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## **REPORT ON CORPORATE GOVERNANCE**

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## Report on Corporate Governance

“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for the sustainable development of all stakeholders.” - Definition of Corporate Governance by The Institute of Company Secretaries of India (ICSI).

Good Corporate Governance practices are sine qua non for a sustainable business organisation that aims at generating long term value for all its stakeholders, and mainly involves the establishment of structures and processes, with appropriate checks and balances, that enable the Board to discharge its responsibilities accordingly.

Corporate Governance is increasingly being recognized as a key component in the efficient functioning of every business, both globally as well as in India.

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

### Company's Philosophy on Corporate Governance

Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment to all its stakeholders including shareholders, vendors, customers and employees. Nucleus Board and Management is committed to implement the best practices of Corporate Governance in the Company.



Figure 1

Corporate Governance philosophy at Nucleus is to comply, not just in letter but in spirit too, with not only the statutory requirements, but also voluntarily formulate and adhere to best Corporate Governance practices.

We believe that sound Corporate Governance is critical to enhance and retain the trust of all stakeholders trust.

The driving forces of Corporate Governance at Nucleus are its core values: belief in people, entrepreneurship, customer orientation and pursuit of excellence.

**The Company's Corporate Governance approach is based on the following :**



Figure 2

### Non Mandatory Best Practices

In addition to being compliant with all statutory provisions of Clause 49 of the Listing Agreement, Nucleus has also adopted several non-mandatory best practices including “Training of Board members”, “Whistle Blower Policy”, “Nomination Committee”, “Remuneration Committee” and “Board Performance Evaluation”. Details of these are provided later in this Report.

#### A. Board of Directors

We, at Nucleus, believe that that the key role of the Board of Directors is to:

- (i) Provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risks to be assessed and managed.
- (ii) Develop and promote collective vision of the Company's purpose, its culture and values it wishes to promote in conducting the Company's business.

#### a) Board of Directors as on March 31, 2013.

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.

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### b) Size of the Board

An ideal Board should ensure an appropriate balance of power, independence and authority. 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 at Nucleus comprises of the following members:**

Name of Director	Position	Age in years
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	70
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	56
*Mr. Arun Shekhar Aran	Independent, Non-Executive Director	54
Mr. Prithvi Haldea	Independent, Non-Executive Director	62
Mr. Sanjiv Sarin	Independent, Non-Executive Director	54
# Prof. Trilochan Sastry	Independent, Non-Executive Director	53
#Mr. N. Subramaniam	Independent, Non-Executive Director	52

Table I

\* Mr. Arun Shekhar Aran resigned from the Board w.e.f. April 27, 2013.

# Mr. N. Subramaniam and Prof. Trilochan Sastry were appointed as additional Directors w.e.f. July 11, 2012 and April 27, 2013 respectively.

### 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 the members of the Board is presented below.

#### Mr. Janki Ballabh, Chairman

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 Chairman of UTI Trustee Company of UTI Mutual Fund, and is Director on the Boards of Tata AIG Life Insurance Co. Ltd., Small Industries Development Bank of India (SIDBI), 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. Vishnu R. Dusad, Managing Director & CEO

Mr. Vishnu R. Dusad is one of the 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 27 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. Arun Shekhar Aran, Independent, Non-Executive Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 30 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmedabad he started his career with Asian Paints in 1982. In 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

In 1989, he joined Nucleus Software Group as a partner where he played a key role in leading the team in the development of the first ever credit card system in India for Citibank. Mr. Arun Shekhar Aran joined the Board of Directors of the Company in March 1996.

In recognition of the proposed policy of Rotation of Directors in the Companies Bill 2012, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation.

#### Mr. Prithvi Haldea, Independent, Non-Executive 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 presented scores of papers at various conferences in India and abroad.



Mr. Haldea is presently the Member of the Board of Governors of Indian Institute of Corporate Affairs, Member of the Quality Review Board-ICAI and Member of the Advisory Board of the International College of Financial Planning. He is also a member of the Government's Standing Council of Experts for the Financial Sector. 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, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, 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 on the Board of Invest India Micro Pension Services Pvt. Ltd. and is the Advisor to the Association of Investment Bankers of India and to Gaja Capital.

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, 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 1,50,000 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.msmementor.in](http://www.msmementor.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 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, Independent, Non-Executive Director**

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM

from XLRI, Jamshedpur. He has 31 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.

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

Professor Sastry was appointed as an Additional Director of the Board of Directors of Nucleus Software Exports Ltd. on April 27, 2013. His appointment as a Director, liable to retire by rotation will be placed for your approval in the forthcoming Annual General meeting.

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

Mr. N. Subramaniam is a post graduate from IIM Ahmedabad and is a CA, CS and CWA by qualification. Having a corporate experience of 30 years, he is the Founder & Managing Partner of M Cap Fund Advisors and is currently an Independent Director at L&T Finance Holdings. 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. He was also the Member of the Board at Integra Software Services, SlashSupport, Jyothy Laboratories & SRA Systems.

Mr. Subramaniam was appointed as an Additional Director of the Board of Directors of Nucleus Software Exports Ltd. on July 11, 2012. His appointment as a Director, liable to retire by rotation will be placed for your approval in the forthcoming Annual General meeting.

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

The size and diversity of a Board help in making it effective and deliver value. 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

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Executive Officer (CEO) are 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.

The 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.

### f) Term

As per the Companies Act 1956, at least two-third of Directors shall be subject to retirement by rotation. One third of these retiring Directors shall retire every year and the Company may reappoint them with the approval of the shareholders.

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. Directors, other than the Promoter Director, are eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time. Currently, these Directors hold no options.

### Compensation paid /payable to the Directors for the period April 2012 to March 2013.

(Amount in ₹)					
Name of Director	Position	Fixed Salary	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	–	1,058,585	2,80,000	1,338,585
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	7,036,800	–	–	7,036,800
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	–	1,058,585	3,60,000	1,418,585
Mr. Prithvi Haldea	Independent, Non-Executive Director	–	1,058,585	4,60,000	1,518,585
Mr. Sanjiv Sarin	Independent, Non-Executive Director	–	1,058,585	5,40,000	1,598,585
Mr. N. Subramaniam	Independent, Non-Executive Director	–	765,660	2,60,000	1,025,660
<b>Total</b>		<b>7,036,800</b>	<b>50,00,000</b>	<b>19,00,000</b>	<b>13,936,800</b>

Table 2



## Details of Equity Shares held by Non-Executive Directors as on March 31, 2013

Name of Director	Position	Equity Shares (Nos.)
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	–
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	175,092
Mr. Prithvi Haldea	Independent, Non-Executive Director	5,400
Mr. Sanjiv Sarin	Independent, Non-Executive Director	17,300
Mr. N. Subramaniam	Independent, Non-Executive Director	7,684

Table 3

The Non-Executive Directors held no options as on March 31, 2013

### 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, 2013 is as 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	Chairperson	Member
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	None	6	1	5	3
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	None	2	5	–	2
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	None	1	1	1	–
Mr. Prithvi Haldea	Independent, Non-Executive Director	None	2	5	–	2
Mr. Sanjiv Sarin	Independent, Non-Executive Director	None	2	1	–	3
Mr. N. Subramaniam	Independent, Non-Executive Director	None	3	2	–	2

Table 4

*In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanships of only the Audit Committee and Shareholders/Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.*

In accordance with Clause 49 of Listing Agreement, 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 inform the Company annually about their Committee positions in other companies and 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.

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- o Information on recruitment, remuneration and removal of senior officers just below the Board level, including Chief Financial Officer and Company Secretary.
- o Materially important show cause, demand, prosecution 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 proposed 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.
- 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.

### (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

Pursuant to the revised Clause 49, the minutes of the Board meetings of the Company’s unlisted subsidiary companies are also placed before the Board for information.

### (v) Secretarial Standards with respect to the Board Meetings and other matters

The Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, has issued Secretarial Standards on Board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolution by circulation, affixing of common seal, forfeiture of shares and board’s report. While these standards are non-mandatory, your Company endeavours to comply with them.

The Secretarial Standard I (SS1) issued by the Institute of Company Secretaries of India (ICSI) are followed both in letter and in spirit.

### (vi) Scheduling of Board Meetings and Attendance during the Year 2012-13.

- 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. Ten Board meetings were held by your Company during the year 2012-13 and the maximum gap between two board meetings during the year was two months and nine days.
- The dates on which the Board meetings were held during 2012-13, 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	Mr. N. Subramaniam
April 29, 2012	✓	✓	✓	✓	✓	NA
June 04, 2012	✓	✓	✓	✓	–	NA
July 11, 2012	✓	✓	✓	✓	✓	✓
July 21, 2012	✓	✓	✓	✓	✓	✓
August 11, 2012	✓	✓	✓	✓	✓	✓
October 21, 2012	✓	✓	✓	✓	✓	✓
November 28, 2012	✓	✓	✓	✓	✓	✓
December 09, 2012	✓	✓	✓	✓	✓	✓
February 03, 2013	✓	✓	✓	✓	✓	✓
March 30, 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 no meeting held via video conferencing during the year.

#### (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 including the Companies Act, 1956 read with the Rules issued thereunder and the Listing Agreement .

#### (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

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 are mandatory, some are voluntary. Committees are a means of improving Board effectiveness in areas where more focused, specialized and extensive discussions are required.

The Board's committees include Audit Committee, Share Transfer and Shareholders' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination Committee, Corporate Governance Committee and Review Committee. During the year, the Board dissolved the Review Committee, which was constituted for a limited period.

All committees have a formally established terms of reference/ charter.

The Chairman of the Board, in consultation with the Chairmen of various committees and the Company Secretary, determines the frequency of the meetings of the committees. 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 Chairmen, prepares the agenda for each meeting. The minutes of each committee's meeting are submitted to the Board for information and appropriate action.

#### Nucleus Board Committees

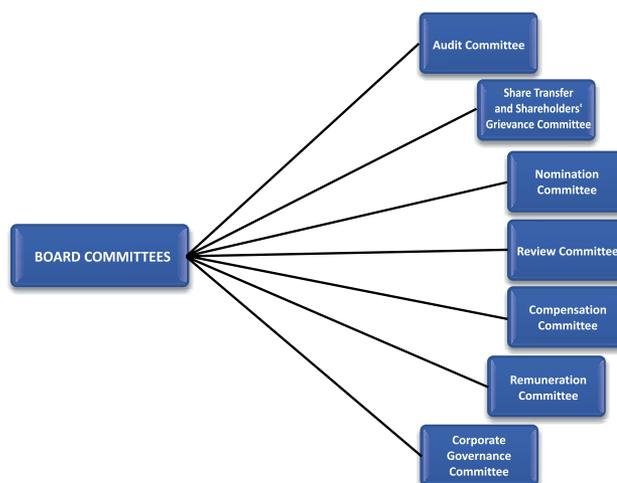


Figure 3

## Report on Corporate Governance

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### 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, in compliance of Section 292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, comprising of qualified Board members. The Company Secretary acts as the secretary to the Audit Committee.

All members, including the Chairman, of the Committee are Independent Directors and are financially literate, with one of them being a noted financial management expert, thus making the Company fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement. The composition of the Audit Committee along with details of the meetings held during the year is provided in Table 6 in this report.

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.
  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;
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 shall :**

- a) Recommend to the Board of Directors, the Statutory Auditors to be appointed and approve the compensation of the Statutory Auditors.
- b) Confirm and assure 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**

The Committee comprises entirely of non-executive, independent directors. Company Secretary of the Company is the Secretary of the Committee.

During the year, eight meetings of the Committee were held and the maximum gap between two Audit Committee Meeting did not exceed the mandatory four months. (The maximum gap between two meetings was three months and three days).

**The Composition of the Audit Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Arun Shekhar Aran	Committee Chairman, Independent, Non-Executive Director	8	4
Mr. Prithvi Haldea	Independent, Non-Executive Director	8	8
Mr. Sanjiv Sarin	Independent, Non-Executive Director	8	8
Mr. N. Subramaniam	Independent, Non-Executive Director	8	4

Table 6

Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 11, 2012 to answer shareholders' queries.

## Report on Corporate Governance

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, Audit Committee meetings, independent of the Management, are scheduled every quarter. 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, 2013

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.

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 revised 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, 2014 and that the necessary resolutions for appointing them as the Statutory Auditors be placed before the shareholders.

Sd/-

Arun Shekhar Aran

### b) Remuneration Committee

Remuneration Committee of the Board recommends the remuneration payable to the Directors. It also reviews the remuneration of key executives, comprising the level of Vice Presidents and above, reporting to the Managing Director. The Company Secretary of the Company acts as the Secretary to the Committee.

#### (i) Composition of the Remuneration Committee as on March 31, 2013 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, Independent, Non-Executive Director		
Mr. Prithvi Haldea	Independent, Non-Executive Director		
Mr. Sanjiv Sarin	Independent, Non-Executive Director		

Table 7



## (ii) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company is in line with the interests of the shareholders and 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 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, 1956 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, 1956 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 Companies Act, 1956 and in conjunction with the rules and policies of the Company.
- The Remuneration Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

## c) Nomination Committee

The Nomination Committee is led by the Chairman and comprises of majority of Independent Directors. The Company Secretary of the Company acts as the Secretary to the Committee.

This Committee is responsible for:

- developing a policy on the size and the composition of the Board.
- identifying suitable persons and recommending shortlisted persons to the Board for appointment as additional directors

A policy for selection of new directors was adopted by the Nomination Committee during the year.

### (i) Appointment of Independent Directors

An active, well-informed and independent Board is necessary to ensure highest standards of Corporate Governance. Getting the right people is crucial; as is the process of seeking, vetting and appointing such people.

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 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 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. However broadly the following are necessarily taken care of :

- Independent Directors must be capable 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.

Two meetings of the Nomination Committee were held during the year.

### (ii) Composition of the Nomination Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meeting	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, Independent, Non-Executive Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	2	2
Mr. Arun Shekhar Aran	Independent Non-Executive Director	2	2
Mr. Prithvi Haldea	Independent Non-Executive Director	2	2
Mr. Sanjiv Sarin	Independent Non-Executive Director	2	2

Table 8

## d) Share Transfer and Shareholders' Grievance Committee

The Share Transfer and Shareholders' Grievance Committee

## Report on Corporate Governance

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

- (i) To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- (ii) To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- (iii) To redress shareholder and depositor complaints like non receipt of Balance Sheet, non receipt of declared dividends etc.;
- (iv) To review service standards and investor service initiatives undertaken by the Company;
- (v) To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;
- (vi) To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- (vii) 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.

- (i) **Composition of the Share Transfer and Shareholders' Grievance Committee as on March 31, 2013 and a details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	5	5
Mr. Sanjiv Sarin	Independent Non-Executive Director	5	5

Table 9

Company Secretary of the Company acts as the Secretary to the Committee. The Company Secretary is also the Compliance Officer of the Company.

The Company's Registrar and Share Transfer Agent is:

**Karvy Computershare Private Limited**  
Plot Np.17-24, Vithal Rao Nagar  
Madhapur  
Hyderabad 500081

- (ii) **Details of investor complaints/requests received and resolved during the year 2012-13 are as follows:**

Nature of Complaints	No. of Complaints/Requests		
	Received	Resolved	Pending at the year end
Non Receipt of Annual Report	2	2	Nil
Non Receipt of Dividend Warrant	15	15	Nil
Duplicate/Revalidation of Dividend Warrant	37	37	Nil
Non receipt of securities	3	3	Nil

Table 10

### e) Corporate Governance Committee

Corporate Governance Committee of the Board consists of majority of Independent Directors, The Company Secretary of the Company acts as the Secretary to the Committee.

This Committee assists the Board by:

- 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.

#### (i) Code of Conduct for Board Members and Senior Management of the Company

In accordance with Clause 49 of the Listing Agreement, the Corporate Governance Committee has approved a Code of Conduct for all Board Members and Senior Management of the Company. The Committee also monitors the implementation and compliance of this Code. All Board Members and Senior Management Personnel have affirmed their compliance with the Code for the year 2012-13. The Annual Report contains a declaration to this effect from the Managing Director of the Company. The Code of Conduct is also posted on the website of the Company.

The Committee met once during the year .

- (ii) **Composition of the Corporate Governance Committee as on March 31, 2013 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, Independent, Non-Executive Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	1	1
Mr. Prithvi Haldea	Independent, Non-Executive	1	1
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent, Non-Executive Director	1	1
Mr. N. Subramaniam	Independent, Non-Executive Director	1	1

Table 11



## f) 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"). The Company Secretary of the Company acts as the Secretary to the Committee.

It 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, :**

- o 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.
- o To decide the quantum of equity shares / options to be granted under Employee Stock Options 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.

The Committee met once during the year.

**Composition of the Compensation Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:**

Director	Position	No. of Meeting	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	1	1
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent, Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent, Non-Executive Director	1	1

Table 12

## C. Shareholder Information

### a) Means of Communication

#### (i) Quarterly/Annual Results

- The Company releases Quarterly Report in the form of soft copy and is uploaded on the Company's website [www.nucleussoftware.com](http://www.nucleussoftware.com). This has resulted in prompt information disposal to the shareholders and also contributed in saving paper thus saving trees and help in 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 Discussion and Analysis".

- The Company also sends the 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 have registered themselves 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.

### (ii) Newspapers where financial results are normally published

The Company's financial results are ordinarily published in Business Standard and Financial Express, the two leading national financial dailies and in the Hindi edition of Business Standard for regional circulation.

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

- The Company's website [www.nucleussoftware.com](http://www.nucleussoftware.com) has an 'Investors' section with descriptive information covering 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 between the Company Management and 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 at the end of each quarter are displayed on the Company's website.
- Various investors related financial information is presented in portable document format (pdf) as well as Microsoft excel downloadable formats on the Investor section of the website for the convenience of the users.

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

### (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 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 and conferences and mails. Dedicated Investors' page on corporate website of the Company provides an efficient medium of information to the investors.

### b) Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L74899DLI989PLC034594 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 which attempts to include all 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) Particular 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 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 M/s Deloitte Haskins &amp; Sells as the Statutory Auditors.</li> <li>Declaration of Dividend on equity shares.</li> </ul>	
<b>FY 10-11, July 08, 2011, 11.00 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, 2011.</li> <li>Re-appointment of Mr. Janki Ballabh And Mr. Prithvi Haldea as Directors</li> <li>Appointment of M/s 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
<b>FY 09-10, June 24, 2010, 11.30 a.m.</b>	FICCI Auditorium, New Delhi	<ul style="list-style-type: none"> <li>Adoption of Annual Accounts for the year ended March 31, 2010.</li> <li>Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors.</li> <li>Appointment of M/s Deloitte Haskins &amp; Sells as the Statutory Auditors.</li> <li>Declaration of Dividend on equity shares.</li> </ul>	

(ii) Detail of Attendance at the AGM held for FY 11-12

AGM Date	Attended by Directors				
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran	Mr. Prithvi Haldea	Mr. Sanjiv Sarin
<b>July 11, 2012</b>	√	√	√	√	√

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2013.

No Resolution was passed during the year through Postal Ballot.

## e) Corporate Governance Voluntarily Guidelines 2009

The Ministry of Corporate Affairs (MCA), released in December 2009, the Voluntary Guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, listed companies are expected to be proactive in compliance. The Company is already compliant with almost all the recommendations of these Guidelines. The only suggestion with which the Company is not compliant, is with regard to the tenure of the Independent Directors. The Guidelines suggests that an Individual may not remain as an Independent Director in a Company for more than six years. We believe that the continuation of Independent Directors who have been with the Company beyond the tenure of six years is critical for the growth of the Company given the diverse knowledge, experience and expertise that they have brought to the Board, the deep understanding of the Company and the industry, and their intense involvement in the deliberations and decisions of the Board.

The Companies Bill 2012 now proposes a policy of Rotation of Directors. In recognition of the spirit of law, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation.

## 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. They are also disclosed in notes which forms part of the financial statements. During the year under review, the Company has not entered into any transaction of a material nature between the Company and its Directors, management, subsidiaries' promoters, Directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company.

### (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.

#### Whistle Blower Policy Process

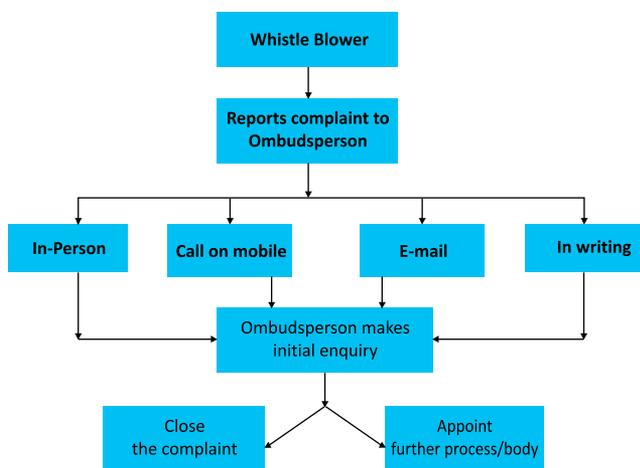


Figure 4

During the year, no complaint was received under the Policy, We affirm that :

- adequate safeguards were provided 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'. As per the policy, any employee may report his 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 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) Remuneration to the Directors of the Company

Information relating to the remuneration paid to the Directors during the financial year 2012-13 has been provided in Table 2 of this report.

### (viii) 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.



## (ix) Subsidiary Companies

The Company has six subsidiaries across the globe; all of which are wholly-owned. It also has a step down subsidiary in Singapore.

The following table provides a list of all these subsidiaries as on March 31, 2013.

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-Technology Services Limited	India
February 2, 2006	Nucleus Software Netherlands B.V.	Netherlands
April 21, 2008	Nucleus Software Ltd.	India

Table 14

## (x) 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. The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

- Mr. Sanjiv Sarin, independent 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, independent 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 10, 2013, 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 2 to 10, 2013 (both days inclusive)
• <b>Financial Calendar for the financial year 2013-14 (tentative and subject to change)</b>	
<b>Financial reporting for :</b>	<b>Tentative dates</b>
First quarter ending June 30, 2013	between July 20-31, 2013
Second quarter ending September 30, 2013	between October 20-31, 2013
Third quarter ending December 31, 2013	between January 20-31, 2014
Year ending March 31, 2014	between April 20- 30, 2014
Annual General Meeting for the year ending March 31, 2014	July 2014
• <b>Listing on Stock Exchanges</b>	<b>Scrp 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
• <b>Registrars of Company &amp; Share Transfer Agents</b>	<b>Karvy Computershare Private Limited</b> 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 2013-14 have been paid to both the Stock Exchanges.

## Report on Corporate Governance

### (i) Dividend Payment Date :

The Board of Directors have recommended a final dividend of ₹3.00 per share to the shareholders. 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 2, 2013, 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 July 01, 2013.

### (ii) Market Price Data on NSE & BSE for the financial year 2012-13

Month	NSE			BSE		
	High (₹)	Low (₹)	Total Volume	High (₹)	Low (₹)	Total Volume
April 12	69.00	62.20	176,233	68.45	62.75	66,027
May 12	69.00	62.30	170,894	72.45	62.05	44,709
June 12	74.85	60.50	403,238	74.85	60.55	159,412
July 12	76.50	61.00	901,820	76.45	61.00	259,359
August 12	85.50	64.20	1,601,682	85.65	63.50	778,374
September 12	92.75	70.55	4,054,531	92.85	70.25	1,947,829
October 12	96.95	72.10	2,326,111	97.00	70.60	1,200,322
November 12	78.60	72.10	555,608	80.00	69.05	181,863
December 12	77.05	68.30	355,685	83.00	68.30	114,934
January 13	80.00	69.70	866,374	79.80	69.25	261,244
February 13	87.08	71.15	895,092	88.50	70.30	317,583
March 13	85.15	71.05	432,647	85.50	70.05	118,568
<b>Total Shares traded during the year</b>			<b>8,253,077</b>			<b>5,450,224</b>

Table 15

- Equity shares of the Company are traded in "Group B" category on the BSE Ltd.
- Equity shares of the Company is 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 32,00,8668 shares (98.84 % of the paid up share capital) as at March 31, 2013.

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

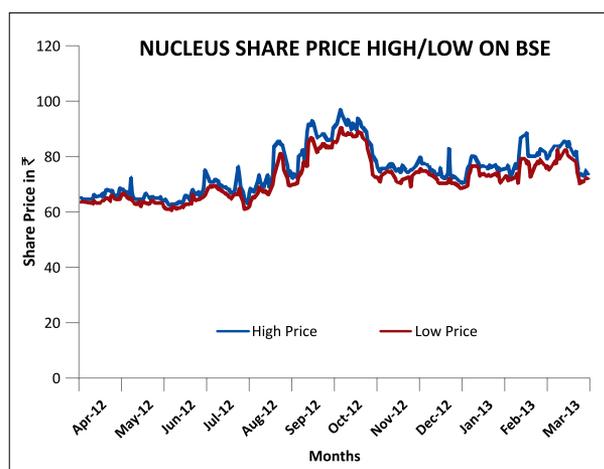
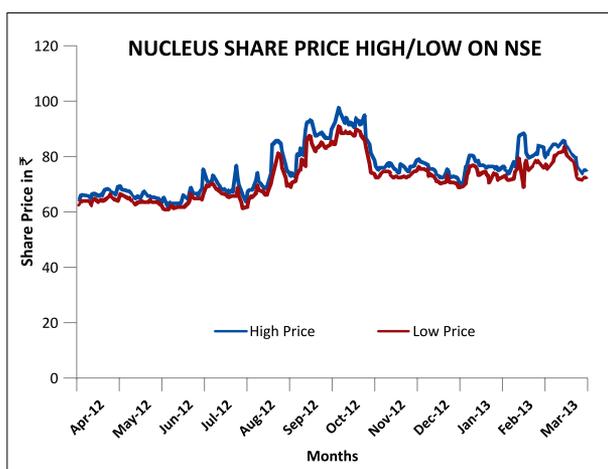
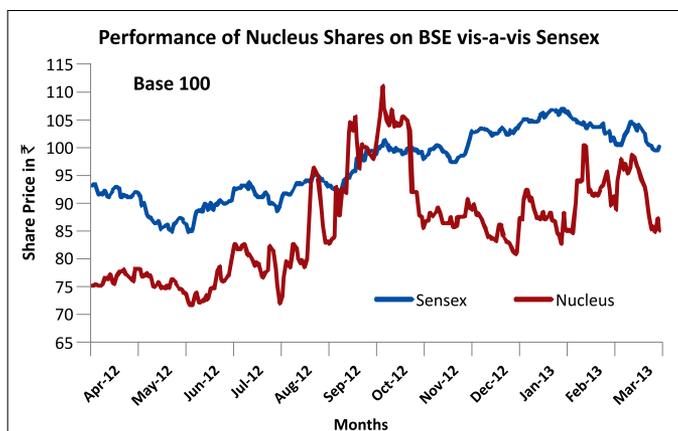
- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The 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.

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



# Nucleus Software Exports Limited

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 divided 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, 2013

Category	As on March 31, 2013		
	Share Holders	Share Holding	Share Holding (%)
<b>Promoter and Promoter Group</b>	9	18,601,866	57.44
<b>Public Share Holding</b>			
Mutual Funds	11	3,408,377	10.52
Financial Institutions /Banks	2	10,889	0.03
Foreign Institutional Investors	2	1,632,536	5.04
Individuals	15,463	7,396,431	22.84
Bodies Corporate	437	654,081	2.02
Overseas Corporate Bodies / Non Resident Indians/ Clearing Members/ Trusts	412	679,454	2.11
<b>Total</b>	<b>16,336</b>	<b>32,383,634</b>	<b>100.00</b>

Table 16

## Report on Corporate Governance

### (vii) Distribution of Shareholding

Equity Shares Held		As on March 31, 2013				As on March 31, 2012			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1	100	9,485	58	423,033	1	10,603	59	485,880	2
101	200	2,193	13	378,741	1	2,601	14	445,824	1
201	500	2,317	14	804,380	2	2,396	13	855,170	3
501	1,000	1,325	8	1,005,845	3	1,324	7	1,009,676	3
1,001	5,000	818	5	1,747,106	5	834	5	1,780,607	6
5,001	10,000	104	1	755,073	2	102	1	741,594	2
10,001	and above	94	1	27,269,456	84	93	1	27,064,703	84
<b>TOTAL</b>		<b>16,336</b>	<b>100</b>	<b>32,383,634</b>	<b>100</b>	<b>17,953</b>	<b>100</b>	<b>32,383,454</b>	<b>100</b>

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

As on March 31, 2013, 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 2012-13.

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

Your Company has four Employee Stock Option Plans in operation. During the year, the Company allotted 180 equity shares to employees, in pursuance of the stock options exercised by them in July 2012.

### (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, 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), was incorporated in April 2008 in India, for facilitating business through operations in 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

Marunouchi Building 23rd Floor,  
4-1 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**



## STEP-DOWN SUBSIDIARY

### VirStra i- Technology (Singapore) Pte. Ltd.

300, Tampines Avenue-5  
#04-06, Tampines Junction

**Singapore 529 653**

### Branch Offices in India

#### 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

Plot No. 38,  
Building No. 40,  
II Main Road  
Ambattur Industrial Estate Ambattur  
**Chennai 600 058**

### Branch Offices in Overseas Locations

#### A. London (UK)

Nucleus Software Exports Ltd.  
29th Floor, I Canada Square  
Canary Wharf  
London E14 5DY,  
**UK**

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

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

### (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

The Company has always advocated and practiced best principles of Corporate Governance. In order to strengthen the internal processes of the secretarial department of your Company, an assignment was given for a comprehensive

Secretarial Audit for the calendar year 2012, to a professional Company Secretary firm. The audit confirmed that your Company was materially compliant with all the applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements with all the stock exchanges where the Company is listed, all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Auditor also made certain recommendations for adopting Best Practices, which are being implemented.

This secretarial audit is a voluntary initiative undertaken by the Company and has been in existence for the past few years. Certificate obtained in this regard has been published as Annexure A to this Report on Corporate Governance.

### (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, 2013. 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

Responsible corporate citizenship has been a part of the Company's core values and the driving force for many of our initiatives. Nucleus believes that responsible investments in this regard will generate long term value for all our stakeholders by improving competitiveness and reducing risk.

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

#### Compliance Certificate on the Corporate Governance from the Auditors

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. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors and Senior Management. A detailed note on the committee has been provided under 'Remuneration Committee' in this Report.

### b. 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 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 During the year, the Company also initiated the practice of sending 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.

### c. Audit Qualifications

There is no audit qualification in the Company's financial statements for the year ended March 31, 2013.

### d. 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 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.

### e. 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.

A reputed, independent external facilitator conducted the formal Board performance evaluation during the year 2010-11. The process was conducted over a period of time with clear guidelines and focus. The facilitator attended a few Board meetings, took inputs from each Director and also from certain members of the senior management while carrying out the performance evaluation. The result of the assessment was discussed with the Chairman who then presented the assessment and recommendations if any, to the other members of the Board.

### f. Whistle Blower Policy

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

### g. 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.

### h. Secretarial Standards

A detail on Secretarial Standards has already been provided earlier in this Report.



## SECRETARIAL AUDIT CERTIFICATE

The Board of Directors

### Nucleus Software Exports Limited

We have examined the statutory records and documents of Nucleus Software Exports Limited ("the Company") for the calendar year ended 31st December 2012 in light of the provisions specified herein:-

1. The Companies Act, 1956 and the Rules made there under;
2. The Depositories Act, 1996 and the Regulations and bye-laws framed there under ;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) 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 conduct 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.

We further report that:

- (a) The Company has complied with the requirements under the Equity Listing Agreements entered into with the BSE 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 materially 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 P. Kansal & Associates**

Company Secretaries

Sd/-

**Priyanka Kansal**

(Proprietor)

CP No.10677

**Date: May 31, 2013**

**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, 2013 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  
April 27, 2013

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, 2013, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Noida  
April 27, 2013

Sd/-  
Vishnu R. Dusad  
CEO & Managing Director