



...in pursuit of Global Leadership



Annual Report 2002



**NUCLEUS
SOFTWARE**

Nucleus Software Exports Ltd.



NUCLEUS 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

NUCLEUS 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
Suresh Joshi	Director
Arun Shekhar Aran	Director
Sanjiv Sarin	Director
Prithvi Pal Singh Haldea	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, except per equity share data

For the year ended	CONSOLIDATED PERFORMANCE	
	March 31, 2002	March 31, 2001
For the Year		
Total Revenue	6,229.18	3,572.70
Exports Revenue	5,223.52	2,916.03
Operating Profits (PBIDT)	1,599.56	1,310.04
PAT from Ordinary Activities	975.98	937.23
PBIDT as a % of Total Revenue	25.68%	36.67%
PAT (from ordinary activities) as a % of Total Revenue	15.67%	26.87%
EPS from Ordinary Activities	13.04	15.52
Dividend Pay Out	158.22	68.03
Dividend Per Share	2.00	2.00
At the end of the Year		
Total Assets	5,677.72	2,696.78
Net Fixed Assets	1,494.73	1,010.89
Current Assets	3,188.19	2,052.64
Cash & Cash Equivalents	635.01	239.16
Working Capital	2,536.15	1,640.48
Total Debts	403.20	17.96
Net Worth	5,267.40	2,669.66
Share Capital	791.27	340.01
Reserves & Surplus	4,475.20	2,119.67
Market Capitalisation	10,312.18	1,897.98
No. of Shareholders	4,232	3,695
No. of Shares	7,911,150	3,401,400

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.

**NUCLEUS SOFTWARE EXPORTS LTD.**

Letter to the Shareholders

Dear Shareholder,

I am delighted to announce the results for an extremely eventful and exciting year. The consolidated revenue of your Company has witnessed a 74% growth to Rs. 62.29 crores for the year, which is extremely satisfying in view of the turbulent environment, and a testimonial to the focused product development strategy complemented by the efforts of the entire Nucleus team. We, at Nucleus, have been charting our own distinct path in the BFSI space of the software products and services industry and dedicated man-years of research, analysis and development have, today, enabled us to successfully compete in international markets.

Consolidated profit for the year has risen by 12.9% to Rs. 10.84 crores. The major increase in costs is in Personnel Expenses, which have risen by 124% over the previous year. Total no. of Nucleites has gone up from 471 on April 1, 2001 to 611 on March 31, 2002. Manpower is our primary resource and expenditure on human resources is an investment in the future. Our people are driving the future growth of the company and it is part of our philosophy to motivate and train them to realize their potential to the fullest possible extent.

With highly motivated and trained human resources in place, we are in a position to scale up the operations at minimal notice and this has been one of our major strengths.

Nucleus has been at the forefront in developing products that enhance customer value and provide a strategic fit with the customer's business objectives. Today our suite of products give us a global presence based on extensive domain knowledge and expertise. The products include :

Finnone	The complete banker for end to end banking requirements for both wholesale and retail needs of a bank
Cash @ Will	Optimised cash management services
LOS	a Loan origination system for retail customer acquisition
CcAPS	a credit card application processing system
Debt Manager	the Collections and Recovery manager
Trade Facto	a trade finance solution

With the growth in the company's operations, there is a growing need for internalising risk management systems and processes, which alleviate both business and financial risks. Business risk is addressed by offering a broad range of services and products and simultaneous addressal of diverse and geographically dispersed markets. With direct presence in Australia, Hongkong, India, Japan, Singapore, U.K. and the U.S.A. and representation in other parts of the globe, Nucleus has a growing group of 56 customers to whom world-class solutions are delivered on a continuous basis.

Financial risk is addressed by maintaining near zero debt levels currently and in the foreseeable future. Liquidity is ensured by maintaining funds in bank deposits and in units of liquid plans of Mutual funds, which have an ultra short-term maturity horizon.

Maximising shareholder value is the responsibility entrusted by you to the Nucleus team and it is our endeavour to deliver a return on investment which is higher than the industry average.

In consonance with the above objective, your Company has issued bonus shares in the ratio of one equity

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share for every two equity shares held and allotted 2,637,050 equity shares as fully paid up bonus shares during the financial year. Two interim dividends at the rate of Re. 1 per share have been declared and paid and there is a significant increase in the total dividend payout.

Quality processes are a prerequisite for organizations delivering mission critical solutions. We had originally set out June 1999 as the target date for upgrading our processes to Capability Maturity Model Level 3. We are glad to convey that we achieved that certification in December 2001. Learning from the experience and going by the benefits derived after implementation, we have now set out to achieve the CMM Level 5 by March 2003. We are excited about the productivity benefits that will accrue to the organization, which we will, in turn, be able to offer our customers in terms of better price performance.

I am glad to share with you our order book position which as of today stands at Rs. 62 crores for orders booked and to be delivered in the current financial year. This exceeds previous year billings and the pipeline for expected orders would definitely add substantially to the turnover for this year.

Work at the first phase of our Noida facility shall commence later this year and the progress will be shared with you at regular intervals.

Our Mission is to provide our national and international customers with competitive information technology solutions. The goal is clear, and all of us who work at Nucleus will do our utmost to achieve the same.

Sincerely,

Vishnu R Dusad
Managing Director

Date : May 21, 2002

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NUCLEUS SOFTWARE EXPORTS LTD.
Directors' Report

To the Members,

Your Directors have great pleasure in presenting the Thirteenth Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2002.

1. Financial Highlights

Rs. in lacs

	From April, 2001 to March, 2002	From April, 2000 to March, 2001
Operating Profit	1,483.92	1,293.73
Profit Before Depreciation and Tax	1,467.16	1,285.39
Less: Depreciation	250.74	261.85
Profit Before Tax	1,216.42	1,023.54
Less: Provision for Tax	50.00	60.00
Less: Withholding Taxes Charged Off	175.71	—
Less: Deferred Tax	(29.21)	—
Profit After Tax	1,019.92	963.54
Add: Surplus Brought Forward	1,277.98	477.64
Profit Available for Appropriation	2,297.90	1,441.18

Appropriated as follows:

Rs. in lacs

	From April, 2001 to March, 2002	From April, 2000 to March, 2001
Interim Dividends	158.22	34.02
Final Dividend	—	34.01
Tax on Distributed Profits	3.85	15.17
Transferred to General Reserve	1,000.00	80.00
Balance Transferred to Balance Sheet	1,135.83	1,277.98

2. Results of Operations

Your Company's revenue from operations increased to Rs.4,042.91 lacs in 2001-02 from Rs 2,702.82 lacs in 2000-01 registering a growth of 49.58% which is substantially higher than the average growth of the software industry in India. With continuing emphasis on development of "Products", the operating expenses increased by 86.34 % over the previous year and consequently the operating profit increased by 14.70 % over the previous year. Profit after tax has increased to Rs.1,019.92 lacs from Rs. 963.54 lacs in 2000-01.



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The Export income grew by 51.14% and increased to Rs 3,145.28 lacs in 2001-02 from Rs 2,080.97 lacs in 2000-01.

3. Dividend

Your Directors had declared first interim dividend of Rs 1 per share (10% on par value of Rs.10) on the Equity Share Capital of the Company during the month of November 2001 and second interim dividend of Rs 1 per share (10% on par value of Rs.10) on the Equity Share Capital of the Company during the month of April 2002. No further dividend is proposed to be declared for the year ending March 31,2002 and the total dividend payout for the year shall be Rs. 2/- per share consisting of two interim dividends as above.

The total amount of dividend is Rs.158.22 lacs as against Rs.68.03 lacs for the previous year.

Upto March 31, 2002 the receipt of dividend was tax free in the hands of the shareholders, under the Income Tax Act, 1961. Effective April 1, 2002 the dividend income is to be taxed in the hands of the shareholders and accordingly, is subject to deduction of tax, if any.

4. Forfeiture of Shares

The Company has forfeited 2,800 Equity Shares in the Board Meeting held on April 24,2001 due to non-payment of call money.

5. Preferential Issue of Shares

The Company had in December 1999 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 was forfeited.

6. Issue of Bonus Shares

Your Directors have allotted 2,637,050 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 Bonus Shares were allotted in the proportion of 1(one) Equity Share for every 2(two) Equity Shares held by the shareholders whose names appeared in the register of members of the Company and whose names appeared as beneficial owners on the records of National Depository Limited and Central Depository Services (India) Limited as on October 1, 2001.

7. Business

Your Company continued to focus on Product development for the banking and financial services industry as a key to business success and these products have been installed at 50 extremely prestigious sites all over the world. With launch of 3 new products including Central Banking Solution in the year under review, the Company, today, offers end to end solutions for meeting customer requirements. These product revenues



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are forecast to rise significantly in the future years. Development Projects contributed approximately 75% of Company's turnover and Professional services contributed approximately 5% of the Company's turnover in the year under review and these will continue to contribute to the revenue of the Company.

In the future, the Company is confident of continuing to be a single source of a wider range of solutions consisting of products and services.

8. Subsidiaries

Nucleus Software Solutions Pte. Ltd., a wholly owned subsidiary of the Company located in Singapore achieved a total revenue of S\$ 8,543,123 in 2001-2002 as against S\$ 4,429,445 in 2000-2001. The net profit after depreciation and tax was S\$ 293,896 for 2001-2002 as compared to S\$ 133,349 for 2000-2001. Nucleus Software Solutions has shown growth both in terms of revenue and profitability.

Another Subsidiary of the Company i.e. Nucleus Software Inc, U.S.A. has achieved a total revenue of US\$ 735,579 in 2001-2002 as against US\$ 179,688 in 2000-2001. The Company has incurred a net loss of US\$ 32,947 during the year. The impact of the global slowdown coupled with the tragedy of September 11 has affected the performance and hence revenues and profitability were not up to expectations. Your Board is confident of a turnaround in the performance of the Company both in terms of revenues and profitability during the year 2002-2003.

Your Company has set up a wholly owned Subsidiary by the name of Nucleus Software Japan Kubushiki Kaiga in Japan in November 2001 with an initial investment of JPY 10,000,000. During the first five months of its operations, the Company has achieved a total revenue of Yen 161,322,043 and net profit of Yen 1,132,339.

The Company has also set up a wholly owned Subsidiary by the name of Nucleus Software (HK) Ltd. which has been incorporated in Hongkong on March 20, 2002. The Subsidiary shall commence operations during the current financial year and the first financial results will be for the period from incorporation to March 31, 2003.

The Company has disposed off its investment in its subsidiary NucleusSoftware.com Pvt. Ltd. in the year under review at cost. The subsidiary did not carry out any operations since its incorporation and had booked a loss of Rs.4,778 till March 31, 2001.

The Directors' Report on the Subsidiaries along with the statement of accounts for the year ended March 31, 2002 and Auditors' Report thereon form part of this report and are attached to the Annual Report. A statement pursuant to Section 212 of the Companies Act 1956 is also attached.

9. Infrastructure

Your Company operates state of the art Software Development Centers at New Delhi, Noida (U.P) and Chennai under the Software Technology Park scheme of the Government of India. The subsidiary at Singapore also operates a development center at Singapore. Marketing and customer support operations are carried out from the Head office at New Delhi and Subsidiary/Branch offices at Bangalore, Chennai, London, Mumbai, New Jersey, Singapore, Sydney, Hongkong and Tokyo.

10. Quality Processes

We are delighted to report that your Company's processes have been certified as having attained Level 3 of Software Engineering Institutes' Capability Maturity Model during the year, which was made possible through focused efforts of the entire organisation.