



**REPORT ON CORPORATE GOVERNANCE**

---

## Report on Corporate Governance

*“Good governance practices enhance companies’ value and stakeholders’ trust resulting into robust development of capital market, the economy, and also help in the evolution of a vibrant and constructive shareholders’ activism.” Opening remarks in the Preamble to the Corporate Governance Voluntary Guidelines 2009, issued by Ministry of Corporate Affairs.*

Good corporate governance is characterized by a firm commitment and adoption of ethical practices by an organization across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders (including the minority shareholders), in both good and bad times. According to the modern definition, Corporate Governance means doing everything better to improve relations between companies and their shareholders, improve the quality of Directors, encourage people to think for long term, ensure that information needs of all stakeholders are met and executive management is monitored properly in the interest of shareholders. This definition stresses the value contents of Corporate Governance.

### Company’s Philosophy on Corporate Governance

The Nucleus Management is committed to implement the best practices of Corporate Governance. The Company believes that Corporate Governance is a set of guidelines to help fulfill its responsibilities towards all its stakeholders i.e. investors, customers, vendors, Government, associates and society. Primarily it is about building in checks and balances to ensure that the Company pursues strategies that are in accordance with the corporate mission. It consists of a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. Corporate governance governs the relationship among the many players involved (the stakeholders) and the goals for which the corporation is governed.

### The Company’s Corporate Governance approach is based on the following principles:

- I - Role of the stakeholders
- II - Openness and transparency in the organisation
- III - Risk management
- IV - Audits and Internal Controls

Corporate Governance philosophy at Nucleus is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain investor trust. The responsibility for putting the recommendations into practice lies directly with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at Nucleus are its core values, which are: belief in people, entrepreneurship, customer orientation and the pursuit of excellence. In addition to being compliant with all the statutory provisions of Clause 49 of the Listing Agreement, Nucleus has put in place several non-mandatory recommendations including “Training of Board members”, “Whistle Blower Policy”, “Remuneration Committee”, “Board Evaluation” etc. discussed later in this report on Corporate Governance.

Nucleus has identified three major Corporate Governance tenets for practice:



Figure 1

### I. Board of Directors

We at Nucleus believe that to prove effective, the role of the Board of Directors may be summarized as follows:

- a. To provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.
- b. To develop and promote collective vision of the Company’s purpose, its culture and values it wishes to promote in conducting the Company business.

### A. Composition of the Board of Directors as on March 31, 2011.

It is important to consider a diversity of personal attributes among Board candidates, including intellect, critical assessment, judgment, courage, openness, honesty and the ability to develop trust. A Board requires Directors who have the intellectual capability to suggest change to a proposed strategy and to promulgate alternatives.

The Board at Nucleus consists of five members with eighty-percent of the Board comprising of Non-Executive Directors. All the Non-Executive Directors are Independent Directors and with their diverse knowledge and expertise provide valuable contribution in the deliberations and decisions of the Board. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management.



Composition of Board of Directors in a tabular form may be shown as below:

Name of Director		Age in years
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	68
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	54
Mr. Arun Shekhar Aran	Independent Non-Executive Director	52
Mr. Prithvi Haldea	Independent Non-Executive Director	60
Mr. Sanjiv Sarin	Independent Non-Executive Director	52

Table I

Our Board comprise of eminent professionals who exhibit good decision making skills, facilitated by:

- high-quality board documentation;
- obtaining expert opinions when necessary;
- allowing time for debate and challenge, especially for complex, contentious or business critical issues;
- achieving timely closure; and
- providing clarity on the actions required, and timescales and responsibilities.

A brief profile of the Nucleus Board of Directors 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 a member of the Asia Pacific Advisory Committee of Barclays Bank plc London. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy provides operational excellence to the Company and a capability to drive innovation.

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

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 Bachelors 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 25 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, Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 28 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 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 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

#### Mr. Prithvi Haldea, 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 the 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. PRIME is 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 presently the Central Government Nominee on the Governing council of The Institute of Chartered Accountants of India, Member of Board of Governors of Indian Institute of Corporate Affairs, Member of the Investment Board of Postal Life Insurance and Special Invitee to Quality Review Board-ICAI. He is also a member of several committees including SEBI Committee on Disclosures & Accounting Standards, Listing Advisory Committee of NSE, and Delisting Committee of DSE. Mr. Haldea is also the Chairman of PHDCCI Capital Markets Committee and Co-Chairman of the ASSOCHAM's Capital Market Committee and a member of CII's National Task force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee. He is on the Board of Directors of UTI Asset Management Co. Ltd. He is also a Member of the Advisory Board of the International College of Financial Planning.

In the past, Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority, Trustee of the Pension Fund Regulatory & Development Authority, 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, Secondary Market Advisory Committee of SEBI, Primary Market Advisory Committee of SEBI, Index Committee, Listing Committee and Delisting Committee of SEBI and SEBI Committee for review for MAPIN. He is a visiting faculty at several institutions and has

presented scores of papers at various conferences in India and abroad.

As an investor protection activist, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched four unique websites: [www.watchoutinvestors.com](http://www.watchoutinvestors.com) : aggregating information on economic defaulters which now lists over 1,25,000 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.directorsdatabase.com](http://www.directorsdatabase.com): covering detailed profiles of directors of companies listed at BSE and [www.iepf.gov.in](http://www.iepf.gov.in) : an investor education initiative. He has also recently launched [www.msmemotor.in](http://www.msmemotor.in), a national skills registry of professionals for the benefit of MSMEs.

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, Director**

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM from XLRI, Jamshedpur. He has 29 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 extensive advisory experience on issues of strategy , driving performance improvement , change management , organization building and human capital development. He also plays the role of a friend, advisor and mentor to start ups.

## **B. Responsibilities of the Chairman and the Chief Executive Officer (CEO)**

The 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. The Chairman provides necessary support to the CEO, and both need regular and structured access to the executive and management team. The 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.

### **Roles and Responsibilities of Chairman may be summarized as follows:**

- 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 CEO may be summarized as follows:**

- 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

## **C. Membership 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, 2007 for a period of 5 years. His present term expires on December 31, 2011 and the notice for the ensuing AGM contains a resolution seeking approval from the shareholders for his re-appointment for another term of five years.

## **D. 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, 2006. 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 they hold no options.



# Nucleus Software Exports Limited

The following table gives details of compensation paid /payable to the Directors for the period April 2010 to March 2011.

(Amount in ₹)

Name of Director		Fixed Salary	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–	12,00,000	2,80,000	14,80,000
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	63,60,000	–	–	63,60,000
Mr. Arun Shekhar Aran	Independent Non-Executive Director	–	12,00,000	3,60,000	15,60,000
Mr. Prithvi Haldea	Independent Non-Executive Director	–	12,00,000	4,80,000	16,80,000
Mr. Sanjiv Sarin	Independent Non-Executive Director	–	12,00,000	5,60,000	17,60,000
<b>TOTAL</b>		<b>63,60,000</b>	<b>48,00,000</b>	<b>16,80,000</b>	<b>1,28,40,000</b>

Table 2

Detail of Equity Shares held by Non-Executive Directors as on March 31, 2011

Name of Director		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

Table 3

The Non-Executive Directors hold no options as on March 31, 2011.

## E. Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2011 is as mentioned in the table below :

Name of Director		Relationship with other Directors	Directorships Held of other Companies	Committee Membership*	Chairperson in Committees*
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	None	6	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	None	8	2	–
Mr. Arun Shekhar Aran	Independent Non-Executive Director	None	1	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	None	6	3	–
Mr. Sanjiv Sarin	Independent Non-Executive Director	None	3	3	–

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.

According to the Clause 49 of Listing Agreement, none of the Directors can be members of more than ten Board level committees nor can they be Chairman of more than five committees in which they are members. All our Directors are fully compliant with the requirement.

### F. Board Meetings

Board meetings allow exploring the areas of improvement and identifying the dynamics that contribute to any problems or weaknesses pertaining to meeting the goals of the organization.

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

The Board has complete access to all information with the Company. All the 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 or are tabled with the permission of the Chair in the course of the Board meeting. There is a structured manner in which agenda items are created and materials are distributed for Board meetings. During meetings, senior management is invited to present the plans and achievements of their respective areas of responsibility. Presentations are made before the Board covering major business segments and operations of the Company.

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

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- 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.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Any significant development in human resources/ industrial relations front. Sale of material nature, of investments and assets, which are not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

- Quarterly details of investments by the Company in liquid mutual funds and bank deposits and returns thereon.
- Quarterly update on HR related activities.
- Quarterly update on wholly owned Subsidiaries performance.
- Quarterly update on important projects of the Company
- Report on order book position.
- Report on legal notices if any , received during the quarter.
- Report on compliances under “Code of Insider Trading” of the Company.

#### (iii) Board agenda

- The Company Secretary in consultation with the Chairman of the Board and Chairman of the respective Board Committees prepares the agenda and supporting papers for discussion at Board Meetings and Committee Meetings respectively. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to their right to bring up matters for discussion at the meeting with the permission of the Chairman.
- Moreover, the Company has initiated attaching the “Impact Analysis on Minority Shareholders” for every agenda item at the Board meeting, proactively stating if the agenda item has any impact on the rights of minority shareholders. The Directors discuss such impact analysis if any, and offer their comments which would then be suitably recorded.

#### (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 prior to the Board meetings in order to permit adequate review. In addition to the above, pursuant to the revised Clause 49, the minutes of the Board meetings of Company’s unlisted subsidiary companies are also placed before the Board for information.

#### (v) Secretarial Standards with respect to Board meeting

The Company voluntarily endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI). Secretarial Standard I (SSI) issued by the Institute of Company Secretaries of India (ICSI) on meetings of the Board of Directors is followed both in letter and in spirit.

#### (vi) Scheduling of Board meetings

- A minimum of four Board Meetings are held in each year. These are scheduled in advance for the entire year and are held after the end of each financial quarter. The schedule of the Board Meetings is published in



the Annual Report. Additional Board Meetings are convened by giving appropriate notice. For any business exigencies or urgency of matters, resolutions are passed by circulation.

- Committees of the Board meet whenever required, for transacting business.
- The meetings of the Board of Directors are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.

### (vii) Recording Minutes of proceedings at Board Meeting

- The Company Secretary records the minutes of the proceedings of each Board meeting. Draft minutes are circulated to all the members of the Board for their comments within 48 hours of the meeting.
- The finalized minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

### (viii) Compliance

The Company Secretary while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all the applicable laws regulations including the Companies Act, 1956 read with the Rules issued there under and the Listing agreement .

### (ix) Number of Board Meetings held and attendance during the year 2010-11.

Ten Board Meetings were held during the year 2010-11, as against the minimum requirement of four meetings. The dates on which the meetings were held are; April 25, 2010, June 24, 2010, August 1, 2010, October 22, 2010, October 23, 2010, December 28, 2010, January 22, 2011, January 23, 2011, February 20, 2011 and March 24, 2011. As per the provision of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. The maximum gap between the two board meetings during the financial year 2010-11 was two months and twenty days.

Name of Director	Board Meetings		Attended
	Held	Attended last AGM	
Mr. Janki Ballabh	10	10	Yes
Mr. Vishnu R Dusad	10	10	Yes
Mr. Arun Shekhar Aran	10	10	Yes
Mr. Prithvi Haldea	10	10	Yes
Mr. Sanjiv Sarin	10	10	Yes

Table 5

### (x) Action taken Report on follow-up items

All follow up items are recorded separately and action taken is reported in future meetings. An "Action Taken Report" is placed at all subsequent meetings for all action points raised in the meetings.

Strengths are celebrated, areas of improvement are explored to identify the dynamics that contribute to problems or weaknesses. Strategies to address the issues may include

Board retreats or workshops on a specific topic, study sessions and reading in areas where knowledge is needed, and clarification of Board expectations.

## 2. Committees of the Board

The Company has constituted six committees of the Board of Directors viz. Audit Committee, Share Transfer and Shareholders' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination and Corporate Governance Committee. The committees have a combination of Executive and Non-Executive / Independent Directors.

The Chairperson of the Board, in consultation with the Company Secretary and the committee chairperson, determines the frequency of the committee meetings. The Chairman of each Board committee fulfils an important leadership role similar to that of the Chairman of the Board, particularly in creating the conditions for overall committee and individual director effectiveness.

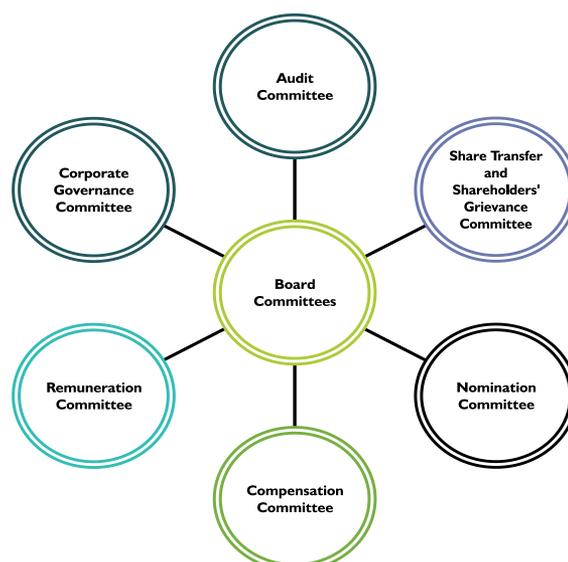


Figure 2

As per the charter of respective committees, they deliberate on the matters referred to it by the Board. Information and data that is important to the committees to discuss the matter is distributed in writing to the members of the committees well in advance of the meeting. Recommendations of the committees are submitted to the Board to take decision on the matter referred.

The effectiveness of the Board is hereby increased by the establishment of committees to consider and report on specific matters. This allows the Board to focus directly on issues identified as important rather than addressing matters of detail. At the same time, Board members who have specialized skills can be used more effectively.

### A. Audit Committee

A key element in the Corporate Governance process of any organization is its Audit Committee.

Effective Audit Committees can greatly assist Boards discharge their duties in respect of ensuring the integrity of the Company's financial reporting. Indeed, it is essential that Boards, management, internal auditors, external auditors and Audit Committees

themselves work with a common purpose to ensure that companies obtain the benefits of Audit Committees in terms of improved 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, with qualified members of the Board of Directors of the Company.

The broad objectives of the committee are “gearing toward effecting pragmatic, progressive changes in the functions and expectations placed on Boards, Audit Committees, Senior and Financial Management, the Internal Auditor and the Statutory Auditors regarding financial reporting. All the members including the Chairman of the Committee are Independent Directors and financially literate while one of them also being a financial management expert, making the Company fully compliant with the mandatory requirements of Clause 49 of Listing Agreement. The composition of the Audit Committee along with a detail of the meetings held during the year is detailed in table 6 in this report on Corporate Governance.

To efficiently carry out its functions, the Audit Committee adopted the following charter:

### (i) Charter of Audit Committee

#### Scope of Work

1. Review and recommend to the Directors the Independent Auditors to be selected to audit financial statements of 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 as circumstances require.
5. Review 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 management, Internal Auditor and Independent Auditor :
  - a) Significant findings during the year, including the status of previous audit recommendations.
  - b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or 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 they were discharged.
8. The Chairman to be present at AGM to answer shareholders queries.
9. Review legal and regulatory matters that may have a material impact on the financial statements, related Company's compliance policies, and programs and reports received from regulators.
10. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
11. The Committee shall perform such other functions as assigned by law, the Company's charter or bylaws, or the Board of Directors and shall mandatorily perform following functions as assigned by 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) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- n) Management Discussion and Analysis of financial condition and results of operations.
- o) Statement of significant related party transactions (as defined by the audit committee), submitted by Management.
- p) Management letters of internal control weaknesses issued by the Statutory Auditors.
- q) Internal audit reports relating to internal control weaknesses.
- r) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
- s) Reviewing certificates regarding compliance of legal and regulatory requirements;
- t) Reviewing the functioning of the Whistle Blower mechanism;

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 Independent Auditors to be appointed and approve the compensation of the Independent Auditors.
- b) Confirm and assure the independence of the Independent Auditors and the objectivity of the Internal Auditor.
- c) Require and encourage the Independent Auditors to have open and frank discussions on their judgments about the quality, not just the acceptability of 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 principles.

In line with the best Corporate Governance practices, an Audit Committee Meeting independent of the Management is scheduled every quarter, to create an environment where both the members of the Committee and the Auditors can freely express their views, and discuss important matters.

## (iii) Composition of the Audit Committee

**The composition of Audit Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

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

Table 6

In addition to the Audit Committee members, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings 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 / letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses and the terms relating to internal auditors as required by Clause 49 (II)(E) of the Listing Agreement are reviewed by the Audit Committee.

The Company Secretary of the Company is the Secretary of the Committee.

## Report on Corporate Governance

### (iv) Audit Committee Report for the Year Ended March 31, 2011

Each member of the Committee is an Independent Director according to Clause 49 of the Listing Agreement.

The Audit Committee is independent and 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 Internal Auditors of the Company are 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's responsibility is to review the adequacy of internal audit function. The Committee is also 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, half yearly and the annual financial statements before they are submitted to Board and ensures compliance of internal control systems. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

The Committee has also reviewed that the internal controls are put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with 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 revised Clause 49 of the Listing agreement.

The Committee has regularly discussed with the Auditors the accounting policy and principles followed by the Company. Relying on the review and discussions conducted with the management and the Independent Auditors, the

Audit Committee believes that the Company is following prudent and conservative accounting practices and financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects.

Moreover, the Committee considered whether any non-audit services provided by the auditors firm 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 Auditors of the Company for the financial year ending March 31, 2012 and that the necessary resolutions for appointing them as Auditors be placed before the shareholders.

Sd/-  
Arun Shekhar Aran

### B. Remuneration Committee

The Remuneration Committee of the Board recommends remuneration payable to Directors based on their contribution to the growth and development of the Company. During the year, the Charter of the Committee was revised to include considering remuneration of senior management also, besides remuneration of Directors. This was consequent to the approval of the Remuneration Policy for Board members and Key Executives by the Board.

**The composition of Remuneration Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

Name of Director		No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, 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 7

The Company Secretary of the Company is the Secretary of the Committee.



The remuneration of key executives shall be reviewed /decided on an annual basis, or earlier if deemed necessary, by the Remuneration Committee.

The compensation details of the Directors have been mentioned in table 2 in the earlier part of this report on Corporate Governance.

## C. Nomination Committee

The Nomination Committee of the Board was constituted on July 8, 2009. The Nomination Committee led by the Chairman is responsible for:

- identifying suitable persons and recommend them to fill up casual vacancies in Board in accordance with the Company's strategic priorities.
- to appoint additional Directors whenever the need arises, and
- to develop a policy on the size and the composition of the Board.

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

**The composition of Nomination Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

Name of Director		No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, Independent Non-Executive Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	1	1
Mr. Arun Shekhar Aran	Independent Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

Table 8

The Company Secretary of the Company is the Secretary of the Committee.

## D. Share Transfer and Shareholders' Grievance Committee

Share Transfer and Shareholders' Grievance Committee of the Board was constituted with powers and responsibilities including but not limited to :

- To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- To redress shareholder and depositor complaints like non-receipt of Balance Sheet, non-receipt of declared dividends etc.;

- To review service standards and investor service initiatives undertaken by the Company;
- To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;
- To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of its Charter.

The name of the Committee was changed from 'Shareholders'/ Investor Grievance Committee' to 'Share Transfer and Shareholders' Grievance Committee' during the year. The Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the full Board.

**The composition of Share Transfer and Shareholders' Grievance Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

Name of Director		No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	4	4
Mr. Sanjiv Sarin	Independent Non-Executive Director	4	4

Table 9

The Company Secretary of the Company is the Secretary of the Committee.

The Company's Registrar and Share Transfer Agent is:

**M/s. Karvy Computershare Private Limited**  
Plot Np. 17-24, Vithal Rao Nagar, Madhapur,  
Hyderabad 500081, **Andhra Pradesh**

**Details of investor complaints/requests resolved during the year 2010-11 are as follows:**

Nature of complaints received	No. of complaints/requests		
	Received during the year	Resolved during the year	Pending at the year end
Non- Receipt of Dividend Warrant	23	23	Nil
Revalidation of Dividend warrants	42	42	Nil
Issue of duplicate share certificates	Nil	Nil	Nil
Non receipt of share certificate	3	3	Nil
Non-Receipt of Annual Report	4	4	Nil

Table 10

## Report on Corporate Governance

### E. Corporate Governance Committee

The Corporate Governance Committee of the Board was constituted to continuously implement and promote highest standards of Corporate Governance. The Committee continuously reviews the Corporate Governance initiatives of the Company and advises on following the best practices in the Company.

The Corporate Governance Committee in accordance with Clause 49 of Listing Agreement approved a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is also posted on the website of the Company. The Committee also monitors the implementation and compliance of the Company's Code of Conduct. All Board members and senior management personnel have affirmed compliance with the code for the year. The Annual Report contains a declaration to this effect signed by the Managing Director.

**The composition of Corporate Governance Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

Name of Director		No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, Independent Non-Executive Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	1	1
Mr. Arun Shekhar Aran	Independent Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

Table 11

The Company Secretary of the Company is the Secretary of the Committee.

### F. Compensation Committee

The Compensation Committee of the Board was constituted as per the terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"). It was formed for the administration and superintendence of the employee stock options schemes launched by the Company from time to time. The remuneration policy of the Company is to pay compensation and benefits along with the stock options to motivate and retain the employees of the Company. The Compensation Committee administers the stock option plans, including review and grant of options to eligible employees under the plans.

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

- (i) 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;

- (ii) To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- (iii) To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;
- (iv) To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- (v) 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;
- (vi) To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
- (vii) To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;
- (viii) 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;
- (ix) To attend to any other responsibility as may be entrusted by the Board.

During the year, employees accepted 3,560 options under ESOP Scheme 2005, granted by the Compensation Committee, at its meeting held on 8 July, 2011.

**The composition of Compensation Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:**

Name of Director		No. of Meetings	
		Held	Attended
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 12

The Company Secretary of the Company is the Secretary of the Committee.

### 3. Shareholder Information

#### A. Means of Communication

The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. Since 2009, the Company started releasing the quarterly report, in the form of a soft



copy only and uploads it on the Company website [www.nucleussoftware.com](http://www.nucleussoftware.com). This has resulted not only in prompt information disposal to the shareholders but also contributes significantly in saving paper thereby saving trees and reducing costs too.

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".

- Quarterly results are published in "Business Standard".
- The results are also displayed on the Company's website- "[www.nucleussoftware.com](http://www.nucleussoftware.com)" after adoption of the same by the Board of Directors.
- The important events as well as official news releases of the Company are also updated on the Company's website regularly.
- 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.
- The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
- Your Company has been voluntarily sending soft copies of Annual reports to the shareholders who had registered their email id's with the Company or Depository participants. Further this year, as per the circular issued by the Ministry of Corporate Affairs, in accordance with the "Green Initiative in Corporate Governance", your Company has sent emails and letters to all the shareholders holding shares in demat, physical form respectively, to exercise their option of receiving various notices and documents, including Annual Report through electronic mode.

This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment. All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode.

## **B. Corporate Identity Number (CIN) :**

The Corporate Identity Number (CIN), allotted to the Company 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. Investor Education**

Investors are provided with timely information on all Company related matters including recruitment/appointment and remuneration of Directors, share transfers, advantages of dematerialisation etc.

In the Annual Report a chapter named "Shareholders' Referencer", and in the Quarterly Report a chapter named "Additional information to Shareholders" is included which answers substantially all the expected queries of investors about the Company, its history, its promoters, the public issue, employees, share transfers, dematerialisation etc. All such material information is also available on the website.

It is our constant endeavor to provide efficient and prompt services to our shareholders and in an effort to achieve this objective, a 'Shareholder Satisfaction Survey' is conducted annually to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders. The satisfaction form is uploaded on the website under Investors section for online filling of survey.

## Report on Corporate Governance

### D. General Body Meetings

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

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
<b>FY 07-08</b> <b>July 8, 2008,</b> <b>11.00 a.m.</b>	FICCI Auditorium, New Delhi	<ul style="list-style-type: none"> <li>Adoption of Annual Accounts for the year ended March 31, 2008.</li> <li>Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors.</li> <li>Appointment of M/s B S R &amp; Co. as the Statutory Auditors.</li> <li>Declaration of Dividend on equity shares.</li> </ul>	
<b>FY 08-09</b> <b>July 8, 2009,</b> <b>11.30 a.m</b>	Air Force Auditorium, New Delhi	<ul style="list-style-type: none"> <li>Adoption of Annual Accounts for the year ended March 31, 2009.</li> <li>Re-appointment of Mr. Prithvi Haldea as Director.</li> <li>Appointment of M/s B S R &amp; Co. as the Statutory Auditors.</li> <li>Resolved not to fill the vacancy, for the time being, caused by the retirement of Mr. Suresh Joshi, who retired by rotation and did not seek re-appointment.</li> <li>Declaration of Dividend on equity shares.</li> <li>Appointment of Mr. Janki Ballabh as a Director liable to retire by rotation.</li> </ul>	<ul style="list-style-type: none"> <li>Approval for payment of commission of an amount not exceeding one percent of net profits of the Company to Non-Executive Directors for each year for the period five years commencing from April 1, 2009.</li> </ul>
<b>FY 09-10</b> <b>June 24, 2010,</b> <b>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>	

Table 13

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2011.

(ii) **Passing of resolutions by Postal Ballot:**

During the year, one special resolution was passed by the Shareholders of the Company through Postal Ballot for alteration of main objects of the Company and alteration of the objects incidental or ancillary to the attainment of main objects of the Company under Section 17 of the Companies Act, 1956. The postal ballot notice was issued on August 1, 2010.

**The description of the resolutions and the results of the voting pattern of the Postal Ballot, which was declared on October 26, 2010, are given in the following table.**

Item	Type of resolution	Net valid Postal Ballot forms	Postal Ballot form with		% of total votes cast in favour of the resolution
			assent for the resolution (No. of shares)	dissent for the resolution (No. of shares)	
Special Resolution under Sec. 17 of the Companies Act, 1956 for alteration of the main objects of the Company and alteration of the objects incidental or ancillary to the attainment of main objects of the Company.	Special Resolution	168	1,58,91,170	5,88,509	96.43%

Table 14

The Board appointed Mr. Rishi Sood, Advocate, Corporate Professionals, Advocates & Solicitors, as Scrutinizer to conduct Postal Ballot Process.



## 4. Disclosures

### (i) Related Party Transactions

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

Transactions with Related parties have been disclosed under note 12 of schedule 16, which forms part of the financial statements. The above transactions do not have any potential conflict with the interests of the Company at large.

### (ii) Details of Non-Compliance

There has been no non-compliance of any legal requirements nor have there been any strictures imposed on the Company by any stock exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last year.

### (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 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

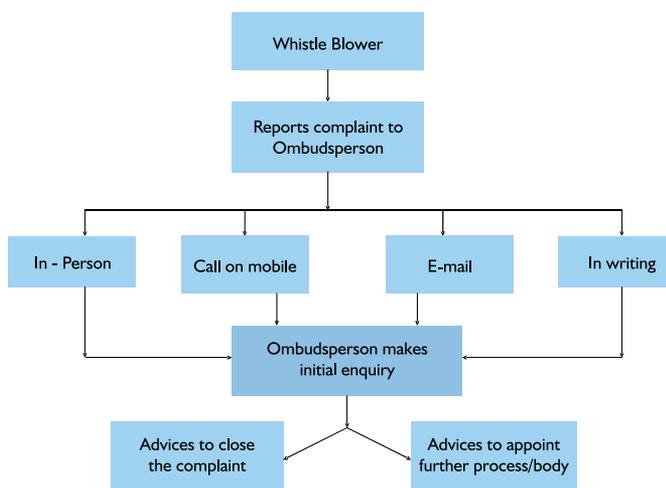


Figure 3

During the year, complaints were received under the Policy, but none of them fell under the ambit of Whistle Blower Policy and were referred to other grievance redressal forums prevalent in the organization accordingly. We also affirm that adequate safeguards were provided to employees against their victimisation on reporting to the Ombudsperson.

### (iv) 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 an 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 Code of Conduct helps to maintain high standards of ethical business conduct for the Company. In terms of Code of Conduct, 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 yearly basis.

The Company has obtained declaration from 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 elsewhere 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 treatments that require specific disclosure.

### (vii) Remuneration to the Directors of the Company

Information relating to the remuneration to the Directors during the financial year 2010-11 has been provided in table 2 of this report on Corporate Governance.

### (viii) Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere

## Report on Corporate Governance

in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis based on the consolidated financials in the Annual Report. It is provided in the later portion of this report.

### (ix) Subsidiary Companies

The Company does not have any material un-listed Indian subsidiary Company, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the 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.

### Details of percentage holding of the Company in the subsidiary companies.

Date of Incorporation	Name of Subsidiary Company	Location	% of Holding
February 25, 1994	Nucleus Software Solutions Pte. Ltd.,	Singapore	100%
August 5, 1997	Nucleus Software Inc.	USA	100%
November 2, 2001	Nucleus Software Japan Kabushiki Kaisha	Japan	100%
May 6, 2004	VirStra i-Technology Services Limited	India	100%
February 3, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%

Table 15

### (x) Indian Unlisted Subsidiary Company

- 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., an unlisted Indian Subsidiary Company.
- 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., an unlisted Indian Subsidiary Company.
- 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., unlisted Indian Subsidiary Companies.
- The minutes of the Board meetings of both VirStra i-Technology Services Ltd. and Nucleus Software Ltd., the unlisted Indian Subsidiary companies are placed at the Board meeting of the Company.

Although Nucleus Software Ltd., an Indian unlisted subsidiary Company, is not a material unlisted Indian subsidiary Company, but as a part of good Corporate Governance practice, above procedure is followed.

## 5. General Shareholder Information

- Date of incorporation** 9th January, 1989
- Registered Office** 33-35, Thyagraj Nagar Mkt., New Delhi-110003, India
- Corporate Office** A-39, Sector 62, Noida-201307, India
- Date and time of Annual General Meeting** July 8, 2011, 11:30 a.m.
- Venue of Annual General Meeting** Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003
- Financial Calendar for the financial year 2011-12 (tentative and subject to change)**
  - Financial reporting for :** **Tentative dates**
  - The first quarter ending June 30, 2011 between 20th to 31st of July 2011
  - The second quarter ending September 30, 2011 between 20th to 31st of October 2011
  - The third quarter ending December 31, 2011 between 20th to 31st of January 2012
  - The year ending March 31, 2012 between 20th to 30th of April 2012
  - Annual General Meeting for the year ending March 31, 2012 July 2012
- Date of Book Closure for AGM for FY 2011** July 1 to 8, 2011 (both days inclusive)
- Listing on Stock Exchanges** Nucleus shares are listed on the following stock exchanges:

Stock Exchange where Nucleus shares are listed	Scrip Symbol/Code
National Stock Exchange of India Limited (NSE) w.e.f. December 19, 2002	NUCLEUS
Bombay Stock Exchange Limited (BSE) w.e.f. November 6, 1995	541209
Madras Stock Exchange Limited w.e.f. November 2, 1995	NA

The annual fees for 2011-12 has been paid to all the Stock Exchanges except Madras Stock Exchange, where the Company has submitted application for delisting of equity shares from the exchange.

- International Securities Identification Number** INE096B01018 (ISIN code-NSDL and CDSL)

### (i) Dividend Payment Date

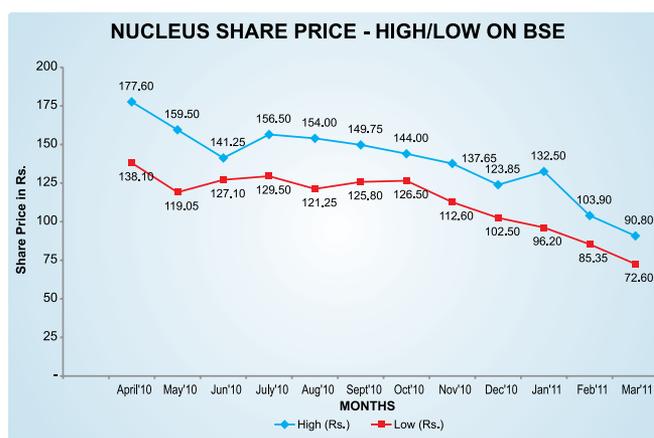
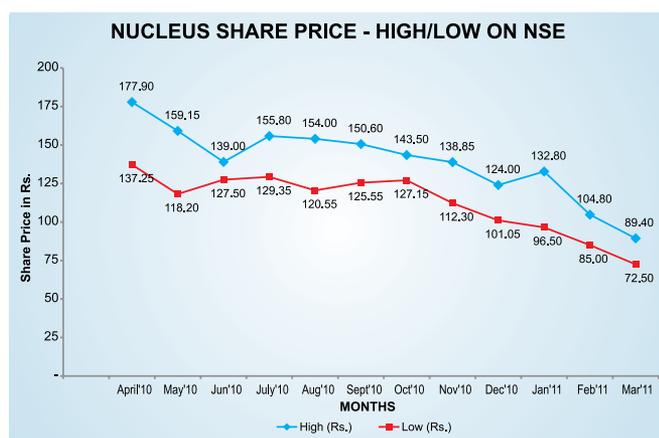
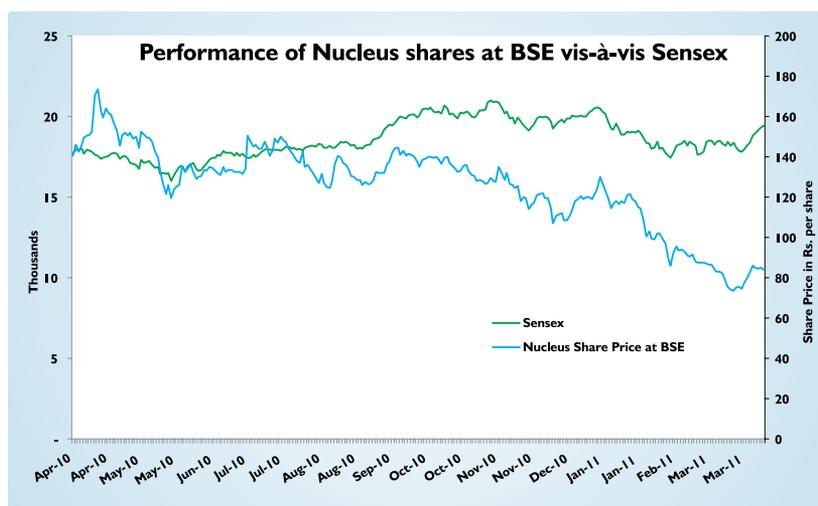
The Board has recommended a final dividend of Rs. 2.50 per share to the shareholders, if approved by the shareholders; will be payable to those shareholders whose names appear on the Register of Members of the Company on July 1, 2011, being the first day of Book-Closure and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2011.



## (ii) Market Price data on NSE & BSE for the financial year 2010-11

Month	BSE			NSE		
	High (in ₹)	Low (in ₹)	Total Volume	High (in ₹)	Low (in ₹)	Total Volume
April'10	177.60	138.10	2,085,422	177.90	137.25	5,050,561
May'10	152.60	124.00	398,711	159.15	118.20	1,159,426
Jun'10	141.25	127.10	159,320	139.00	136.15	475,971
July'10	156.50	129.50	1,247,644	155.80	129.35	2,301,107
Aug'10	154.00	121.25	2,396,271	154.00	120.55	4,368,159
Sept'10	149.75	125.80	723,330	150.60	125.55	1,609,015
Oct'10	141.85	131.40	209,084	143.50	127.15	732,941
Nov'10	137.65	122.60	284,589	138.85	112.30	1,043,522
Dec'10	123.85	102.50	157,447	124.00	101.05	588,265
Jan'11	132.50	96.20	258,581	132.80	96.50	760,320
Feb'11	103.90	85.35	121,489	104.80	85.00	374,142
Mar'11	90.80	72.60	795,717	89.40	72.50	1,864,472
<b>Total Shares traded during the year</b>			<b>8,837,605</b>			<b>20,327,901</b>

Table 16



## Report on Corporate Governance

- Registrars of Company** **Karvy Computershare Private Limited**  
 Plot No. 17-24, Vithal Rao Nagar,  
 Madhapur, Hyderabad-500 081  
 Tel: 040-23420815-18  
 Fax: 040-23420814  
 Email: mailmanager@karvy.com
- The equity shares of the Company are traded in "Group B" category at the Bombay Stock Exchange Ltd.
- The equity share of the Company is a constituent of the Small Cap Index at Bombay Stock Exchange 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 Shareholders/Investor 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.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,377,362 shares (96.90 % of the paid up share capital) as at March 31, 2011.

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) Shareholding Pattern of the Company as on March 31, 2011

Category	As on March 31, 2011		
	Number of Share Holders	Total Number of Shares Held	Total Share Holding Percentage
Promoter and Promoter Group	9	18,601,866	57.44
Individuals	17,958	7,196,095	22.22
Bodies Corporate	617	1,014,728	3.13
Overseas Corporate Bodies / Non Resident Indians	517	672,111	2.08
Foreign Institutional Investors	4	1,390,598	4.29
Mutual Funds	17	3,504,246	10.83
Financial Institutions /Banks	1	2,880	0.01
<b>TOTAL</b>	<b>19,123</b>	<b>32,382,524</b>	<b>100.00</b>

Table 17

### (v) Distribution of Shareholding as on March 31, 2011

No of Equity Shares Held	As on March 31, 2011				As on March 31, 2010			
	Share Holders		Shares		Share Holders		Shares	
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1- 100	10,888	56.94	498,697	1.55	10,665	58.07	477,229	1.47
101 - 200	2,873	15.02	497,725	1.54	2,970	16.17	522,028	1.61
201 - 500	2,892	15.12	1,011,596	3.12	2,501	13.62	890,314	2.75
501 - 1,000	1,457	7.62	1,069,590	3.30	1,256	6.84	921,882	2.85
1,001 - 5,000	826	4.32	1,674,768	5.17	757	4.12	1,610,672	4.98
5,001 - 10,000	98	0.51	690,998	2.13	108	0.59	770,095	2.38
10,001 and above.	89	0.47	26,939,150	83.19	109	0.59	27,177,804	83.96
<b>TOTAL</b>	<b>19,123</b>	<b>100.00</b>	<b>32,382,524</b>	<b>100.00</b>	<b>18,366</b>	<b>100.00</b>	<b>32,370,024</b>	<b>100.00</b>

Table 18

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

As on March 31, 2011, 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 2010-11.



# Nucleus Software Exports Limited

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

During the year, the Company allotted 12,500 equity shares to an employee, in pursuance of the stock options exercised in April 2010. During the year, employees accepted 3,560 options under ESOP Scheme 2005, granted by the Compensation Committee, at its meeting held on July 8, 2011.

## (viii) Locations

Nucleus services its clients through a network of international offices. At the year-end Nucleus has 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) 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. The tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act has not been extended beyond 31 March 2011.

During the year, the Company's subsidiary NSL acquired the status of Co-Developer for the above land along with Mahindra World City, Jaipur Ltd. (MWCJL). This was pursuant to approval granted by Board of Approvals (BOA) of the Ministry of Commerce and Industries, Government of India, in their meeting held on June 8, 2010, for developing, operating and marinating the area of 17.41 acres in the SEZ. Your Company i.e. Nucleus Software Exports Ltd., has received the approval from Ministry of Commerce and Industries, Government of India, to set up a unit with a covered area of 2,063 sq meters for a 250-person facility, which will be ready by June 2011.

## PARENT COMPANY

### Registered Office

**Nucleus Software Exports Ltd.**  
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#05-05,  
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.

197 Route 18 South Suite 3000  
East Brunswick, NJ 08816-1440  
USA

### Nucleus Software Netherlands B.V.

Strawinskyaan 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.

Regd. Office: 33-35, Thyagraj Nagar Mkt.  
New Delhi-110 003  
India

## STEP-DOWN SUBSIDIARY

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

300, Tampines Avenue-5  
#05-05, 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  
India

### B. Chennai

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

## 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.

(ix) 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)-2404050  
Fax: +91-(120)-2403972  
Email: [investorrelations@nucleussoftware.com](mailto:investorrelations@nucleussoftware.com)

### (x) Other General Shareholder Information

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

### (xi) CEO/CFO Certification

As required by Clause 49 of the listing agreement, the CEO / CFO certification is provided elsewhere in this Annual Report.

### (xii) Voluntary Secretarial Compliance Certificate

The Company annually obtains a compliance certificate from a Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956.

### (xiii) Secretarial Audit

The Company has always advocated and practiced best principles of Corporate Governance and accordingly to strengthen internal processes of the secretarial department of your Company, an assignment was given for a comprehensive Secretarial Audit for the Calendar year 2010, to a professional Company Secretary firm. While the audit revealed that the Company was in compliance of all laws/regulations, some recommendations made by the Secretarial Auditor for adopting Best Practices are now being implemented.

This is a voluntary initiative undertaken by the Company to adopt the best practices and procedures. Certificate obtained in this regard has been published as **Annexure A** to this Report on Corporate Governance.

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

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the auditors or practicing Company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause. We have obtained a certificate to this effect and is provided as **Annexure B** to this Report on Corporate Governance.

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 based on their contribution to the growth and development of the Company. A detailed note on the committee has been provided under 'Remuneration Committee' earlier in this report on Corporate Governance.

#### 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 or Company visits. We also leverage the Internet in communicating with our investor base.
- The announcement of quarterly results is followed by earnings conference calls and annual results announcement is followed by both press conference and earnings conference calls. Both audio version and transcripts of the earnings calls are posted on our website [www.nucleussoftware.com](http://www.nucleussoftware.com).
- 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. Training of Board Members

The Management makes various presentations and sends relevant material to the Board on an overview of latest happenings in the corporate world. Board training conveys the knowledge and understanding needed in order to be effective as a member of the Board of Directors, for example, legal responsibilities. It is about the organization-specific information in order to be effective particularly as a member of the organization's Board of Directors, for example, about where the Board meets, who's on the Board now, etc.

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

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

A formal Policy for Board Performance Evaluation was adopted during the year to develop a process for evaluation of the performance of both the Board and individual Directors.

In accordance with the policy, a reputed, independent external facilitator was engaged to conduct a formal Board performance evaluation. 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.

#### e. Secretarial Standards

The Company endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).



## SECRETARIAL AUDIT CERTIFICATE

Annexure A

To the Board of Directors of

### Nucleus Software Exports Limited

I have examined the registers, records and documents of Nucleus Software Exports Limited ("the Company") for the period of 1st January 2010 to 31st December 2010 under the provisions of-

1. The Companies Act, 1956 and the Rules made under that Act;
2. The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
  - (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
4. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made under that Act; and
5. The Equity Listing Agreements with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Madras Stock Exchange Limited.

Based on my examination and verification of the registers, records and documents including report of a consultancy company, produced to me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and the Memorandum and Articles of Association of the Company, with regard to:

- (a) maintenance of various statutory registers and documents and making necessary entries therein;
- (b) closure of the Register of Members;
- (c) forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
- (d) service of documents by the Company on its Members, and the Registrar of Companies;
- (e) Notice of Board meetings and Committee meetings of Directors;
- (f) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) the conduction of Annual General Meeting;
- (h) minutes of proceedings of General Meetings and of Board and other meetings, except that at some instances, noting of interest u/s 300 is not made;
- (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 and Whole-time Directors;
- (k) payment of remuneration to the Directors including the Managing Director and Whole-time Directors;
- (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) borrowings and registration, modification and satisfaction of charges;

- (q) investment of the Company's funds including inter corporate loans and investments and loans to others;
- (r) 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;
- (s) Generally, all other applicable provisions of the Act and the Rules made under that Act.

I 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) the Company has obtained all necessary approvals under the various provisions of the Act;
- (d) 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, its Directors and Officers.

I further 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.

I further report that:

- (a) the Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and Madras Stock Exchange Limited;
- (b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
- (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- (d) the Company has complied with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects.

**For Saurabh Arora & Associates  
Company Secretaries**

Sd/-  
**Saurabh Arora**  
Proprietor  
CP No. 9361  
Date: 20.05.2011  
Place: New Delhi

---

## **AUDITORS' CERTIFICATE FOR CORPORATE GOVERNANCE**

(under Clause 49 of the Listing Agreement)

**Annexure B**

To the Members of  
**Nucleus Software Exports Limited**

1. We have examined the compliance of conditions of Corporate Governance by NUCLEUS SOFTWARE EXPORTS LIMITED ("the Company"), for the year ended on 31 March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied in all material respect with the conditions of Corporate Governance, as stipulated in clause 49 of the Listing Agreement.
4. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**Gurgaon**  
**May 1, 2011**

**For DELOITTE HASKINS & SELLS**  
**Chartered Accountants**  
**(Registration No. 015125N)**  
**Sd/-**  
**JITENDRA AGARWAL**  
**Partner**  
**(Membership No. 87104)**



## 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, 2011 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 (U.P.)  
May 1, 2011**

**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, 2011, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

**NOIDA (U.P.)  
May 1, 2011**

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