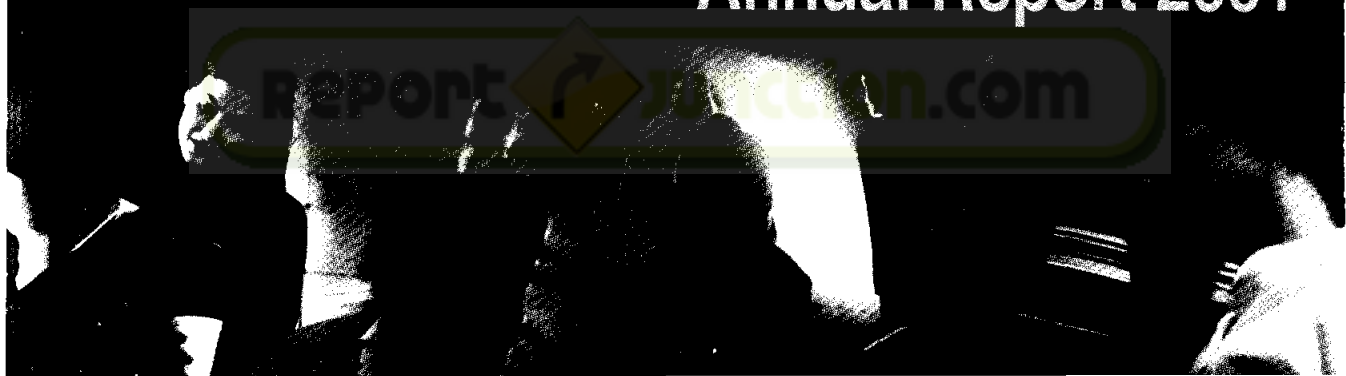
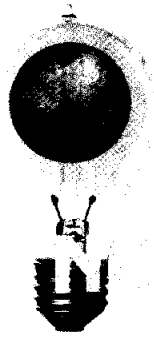


...in pursuit of Global Leadership

Annual Report 2001





Vision

As a committed team we shall strive for...

...being a trustworthy, customer oriented organization

...an open and warm environment where everyone is respected, listened to, encouraged to excel.

...actively creating and exploring opportunity for the growth of our customers and our organization



Mission

Nucleus wants to be a dependable world-class organization.

We shall foster the spirit of entrepreneurship within the organization through individual development. Our endeavor is to provide our national and international customers with competitive Information Technology solutions. We shall achieve this Quality Service by comprehending their need through close interaction and by creating a global network.



NUCLEUS SOFTWARE EXPORTS LTD.

BOARD OF DIRECTORS

Lt. Gen T P Singh (Retd.)	Chairman
Vishnu R Dusad	Managing Director
Yogesh Andlay	Director
Suresh Joshi	Director
Arun Shekhar Aran	Director
Prithvi Haldea	Director
Sanjiv Sarin	Director

BANKERS

Canara Bank
Citibank
HDFC Bank
The Bank of Rajasthan

COMPANY SECRETARY

Poonam Bhasin

AUDITORS

Abhay K Agarwal & Co.
Chartered Accountants



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**NUCLEUS SOFTWARE EXPORTS LTD.****The Year at a Glance**

Rs. in lacs

	CONSOLIDATED PERFORMANCE			
For the Year ended June 30		2000	1999	1998
For the Year ended March 31	2001			
Total Revenue	3,572.70	1,723.45	969.76	649.45
Exports	2,916.03	1,108.94	667.28	503.56
Operating Profits	1,310.96	512.02	300.53	40.79
Profit After Tax (PAT) from ordinary activities	937.23	160.44	147.73	(14.30)
PBIDT as percentage of total revenue	36.67%	29.48%	30.34%	5.41%
PAT (from ordinary activities) as a percentage of total revenue	26.23%	9.31%	15.23%	(2.22%)
Earning per share (from ordinary activities)	27.55	4.72	4.28	(0.42)
PAT as a percentage of average net worth	40.95%	15.36%	11.04%	(0.68%)
At the end of the Year				
Total Assets	2,689.83	2,037.27	1,501.32	1,360.82
Working Capital	1,640.48	980.01	855.96	804.50
Total Debt	17.96	20.22	15.71	29.90
Net Worth	2,671.87	2,016.61	1,485.62	1,330.92
Equity	340.01	340.01	339.33	339.29
Market Capitalisation	1,897.98	3,171.82	1,751.72	874.16

Notes:

- 1) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the Year.
- 2) While calculating the figures of group, the intergroup transactions have been ignored.
- 3) Conversion rates are taken as Rs. 45/- for US\$ and Rs. 25/- for S\$.
- 4) The above figures are for information purpose only.



NUCLEUS SOFTWARE EXPORTS LTD.

Letter to the Shareholders

Dear Shareholder,

I am delighted to announce the results for another exciting year. Your Company's year on year growth in revenue and profit after tax was the highest ever achieved in the last six years. While this is exciting, it does raise the bar for future to a much higher level.

The combined turnover of the Company inclusive of wholly owned subsidiaries in Singapore and U.S.A. grew by 107.30% over the year 1999-2000 (on annualised basis) while net profit from ordinary activities witnessed an increase of 256.87%. Thanks to this, the Board of Directors has recommended a final dividend of 10% taking the total dividend for the year to 20%. I am very pleased to inform you that the Board has also recommended a Bonus Issue of 1:2 i.e. one bonus share for every two shares held.

We had started our journey in the direction of creation and marketing of world-class Intellectual Property in 1995-96. It was a very bold step then. Despite major difficulties on the way, during early years, your Company is consistently moving ahead in the direction of fulfillment of the dream of becoming an Intellectual Property Product Company. Our products have contributed 20% of the total revenue during the year 2000-01 on this enlarged base of revenue. There are more than thirty national and international live sites, where our products are delivering business benefits. Your Company is working aggressively to further strengthen its product line of business in the year's to come.

Nucleus continues to strengthen the focus on building strong relationships with large corporations. Of the 20 clients added during the year, 18 were large corporations. We believe that large corporations are still in the early stages of exploitation of technology for business benefit and will have huge budgets for the integration and enhancement of their existing systems.

Companies having highly committed management teams, penetrating client relationships, an unprecedented record of client satisfaction, a sound business model, high financial discipline, very competent cost model, a strong value system and, above all, the ability to manage change are going to emerge as leaders in the time to come. Your Company is committed to achieve the highest levels in all the parameters mentioned above in the time to come to emerge as a leader in the industry.

Your Company continued to expand its presence overseas and in India. The wholly owned subsidiary in U.S.A. has started delivering results. Your Company has opened a branch office in U.K. and decided to open a wholly owned subsidiary in Japan on priority basis. Your Company is also working on opportunities in Australia. Your Company has started a new STP unit in Chennai and extended the operation of its Delhi STP unit to Noida. Work on a new state-of-the-art infrastructure project in Noida has started, covering 200,000 sq.ft. of constructed space in phases. The first phase of construction is planned to cover over 60,000 sq. ft. of constructed space. The first phase of construction has been rescheduled for 2002.

The year 2001-02 will be a year of change. During this year we need to look at our business strategy more closely. Success will belong to Companies who can align themselves to their customers and shareholders. Your Company will use innovation and quality to align its team to its customers and use transparency and accuracy of information to align itself to its shareholders.

I thank you all for your continuing support, guidance and the confidence you have placed in Nucleus over the last five years for quietly encouraging us to pursue our dream.

Yours Sincerely,

Vishnu R Dusad
Managing Director

Date: June 22, 2001


NUCLEUS SOFTWARE EXPORTS LTD.
Directors' Report

To the Members,

Your Directors have great pleasure in presenting the Twelfth Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2001.

1. Financial Highlights

Rs. in lacs

	From April, 2000 to March, 2001	From July, 1999 to March, 2000
Operating Profit	1,294.65	235.20
Profit Before Depreciation and Tax	1,285.39	231.26
Less: Depreciation	261.85	153.99
Profit Before Tax	1,023.54	77.27
Less: Provision for Tax	60.00	7.00
Profit After Tax	963.54	70.27
Add: Surplus Brought Forward	477.64	407.37
Profit Available for Appropriation	1,441.18	477.64

Appropriate as follows:

Rs. in lacs

	From April, 2000 to March, 2001	From July, 1999 to March, 2000
Interim Dividend	34.02	Nil
Provision for Proposed Final Dividend	34.01	Nil
Tax on Distributed Profits	15.17	Nil
Transferred to General Reserve	80.00	Nil
Balance Transferred to Balance Sheet	1,277.98	477.64

2. Results of Operations

Your Company's total revenue increased to Rs.2,724.13 lacs in 2000-01 from Rs.868.73 lacs in 1999-00 (period of nine months) registering a growth of 133.33% (on annualised basis). Profit after tax increased by 677.36% (on annualised basis) to Rs.963.54 lacs from Rs.70.27 lacs in 1999-00 (period of nine months). The Reserves went up from Rs.1,216.07 lacs in 1999-00 (period of nine months) to Rs.2,096.59 lacs in 2000-2001. The Export income grew by 242.62% (on annualised basis) increased to Rs 2,080.97 lacs in 2000-01 from Rs.412.90 lacs in 1999-00 (period of nine months).



NUCLEUS SOFTWARE EXPORTS LTD.

3. Dividend

Your Directors are pleased to recommend final dividend of Rs 1 per share (10% on par value of Rs.10) on the Equity Share Capital of the Company for the year ended March 31, 2001. In addition to the final dividend the Company also paid an interim dividend of Rs.1 per share (10% on par value of Rs. 10) during the month of October 2000. Under the Indian Income tax Act, 1961, the receipt of dividend is tax free in the hands of the shareholders. The final dividend if approved at the forthcoming Annual General Meeting will be paid out of the profits of the Company for the year to all those equity shareholders whose names appear on the Register of Members of the Company on July1, 2001 and to those whose names appear as beneficial owners on the records of National Securities Depository Limited and Central Depository Services (India) Limited as on the said date.

4. Forfeiture of Shares

The Company has also forfeited 2,800 Equity Shares in the Board Meeting held on April 24, 2001 due to non-payment of call money in spite of various reminders sent to the respective shareholders.

5. Issue of Bonus Shares

Your Directors are pleased to recommend an issue of fully paid up bonus shares to the equity shareholders of the Company by capitalising a part of its free reserves and/or the share premium account. The issue of bonus shares will be subject to the approval of shareholders and the issue amount is proposed to be capitalised out of the reserves and/or the share premium account of the Company for the issue of fully paid up bonus shares. The bonus shares proposed to be issued would be in the proportion of 1(One) equity share for every 2(Two) equity shares held by the shareholders on the record date as may be determined by the Board of Directors for the said purpose.

6. Dematerialisation of Equity Shares

The facility for dematerialisation has been there for the shares of Nucleus since March 7, 2000. However w.e.f. from July 24, 2000 SEBI has by a circular notified that the Company's shares are to be traded compulsorily in the dematerialised form. The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in the dematerialised form. M/s. RCMC Share Registry Private Limited, who is having connectivity with NSDL and CDSL, is the electronic connectivity provider for Nucleus.

7. Preferential Issue of Shares

The Company had allotted 2,000,000 Equity Share Warrants to be converted into Equity Shares of Rs.10.00 each on preferential basis to the promoters, associates and permanent employees of the Company at a price of Rs.103.15. An amount of Rs.10.50 per Share Warrant was called up and paid at the time of allotment of Equity Share Warrants.

The option for the conversion of Share Warrants into Equity Shares was opened from June 1, 2001 to June 19, 2001. The promoters/associates and the permanent employees applied for the conversion of 1,875,500 Share Warrants into Equity Shares. The Board of Directors at their meeting held on June 22, 2001 allotted 1,875,500 Equity Shares of Rs.10/-each and the application money paid against the Share Warrants not applied for the conversion into Equity Shares has forfeited.



NUCLEUS SOFTWARE EXPORTS LTD.

8. Employee Stock Option Scheme

All knowledge based industry driven by professional and intellectual powers works on a partnership model. The Board of Directors of your Company had formulated Employees Stock Option Plan (ESOP) providing for issue of stock options to employees of the Company that can be converted into Equity Shares after a specified period.

Pursuant to the resolution in the Annual General Meeting (AGM) held on December 29, 1999 the members had authorised the Company to issue options convertible into Equity Shares not exceeding 1,70,000. The details of the options granted under this scheme are given below:

(a) Options granted	93,334
(b) The pricing	Rs.24/- per Equity Share of Rs.10/- each
(c) Options vested	Nil
(d) The total number of share arising as a result of exercise of option	Nil
(e) Option lapsed	Nil
(f) Variation of terms of options	1) The price of the option was fixed as Rs.24/- per share. 2) Issue of options more than 1% of issued capital of the Company during one year 3) Issue of options to the employee of the wholly owned subsidiaries of Nucleus vide shareholders resolution dated October 21, 2000
(g) Money realised by exercise of options	Nil
(h) Total number of options in force	93,334
(i) (i) Details of Options granted to the employees of the Company	
S.No.	No. of options
1. Abhijit Chatterjee	5,556
2. Abhijit Mittra	8,200
3. Anurag Bhatia	8,200
4. Anurag Mantri	2,000
5. Arun Arora	2,000
6. Atul Kumar Agarwal	2,100
7. Debashish Ganguly	2,000
8. Dheeraj Trikha	1,700
9. Jiten Arora	8,200
10. K. Satya Venu	1,700
11. Kishore Tambe	8,200
12. Mahipal Singh	1,500
13. Niraj Vedwa	8,200


NUCLEUS SOFTWARE EXPORTS LTD.

S.No.	Name	No. of options
14.	Parminder Iqbal Bansal	3,500
15.	Poonam Bhasin	700
16.	Rajan Kumar	2,000
17.	Rajesh S Shah	2,000
18.	Raju Lal	2,000
19.	Ravishankar Sarkar	2,778
20.	Sanjay Varma	3,100
21.	Sanjeev Kulshreshtha	2,000
22.	Shuvendu K Pattanaik	1,800
23.	Sridhar Pandurangiah	1,200
24.	Srinath Kamath	500
25.	Tarun Chawla	2,000
26.	V V Subramaniam	8,200
27.	Vijay Kumar Sharma	2,000
Total		93,334
(ii) any other employee who received a grant in any one year options amounting to 5% or more of options granted during that year		Nil
(iii) identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant		Nil
(j) Diluted Earning Per Share (EPS) pursuant to the issue of the above options		Rs. 27.57

9. Business

The software export as well as domestic market continued to be aggressive during the year. Exports from India grew rapidly. Similarly the domestic market for software products as well as projects is also growing at a very rapid pace. Your Company has continued to focus on both the domestic as well as international market by segregating the markets on the basis of product, projects and professional services. As far as products are concerned, your Company gave full emphasis to the domestic market before approaching the international market, in a much-refined way. On the project and professional service side, your Company's main emphasis was on the international market. The proportion of domestic versus export business was 23.01% and 76.99% respectively.

10. Nucleus Software Solutions Pte. Ltd., Singapore - Wholly Owned Subsidiary

Performance of Nucleus Software Solutions Pte.Ltd., a wholly owned subsidiary of the Company located in Singapore was excellent during the year under review in comparison to the previous year. The turnover of the Company has grown to S\$ 4,434,795 in 2000-2001 from S\$ 948,856 in 1999-00 (period of nine months). The net profit after depreciation and tax was S\$ 115,609 as on March 31, 2001 as compared to S\$ 29,604