li> <li>• Declaration of Dividend on equity shares.</li> </ul>	

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Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 10-11, July 08, 2011, 11.00 a.m.	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> <li>Adoption of Annual Accounts for the year ended March 31, 2011.</li> <li>Re-appointment of Mr. Janki Ballabh and Mr. Prithvi Haldea as Directors</li> <li>Appointment of Deloitte Haskins &amp; Sells as the Statutory Auditors.</li> <li>Declaration of Dividend on equity shares.</li> </ul>	Re-appointment of Mr. Vishnu R Dusad as Managing Director of the Company w.e.f. 01.01.2012

Table 13

### (ii) Detail of Attendance at the AGM held for FY 13-14

AGM Date	Attended by Directors					
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Prithvi Haldea	Mr. Sanjiv Sarin	Prof. Trilochan Sastry	Mr. N. Subramaniam
July 10, 2013	√	√	√	√	√	√

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2014.

No Resolution was passed during the year through Postal Ballot.

## D. Disclosures

### (i) Related Party Transactions

The details of the transactions with related parties or others, if any, are placed before the Audit Committee from time to time. These are also disclosed in notes which forms part of the financial statements.

### (ii) Compliances by the Company of Capital Market Guidelines

The Company has complied with all requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to the capital market during the past, including the preceding three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities relating to the above.

### (iii) Whistle Blower Policy

Nucleus is committed to conduct its business in accordance with the applicable laws, rules and regulations, and with highest standards of business ethics. Nucleus does not tolerate any malpractice, impropriety, abuse or wrongdoing. The Company wishes that Nucleites too participate in this process and accordingly the Company has instituted a Whistle Blower Policy, a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The Policy provides the opportunity to every Nucleite to raise his or her concern, by name or on an anonymous basis on alleged breaches of internal or external regulations or other irregularities. In accordance with the Companies Act 2013 and the Listing Agreement with the Stock exchanges, the Board adopted a revised Whistle Blower Policy during the year.

No complaint was received under the Policy, during the year. We affirm that :

- Provision for made for adequate safeguards to employees against their victimisation on reporting to the Ombudsperson and
- no personnel was denied access to the Audit Committee.

### (iii) Policy against Sexual Harassment

Nucleus values the dignity of individuals and strives to provide a safe and respectable work environment to all its employees. The Company is committed to providing an environment, which is free of discrimination, intimidation and abuse. Nucleus prohibits any employee of the Company from making any unwelcome and unsolicited sexually determined behaviour (whether directly or by implication). Such kind of harassment can have potential legal and moral pitfalls not only for the individuals involved but also for the Organization as a whole. We at Nucleus believe that it is the responsibility of the organization to protect the integrity & dignity of its employees and also to avoid conflicts & disruptions in the work environment due to such cases.

The Company has put in place a 'Policy against Sexual Harassment'. During the year the Policy was revised as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act"). As per the policy, any employee may report his/her complaint to the Committee by various modes i.e. in person, through email, in writing or by calling on mobile no. as mentioned. The Committee would then make enquiries and submit its recommendation to the HR Head. He would further take a decision on the same and report to the Board. We affirm that adequate access

## Report on Corporate Governance

was provided to any complainant who wished to register a complaint under the policy, during the year.

### (iv) Code of Conduct

The Company has in place a Code of Conduct which helps to maintain high standards of ethics for the Company's employees. In terms of Code of Conduct, the Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on an annual basis.

The Company has obtained declaration from its Directors and Senior Management affirming their compliance to the Code of Conduct for the current year.

A copy of the Code of Conduct is made available on the website of the Company.

### (v) Risk Management and Internal Control Policies adopted by the Company

A report on Risk Management and Internal Control Policies adopted by the Company has been discussed later as a separate chapter in this Annual Report.

### (vi) Adherence to Accounting Standards

The Company follows the mandatory Accounting Standards prescribed by The Institute of Chartered Accountants of India and to the best of its knowledge, there are no deviations in the accounting treatment that require specific disclosure.

### (vii) Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis for the consolidated financials in the Annual Report, which is also provided later in this Annual Report.

### (viii) Subsidiary Companies

The Company has seven subsidiaries across the globe; all of which are wholly-owned. The following table provides a list of all these subsidiaries as on March 31, 2014.

Date of Incorporation	Subsidiaries	Location
February 25, 1994	Nucleus Software Solutions Pte. Ltd.	Singapore
August 5, 1997	Nucleus Software Inc.	USA
November 2, 2001	Nucleus Software Japan Kabushiki Kaisha	Japan
May 6, 2004	VirStra <i>i</i> -Technology Services Limited	India
February 2, 2006	Nucleus Software Netherlands B.V.	Netherlands
April 21, 2008	Nucleus Software Ltd.	India
February 3, 2014	Nucleus Software Australia Pty Limited	Australia

Table 14

### (ix) Unlisted Indian Subsidiary Companies

The Company has two Indian subsidiaries; Nucleus Software Ltd. and VirStra *i*- Technology Services Ltd. Both of these are materially unlisted Indian subsidiary companies. The turnover or net worth (paid up capital and free reserves) of these subsidiaries does not exceed 20% of the consolidated turnover or net worth of the parent Company.

- Mr. Sanjiv Sarin, Non-Executive Director on the Board of Directors of the Company, is a Director on the Board of Directors of VirStra *i*- Technology Services Ltd.
- Mr. Prithvi Haldea and Mr. Sanjiv Sarin, Non Executive Directors on the Board of Directors of the Company, are Directors on the Board of Directors of Nucleus Software Ltd.
- The Audit Committee of the Company reviews the financial statements, in particular, the investments made by VirStra *i*- Technology Services Ltd. and Nucleus Software Ltd.
- The minutes of the Board meetings of both VirStra *i*- Technology Services Ltd. and Nucleus Software Ltd. are placed at the Board meetings of the Company.

### E. General Shareholder Information

• <b>Date of incorporation</b>	9th January, 1989
• <b>Registered Office</b>	33-35, Thyagraj Nagar Market New Delhi-110003 India
• <b>Corporate Office</b>	A-39, Sector 62 Noida, 201307 India
• <b>Date and time of Annual General Meeting</b>	July 8, 2014, 11.30 a.m
• <b>Venue of Annual General Meeting</b>	Sri Satya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003
• <b>Date of Book Closure for AGM</b>	July 1 to 8, 2014 (both days inclusive)

#### • **Financial Calendar for the financial year 2014-15 (tentative and subject to change)**

Financial reporting for :	Tentative dates
First quarter ending June 30, 2014	between July 20-31, 2014
Second quarter ending September 30, 2014	between October 20-31, 2014
Third quarter ending December 31, 2014	between January 20-31, 2015
Year ending March 31, 2015	between April 20- 30, 2015
Annual General Meeting for the year ending March 31, 2015	July 2015

• <b>Listing on Stock Exchanges</b>	<b>Scrip Symbol/Code</b>
National Stock Exchange of India Limited (NSE) w.e.f. December 19, 2002	NUCLEUS
BSE Ltd. (BSE) w.e.f. November 6, 1995	531209
• <b>International Securities Identification Number</b>	INE096B01018

## Report on Corporate Governance

- Registrars of Company & Share Transfer Agents**  
**Karvy Computershare Private Limited**  
 Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad-500 081  
 Tel: 040-23420815-18  
 Fax: 040-23420814  
 mailmanager@karvy.com

The annual listing fees for 2014-15 have been paid to both the Stock Exchanges.

### (i) Dividend Payment Date:

The Board of Directors have recommended to the shareholders a final dividend of ` 3.00 per share to the shareholders and a special dividend of ` 3.00 per share (on equity share of par value of ` 10 each) on account of completion of 25 years of the Company. The dividend, if approved at the Annual General Meeting, will be payable to Members whose names appear on the Register of Members of the Company on July 1, 2014, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2014.

### (ii) Market Price Data on NSE & BSE for the financial year 2013-14

Month	NSE			BSE		
	High ( ` )	Low ( ` )	Total Volume	High ( ` )	Low ( ` )	Total Volume
April 13	82.40	72.50	179,490	82.00	72.20	75,249
May 13	77.60	70.50	245,896	77.40	70.40	60,662
June 13	73.00	68.00	200,173	72.80	68.00	59,492
July 13	75.45	66.00	762,919	75.45	66.35	142,147
August 13	87.90	65.75	623,652	87.90	65.25	309,862
September 13	96.25	82.10	617,764	96.50	81.80	204,010
October 13	109.90	85.30	1,183,798	109.40	82.80	428,084
November 13	122.90	89.20	1,122,469	122.80	89.45	413,596
December 13	143.05	103.80	1,720,882	143.50	104.70	688,458
January 14	201.10	133.15	8,268,865	200.90	133.10	2,511,774
February 14	216.50	169.00	4,168,259	216.65	169.95	1,327,840
March 14	247.90	196.60	5,178,777	248.00	195.55	1,809,282
<b>Total Shares traded during the year</b>			<b>24,273,944</b>			<b>8,029,645</b>

Table15

Equity shares of the Company are traded in "Group B" category and are a constituent of the Small Cap Index on BSE Ltd.

### (iii) Share Transfer System

The Company's shares are currently traded in dematerialised form; transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository Participants.

The Share Transfer and Shareholders' Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares as and when required.

The Company obtains from a Company Secretary in practice, a half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

### (iv) Dematerialization of Shares

The Equity shares of the Company are under compulsory dematerialization ("Demat") category and can be traded only in electronic form. The Company has dematerialized 32,01,8248 shares (98.87 % of the paid up share capital) as at March 31, 2014.

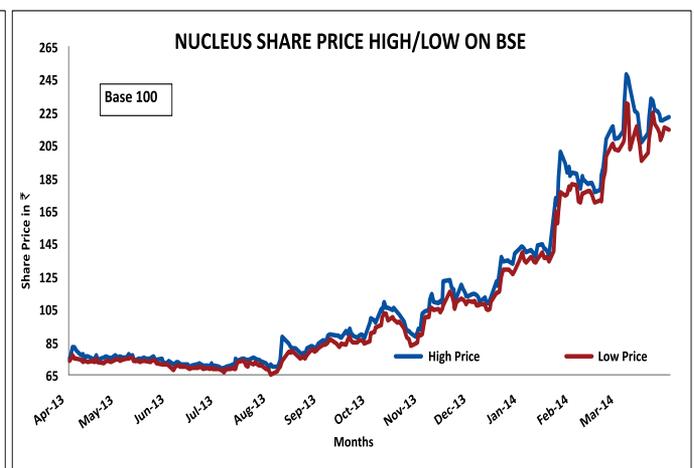
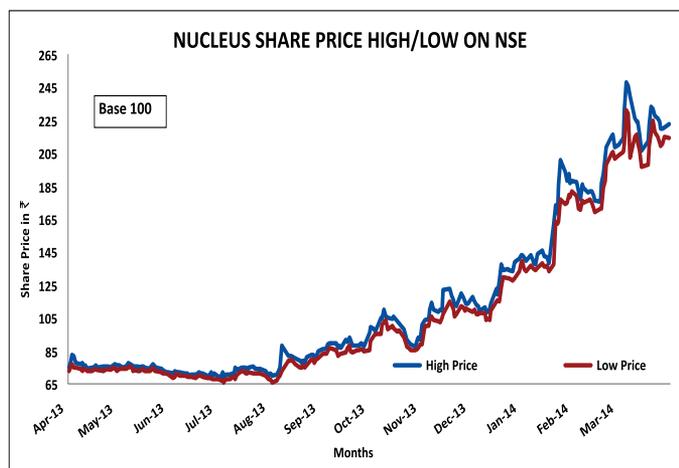
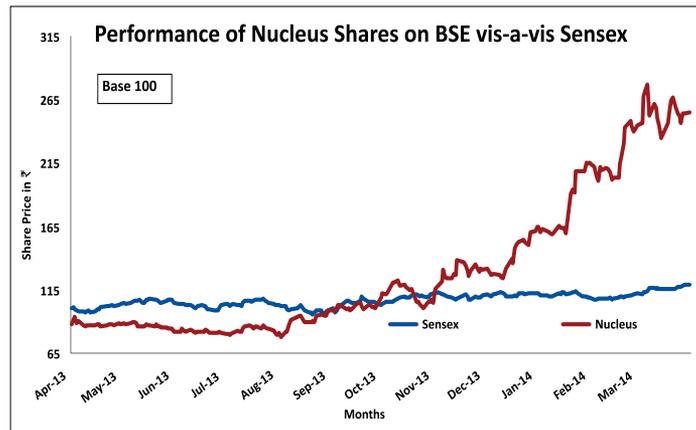
The procedure for converting the shares in dematerialized mode is as under:

- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The Company's Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.
- Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

## Report on Corporate Governance

The process of dematerialization takes around 15 days from the date of receipt of DRF by the Registrar & Shares Transfer Agent of the Company.

Since the trading in the shares of the Company can be done only in electronic form, it is advisable that the shareholders who have the shares in physical form get their shares dematerialized.



### (v) Electronic Clearing Services (ECS)/National Electronic Clearing Services (NECS) facility

The dividend remittances to shareholders happen predominantly through ECS / NECS as per the locations approved by RBI from time to time. If the shareholders are located at any of the ECS/NECS centers and have not registered their ECS/NECS, they may forward their ECS/NECS mandate to their depository participant if the shares are held in demat form, or to the Company/Registrars, if the shares are held in physical form, immediately.

### (vi) Shareholding Pattern of the Company as at March 31, 2014

Category	As on March 31, 2014		
	Share Holders	Share Holding	Share Holding (%)
<b>Promoter and Promoter Group</b>	<b>11</b>	<b>18,610,666</b>	<b>57.47</b>
<b>Public Share Holding</b>			
Mutual Funds	7	2,961,110	9.14
Financial Institutions /Banks	2	34,930	0.11
Foreign Institutional Investors	12	2,481,465	7.66
Individuals	14,018	6,808,006	21.03
Bodies Corporate	456	828,578	2.56
Overseas Corporate Bodies / Non Resident Indians/ Clearing Members/ Trusts	502	658,969	2.03
<b>Total</b>	<b>15,008</b>	<b>32,383,724</b>	<b>100.00</b>

Table 16

## Report on Corporate Governance

### (vii) Distribution of Shareholding

Equity Shares Held		As on March 31, 2014				As on March 31, 2013			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1	100	9,634	64.19	404,676	1.25	9,485	58.06	423,033	1.31
101	200	1,843	12.28	321,019	0.99	2,193	13.42	378,741	1.17
201	500	1,688	11.25	609,799	1.88	2,317	14.18	804,380	2.48
501	1,000	970	6.46	731,073	2.26	1,325	8.11	1,005,845	3.10
1,001	5,000	677	4.51	1,478,031	4.56	818	5.01	1,747,106	5.40
5,001	10,000	94	0.63	660,368	2.04	104	0.64	755,073	2.33
10,001	and above	103	0.68	28,178,758	87.02	94	0.58	27,269,456	84.21
<b>TOTAL</b>		<b>15,008</b>	<b>100.00</b>	<b>32,383,724</b>	<b>100.00</b>	<b>16,336</b>	<b>100.00</b>	<b>32,383,634</b>	<b>100.00</b>

### (viii) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2014, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2013-14.

### (ix) Employee Stock Option Plans (ESOP)

Your Company has three Employee Stock Option Plans in operation. During the year, the Company allotted 90 equity shares to employees, in pursuance of the stock options exercised by them in July 2013.

### (x) Locations

Nucleus services its clients through a network of domestic and international offices. At the year-end, Nucleus had wholly-owned subsidiaries in India, Japan, Netherlands, Singapore, U.S.A, Australia and branch offices in Dubai (UAE) and London (UK).

Nucleus operates state-of-the-art Software Development Centers at Noida (U.P.) and Chennai (Tamil Nadu). The Noida Centre is under the Software Technology Park Scheme of the Government of India.

A Subsidiary, VirStra *i*- Technology Services Limited operates a Development Centre at Pune (Maharashtra) under the Software Technology Park Scheme of the Government of India.

A wholly-owned subsidiary, Nucleus Software Limited (NSL), operates from a Special Economic Zone, Mahindra World City, Jaipur Ltd. (MWCJL).

### PARENT COMPANY

**Nucleus Software Exports Ltd.**  
**Registered Office**  
 33-35, Thyagraj Nagar Market  
 New Delhi-110 003  
**India**

**Corporate Office**  
 A-39 Sector 62  
 Noida-201 307  
**India**

### SUBSIDIARIES

#### **Nucleus Software Solutions Pte. Ltd.**

300, Tampines Avenue-5#04-06,  
 Tampines Junction  
**Singapore-529653**

#### **Nucleus Software Japan Kabushiki Kaisha**

Mitsubishi Building  
 11F, 5-2 Marunouchi, 2 Chome  
 Chiyoda Ku  
 Tokyo 100-0005  
**Japan**

#### **Nucleus Software Inc.**

3086 Congressional Office Park,  
 Suite 10, Kendall Park, NJ 08824  
**USA**

#### **Nucleus Software Netherlands B.V.**

Strawinskylaan 921 Tower A  
 (World Trade Center) 1077 XX  
 Amsterdam  
**Netherlands**

#### **VirStra *i*- Technology Services Limited**

Marisoft 1, 6th Floor, Marigold Premises,  
 Vadgaon Sheri  
 Pune 411 014  
**India**

#### **Nucleus Software Ltd.**

Plot No. IT- A - 017,  
 Mahindra World City (Jaipur) Ltd.  
 IT/ITES Special Economic Zone  
 Jaipur 302 037  
**India**

#### **Nucleus Software Australia Pty. Ltd.**

Suite 4, 96-98 Wigram Street  
 Harris Park  
 NSW 2150  
**Australia**

## Report on Corporate Governance

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### Branch Offices in India

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#### A. Mumbai

Wellington Business Park  
405-408, 4th Floor,  
Near S.M Centre,  
Marol Naka, Andheri Kurla Road  
Andheri (East)  
**Mumbai 400 059**

#### B. Chennai

Building No. 40,  
II Main Road  
Ambattur Industrial Estate Ambattur  
**Chennai 600 058**

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### Branch Offices in Overseas Locations

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#### A. London (UK)

Nucleus Software Exports Ltd.  
1520, City Point  
1, Ropemaker Street  
London EC2Y 9HT,  
**UK**

#### B. Dubai (U.A.E)

Nucleus Software Exports Ltd  
Office #305, EIB Building # 05,  
Dubai Internet City (DIC),  
**Dubai, U.A.E.**

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#### (xi) Investor Correspondence may be addressed to:

The Company Secretary  
Nucleus Software Exports Ltd.,  
33-35, Thyagraj Nagar market  
New Delhi-110003.  
India  
Tel: +91-(120)-4031400  
Fax: +91-(120)-4031672  
**Email: investorrelations@nucleussoftware.com**

#### (xii) Other General Shareholder Information

The other mandatory and additional information of interest to investors is voluntarily furnished in a separate chapter "Shareholders' Referencer" of this Annual Report.

#### (xiii) CEO/CFO Certification

As required by Clause 49 of the listing agreement, the CEO/CFO certification is provided as Annexure B to the report on Corporate Governance, in this Annual Report.

#### (xiv) Secretarial Audit

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed Companies. We are pleased to share that your Company, as a voluntary practice, has been getting Secretarial audit done for the past several years, and also reporting it in the Annual Report. An assignment for a comprehensive Secretarial Audit for the FY 2013- 14 was awarded to a practicing Company Secretary. The audit confirmed that your Company was generally in compliance with all applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements with all the

stock exchanges where the Company is listed and all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Certificate obtained in this regard is provided as Annexure A to the Report on Corporate Governance. The Secretarial Auditor has made certain recommendations for adopting additional Best Practices, which are now being implemented.

#### (xv) Declaration as required under Clause 49(i)(D)(ii) of the Stock Exchange Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the code for the financial year ended March 31, 2014. A declaration to this effect signed by the Managing Director has been published as Annexure C to this report on Corporate Governance.

#### (xvi) Green Initiatives by the Ministry of Corporate Affairs, Government of India

The Company whole-heartedly supported the 'Green Initiative' of the Ministry of Corporate Affairs, Government of India enabling electronic delivery of documents to the shareholders at their e-mail addresses registered with the Depository participants/Registrar & Share Transfer Agent. This year also the Company is actively pursuing this initiative by sending Annual Reports in a soft copy form.

#### F. Compliance with Non-Mandatory Requirements of Clause 49 of Listing Agreement

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the statutory auditors or practicing Company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as Annexure C to the Directors' report.

The Clause further states that the non-mandatory requirements may be implemented as per our discretion. We comply with the following non-mandatory requirements:

##### a. Shareholder Rights

The Clause states that a half-yearly declaration of financial performance including summary of the significant events in the last six months, may be sent to each household of shareholders.

- We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences, Company visits or during road-shows. We also leverage the Internet in communicating with our investor base.
- The announcement of quarterly/annual results is followed by :
  - o Media interactions, wherein business television channel in India telecasts discussions with our CEO.
  - o Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor

## Report on Corporate Governance

community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website [www.nucleussoftware.com](http://www.nucleussoftware.com) for investors' information.

- o The Company also send results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- o The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
- o Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on corporate governance etc. are also available on the Company website.

### b. Audit Qualifications

There is no audit qualification in the Company's financial statements for the year ended March 31, 2014.

### c. Training of Board Members

The Company believes that it is in the best interest of the Company to train the Board members :

- in the business model of the Company
- risk profile of the business parameters of the Company,
- their responsibilities as Directors, and the best ways to discharge them.

Training of Board Members conveys the knowledge and understanding needed in order to be effective as a member of the Board of Directors.

- The Management makes comprehensive presentations on business model, regulatory updates, new initiatives,

business scenario, Company positioning etc. and also sends relevant material to the Board on an overview of latest happenings in the corporate world.

- During the past years, some of the Directors have been attending training programmes conducted by reputed institutions on Corporate Governance Orientation, Ethical Decision Making, Strategic Planning etc. These programmes helped in providing an appreciation of what makes effective board members, their roles and responsibilities, especially in the context of the regulatory environment, stakeholder objectives as well as social responsibilities.

### d. Mechanism for Evaluating Non-Executive Board Members

There is a formal Policy for Board Performance Evaluation which suggests process for evaluation of the performance of both the Board and individual Directors. The purpose of the Policy is :

- To ensure the overall performance evaluation process of Directors
- Maximize strengths and identify and address the weaknesses.
- Maintain an energised, proactive and effective Board.

### e. Whistle Blower Policy

A detail on the Whistle Blower Policy has already been provided in the Disclosures section earlier in this Report.

### f. Code for Prevention of Insider Trading

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, there exists a Code of Conduct for prevention of Insider Trading in the Company. Objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information.

## SECRETARIAL AUDIT CERTIFICATE

The Board of Directors  
Nucleus Software Exports Limited  
33-35, Thyagraj Nagar Market,  
New Delhi – 110 003

We have examined the statutory records and documents of Nucleus Software Exports Limited (“the Company”) for the financial year April 1, 2013 to March 31, 2014 in light of the provisions specified herein:-

1. The Companies Act, 1956 and Companies Act, 2013 (to the extent it is notified) and the rules made thereunder;
2. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder ;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 r/w Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and
  - (d) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the Rules made thereunder ; and
  - (e) The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Based on our examination and verification of the documents along with exerting reliance upon the Legal Due-Diligence Report from, an eminent Delhi based Law Firm, produced to us and according to the information and explanations given to us by the Company, we report that:-

The Company has, in our opinion, has materially complied with the provisions of the Companies Act, 1956 and the Rules made there under along with various circulars and notifications issued from time to time and also the provisions contained in its Memorandum and Articles of Association with regard to:

- (a) Maintenance of various statutory registers and documents and making necessary entries therein;
- (b) Closure of the Register of Members;
- (c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
- (d) Service of documents by the Company on its Members, and the Registrar of Companies;
- (e) Notice of Board meetings and Committee meetings of Directors;

- (f) The meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) The conduction of Annual General Meeting;
- (h) Minutes of proceedings of General Meetings and of Board and other meetings;
- (i) Approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
- (j) Constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and re-appointment of Directors including the Managing Director;
- (k) Payment of remuneration to the Directors including the Managing Director;
- (l) Appointment and remuneration of Auditors;
- (m) Transfers and transmissions of the Company’s shares, and issue and delivery of duplicate certificates of shares;
- (n) Declaration and payment of dividends;
- (o) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (p) Investment of the Company’s funds including inter corporate loans and investments and loans to others;
- (q) Form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
- (r) Generally, other applicable provisions of the Act and the Rules made under that Act.

We further report that:

- (a) The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- (b) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment and compliance with the code of Conduct for Directors and Management Personnel;
- (c) There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company,

Further we report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed under that Act by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

## Secretarial Audit Certificate

We further report that:

(a) The Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited with regard to the following:-

- Closure of transfer books and fixation of record date
- Compliances relating to approval of quarterly and annual results
- Notifying the change in directorate of the company
- Submission of Shareholding pattern
- Payment of Annual Listing Fees to BSE and NSE and custodial fees to NSDL and CDSL
- Maintenance of minimum level of public shareholding
- Appointment of Company Secretary as Compliance Officer
- Compliances regarding Corporate Governance Intimation regarding agreements entered into with media companies
- Maintenance of a functional website of the Company
- Generally, other applicable provisions of the Listing Agreement with reference to the Company

(b) The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the following;;

- Requisite periodic and continual disclosures of shareholding or voting rights

- Maintenance of statutory register of requisite disclosures
- Generally, other provisions of law as applicable upon the Company

(c) The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to the following:

- Initial Disclosures and Annual disclosures by concerned person
- Framing of Code of Conduct for Insider Trading and Code of Conduct for Corporate Disclosures.
- Generally, other provisions of law as applicable upon the Company

(d) The Company has complied with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects.

**For Loveneet Handa & Associates**  
Company Secretaries

Sd/-

**Loveneet Handa**  
(Proprietor)  
Membership No:25973  
CP No.10753

**Date: May 31, 2014**  
**Place: New Delhi**

**CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE  
COMPANY PURSUANT TO CLAUSE 49(V)  
OF THE LISTING AGREEMENT**

We, Vishnu R. Dusad, CEO & Managing Director and Pramod K. Sanghi, President – Finance & CFO, of Nucleus Software Exports Limited (“the Company”), to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements for the quarter and year ended March 31, 2014 alongwith its schedules and notes on accounts, as well as the cash flow statements;
2. These statements do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the statements made;
3. These financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and applicable laws and regulations;
4. Based on our knowledge and information, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company’s code of conduct.
5. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal controls systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee of the Company’s Board of Directors, deficiencies in the design or operation of internal controls and steps proposed to be taken to rectify these deficiencies.
6. We have disclosed, based on our most recent evaluation, to the Company’s Auditors and the Audit Committee of the Company’s Board of Directors:
  - a. Significant changes in internal control over financial reporting during the period;
  - b. There are no significant changes in accounting policies during the period; and
  - c. There are no instances of significant fraud of which we have become aware and the involvement, therein, of the management or an employee having significant role in the Company’s internal control system over financial reporting.

**Noida  
May 3, 2014**

**Sd/-  
Vishnu R. Dusad  
CEO & Managing Director**

**Sd/-  
Pramod K. Sanghi  
President- Finance & CFO**

**DECLARATION BY CEO & MANAGING DIRECTOR PURSUANT TO  
CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT**

I, Vishnu R. Dusad, CEO & Managing Director of Nucleus Software Exports Limited (“the Company”) confirm that the Company has adopted a Code of Conduct (“Code”) for its Board members and senior management personnel and the Code is available on the Company’s website.

I, further confirm that the Company has in respect of the financial year ended March 31, 2014, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

**Noida  
May 3, 2014**

**Sd/-  
Vishnu R. Dusad  
CEO & Managing Director**