

# Eighth Annual Report 1996-97

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Authorised Signatory

## NUCLEUS SOFTWARE EXPORTS LTD.

*Pravin Bhanu*  
Certified True Copy



# NUCLEUS SOFTWARE EXPORTS LTD.

## BOARD OF DIRECTORS

Vishnu R. Dusad

*Managing Director*

Yogesh Andlay

Suresh Joshi

Lt. Gen. T. P. Singh (Retd.)

Arun Shekhar Aran

## COMPANY SECRETARY

Poonam Bhasin

## AUDITORS

M/s Abhay K. Agarwal & Company  
*Chartered Accountants*

## BANKERS

Citibank, N.A.

Canara Bank

The Bank of Rajasthan Ltd.

## REGISTERED OFFICE

33-35, Thyagraj Nagar Market  
New Delhi-110 003  
India

## SHARE LISTING

Delhi, Mumbai, Chennai, Jaipur, Ahmedabad

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## NUCLEUS SOFTWARE EXPORTS LTD.

### NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of NUCLEUS SOFTWARE EXPORTS LTD. will be held on Friday, the 26th December, 1997 at 9.00 A.M. at Shah Auditorium, 2, Gujarati Samaj Marg, Civil Lines, Delhi-110 054, to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 30th June, 1997 and the Profit & Loss Account for the year ended on that date and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Yogesh Andlay, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and authorise Board of Directors to fix their remuneration.

#### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

**"RESOLVED THAT** pursuant to the provisions of Article 80 (a) of the Articles of the Association of the Company and Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act 1956, and subject to such sanctions and approvals as may be necessary, the Company hereby approves the appointment of Mr. Vishnu R. Dusad, as the Managing Director of the Company whose office shall not be liable to retirement by rotation under the Companies Act, for a period of five years with effect from 1st January, 1997, with a liberty to either party to terminate the appointment on three months notice in writing to the other, on the following terms and conditions :

#### 1. SALARY

Rs.30,000/- per month.

#### 2. PERQUISITES

##### Category A a) Housing

##### Housing — I

The expenditure by the Company on hiring furnished accommodation, will be subject to a ceiling of 60% of the salary, over and above 10% payable by the Managing Director.

##### Housing — II

In case the accommodation provided to the Managing Director is owned by the Company, the Company shall deduct 10% of the salary of the Managing Director.

##### Housing — III

In case no accommodation is provided by the Company to the Managing Director, House Rent Allowance shall be paid by the Company to the Managing Director subject to a ceiling of 60% of the salary.

However, expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per Income Tax Rules, 1962. This shall however, be subject to a ceiling of 10% of the salary.

##### b) Medical Reimbursement

Expenses incurred for self and family, subject to a ceiling of one month's salary per year or three months salary over a period of three years.

##### c) Leave Travel Concession

For self and family once in a year subject to a ceiling of one month's salary per year.

##### d) Club Fees

Subject to a maximum of two clubs.

This will not include Admission and Life Membership Fee.

##### e) Personal Accident Insurance

Premium not to exceed Rs.4,000/- per annum.

**Category B** The following perquisites shall not be included in the computation of the ceiling on remuneration specified in Para 1 and 2 above :

##### a) Contribution to Provident Fund

Contribution to the Company's Provident Fund Scheme in accordance with the Provident Fund Rules.

##### b) Superannuation Fund

Company's contribution towards Superannuation Fund which together with the Company's contribution towards Provident Fund shall not exceed 25% of the salary as laid down under the Income Tax Rules, 1962.

##### c) Gratuity

Not exceeding half a month's salary for each completed year of service.

##### d) Leave Encashment

Leave accumulated and not availed of during the tenure as Managing Director will be allowed to be encashed at the time of termination of the appointment.



## NUCLEUS SOFTWARE EXPORTS LTD.

**Category C** Provision of Car for use on Company's business and Telephone at residence not to be considered as perquisites. However, personal long distance calls and use of car for private purpose will be billed by Company.

### Minimum Remuneration

Notwithstanding anything contained herein, if any financial year during the currency of the tenure of Mr. Vishnu R. Dusad, the Company has no profit or its profits are inadequate, the Company shall pay him a remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration.

The scope and quantum of remuneration specified as above may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with the relevant provisions of the Companies Act, 1956 and/or such guidelines as may be announced by the Central Government from time to time."

By Order of the Board  
For Nucleus Software Exports Ltd.

Place : New Delhi  
Dated : 23rd November, 1997

(Vishnu R. Dusad)  
Managing Director

### NOTES

1. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the item of Special Business is annexed to the Notice.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from Friday, the 12th December, 1997 to Friday, the 26th December, 1997 (both days inclusive).
4. Members are requested to notify immediately changes, if any, in their addresses to the Company, specifying full address with Pin Code of the Post Office.
5. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting as extra copies will not be provided.
6. Members are requested to send to the Company their queries, if any, on accounts and operations of the Company at least ten days before the date of meeting so that the same could be suitably answered at the Meeting.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No. 4

Mr. Yogesh Andlay, resigned from the post of Managing Director with effect from 1st January, 1997 due to his pre-occupation. The Board places on record its sense of appreciation for the valuable contribution by him.

Mr. Vishnu R. Dusad, an engineering graduate from IIT, Delhi, is associated with the Company since its inception. Keeping in view his experience and participation in the continued growth of the Company, the Board of Directors decided to appoint him as the Managing Director of the Company from the instant date.

The appointment and remuneration payable to Mr. Vishnu R. Dusad as Managing Director on the terms proposed in Item No. 4 requires the approval of the members of the Company in General Meeting. The Board recommends this resolution for acceptance by the Members.

No other Director, except Mr. Vishnu R. Dusad, is concerned or interested in the resolution.

By Order of the Board  
For Nucleus Software Exports Ltd.

Place : New Delhi  
Dated : 23rd November, 1997

(Vishnu R. Dusad)  
Managing Director



# NUCLEUS SOFTWARE EXPORTS LTD.

## DIRECTORS' REPORT

Dear Members,

Welcome to Nucleus Software Exports Limited report to its Shareholders for the financial year ended June 30th, 1997. This is our Eighth Annual Report and we hope it is helpful to our Shareholders in understanding the software products business and Nucleus' place in it. In particular, we would like to welcome all of our new Shareholders who purchased Nucleus shares in the past year.

The key to success for any technology company is the people who make it happen. We have a fantastic group of people who share one vision : to bring to market the best products and services in the world. Our colleagues are changing the industry by providing ready-made multi-language, multi-currency financial packages developed in India, comparable to the best in the world.

### PRODUCTS

We at Nucleus Software have realised that for Indian software to make real dent in the global software scenario, Products is the only way to go. Software Industry can broadly be said to be working at three levels on the value chain. On-site Consulting is the lowest on the value chain and has relatively lower levels of profitability. At this level, the gestation period is low and the entry barriers are also low. Off-shore Projects are on the next higher level with relatively higher levels of profits. Here the gestation period is longer than On-site Consulting and the entry barriers are also higher. Software Products are the highest on the value chain with the highest level of profitability. Once developed, the marketing and support is the only cost to be incurred. However, the gestation period in this segment is high and hence the entry barriers are also high. This makes it a high risk and high reward business.

After having created a successful track record of consistent Customer Satisfaction by doing Off-shore development projects for very demanding Customers in the Financial Services Sector since inception, we are in the process of capitalising the intellectual property in the form of developing and marketing the software products. The process was started in a major way in the Financial Year 1995-96 and has continued during the current Financial Year 1996-97.

The results of this process are already getting visible with our ability to bag World Bank Projects under stiff global competition and ability to get intellectual property orders from leaders in the Financial Services Sector. We won a highly prestigious order from the Central Bank of Mongolia for the delivery and implementation of a fully integrated system developed around our product **FINNESS** for running the bank's operations. This was implemented by our dedicated professionals at 21 branches spread across the difficult terrain of Mongolia. Likewise, the other installations of our product **FINNESS** are getting implemented quickly, enabling our Customers to derive, real business benefit from our products.

We are proud to let you know that **ElecTRON**, our Electronic Funds transfer product has also met the exacting demands of Canara Bank in India. They rely on our product to securely transfer tens of crores of rupees daily, across their branches all over India serving National Stock Exchange. RBI is making every effort to make sure that period to transfer the money across the country is brought to the level of hours from the current levels of days and weeks. **ElecTRON** is the first product being used for achieving this objective in a major way.

**InfoEdge** — The unique Data Warehouse based solution, designed to give Banks cost effective, round the clock access to all customer-related information, is also getting implemented at a Customer site in Indonesia. This relationship banking product is expected to get installed at Customer driven banks in the years to come.

All the three products have a strong potential in the respective order.

### PROJECTS

The global market is fast shifting from getting fully customised solutions to implementing standardised products with minimal customisation to meet the specific needs of ones business. Our customers, many of whom, pioneer business practices and innovate products, continue placing repeat orders for getting their innovative practices and products implemented. This year, we continued developing customised solutions for our oldest client Citibank in Singapore, Malaysia, Thailand, Australia and UK. These projects were in the areas of Sales Management, Cheque Collections Systems etc. We have delivered two software projects to Customers in the US for the first time. This is a beginning of relationship with the biggest software market in the world. By providing on-going maintenance support to our overseas Customers, we ensure that their mission critical systems keep running smoothly.

Usage of the latest in technology to bring business benefits to Customers has always been an endeavour with us. We adopted latest technologies such as Distributed Component Object Model (DCOM) and Component Object Model (COM) in Internet/Intranet area. We also adopted Smart Card Technology from Schlumberger, to be exploited for E-Commerce.

### MARKETING

Today's Information Technology industry thrives on Alliances and Partnerships. After establishing our products initially on our own, we are working with leaders like Oracle and IBM to create win-win relationships. These major organisations are benefitted by working with us as they are able to provide complete solutions to their Customers and in turn we are benefitted by making use of their reach into the global market place.

We are working in the South East Asian countries with major local players in the IT Industry. We have a very successful working relationship with Sahaviriya OA Ltd. in Thailand. This has resulted in our bagging two prestigious Intranet orders from two universities namely Mahidol University and Suranaree University of Technology, Thailand. Similarly, we are developing a relationship with Gunung Sewu group in Indonesia to provide local support to the Customers and in the process exploit the potential of the market fully.

At the same time, in the domestic market, the Company has focussed more on products than projects. During the year, some of the prestigious names that have been added in the list of customers are American Express Bank, Avco Financial Services, RPG Itochu Finance Ltd., Countrywide Consumer Finance Ltd., SRF Finance Ltd., Instalment Supply Ltd., Ranbaxy Laboratories Ltd.

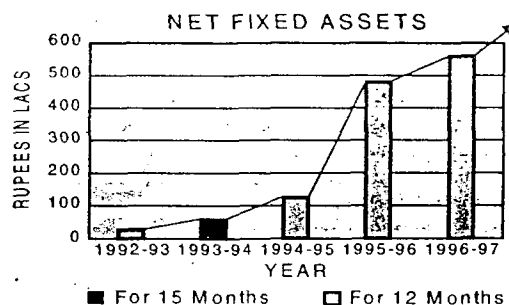
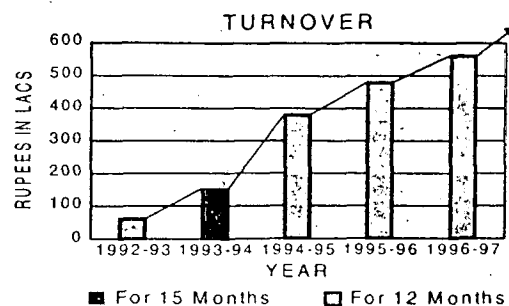
The world is becoming more software intensive. Nucleus Software fully expects to be in a position to capitalize on this growing trend in the industry. Contrary to what most people think, software is a capital intensive, business-equity capital, that is. The access to funds that the capital markets have provided to Nucleus has been an integral part of the Company's success in penetrating the hard core products market. The management of Nucleus sincerely thanks all of the investors who have displayed confidence in the Company. In order for Nucleus to provide a rate of return which its investors are looking for, the Company must grow its business. Nucleus hopes that this Annual Report has outlined to its Shareholders how it is going to achieve this goal.



# NUCLEUS SOFTWARE EXPORTS LTD.

## FINANCIAL RESULTS

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Gross Revenue	559.40	480.97
Operating Profit (PBIDT)	56.34	110.07
Depreciation	25.56	3.52
Finance Charges	9.28	4.91
Profit Before Tax	21.50	101.62
Short/Excess Provision for Income Tax	4.50	0.05
Less : Provision for Tax	3.00	6.75
Profit After Tax	23.00	94.82
<b>Appropriations</b>		
Transfer to General Reserve	Nil	Nil
Proposed Dividend	Nil	Nil
Balance Carried to Balance Sheet	23.00	94.82



## REVIEW OF OPERATIONS

During the year, your Company earned a gross revenue of Rs.559.40 Lacs as compared to Rs.480.97 Lacs in the previous year. The Net Profit after Tax declined despite an increase in the gross revenue as by adopting a conservative accounting practice, product development expenses and other expenses have not been capitalised unlike previous year.

Further, the net foreign earnings during the current year are Rs.247.73 Lacs as compared to Rs.32.51 Lacs in the previous year.

## DIVIDEND

In order to conserve the resources of the Company with a view to continue our concentration on the Product Development, your Directors do not recommend any dividend for the year 1996-97.

## SUBSIDIARY OF THE COMPANY

The Directors' Report of the Nucleus Software Solutions Pte. Ltd., a wholly owned subsidiary of the Company and statement of accounts for the year ended 30th June, 1997, together with 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.

## PUBLIC DEPOSITS

Your Company has not accepted any deposits from the Public.

## AUDITORS

The Auditors, M/s Abhay K. Agarwal, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible have expressed their willingness to be re-appointed.

## DIRECTORS

Mr. Yogesh Andlay retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year, Mr. Yogesh Andlay resigned from the office of Managing Director and Mr. Arvind Kumar resigned from the Board. The Board places on record its sense of appreciation for the valuable services rendered by them.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are annexed and form part of this Report.

## HUMAN RESOURCES

Your Company places strong emphasis on Total Quality Management and Human Resources Development. Regular training is being provided to the employees on various aspects of Management Development and skill improvement through in-house programmes as well as nomination to training programmes/workshops organised from time to time.

The statement of particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed hereto and forms part of this Report.

## ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the assistance and co-operation received from the Company's Bankers. Our valued Customers and Shareholders during the year under review. Your Directors also wish to place on record their deep appreciation of the contribution of the employees at all levels for the success, growth and development of the Company.

For and on behalf of the Board of Directors

Place : New Delhi  
Dated : 23rd November, 1997

(Chairman)





# NUCLEUS SOFTWARE EXPORTS LTD.

## ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH  
THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

### A. CONSERVATION OF ENERGY

During the year under review, your Company has not conserved energy of any significant level. Wherever possible, energy conservation measures have already been implemented. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

### B. RESEARCH & DEVELOPMENT

The Company is continuously making efforts to strengthen R & D to improve quality and to prepare itself for the rapid advances and technological changes. The stress is on introducing new products based on market needs and optimising the use of processes to have a competitive price.

### C. TECHNOLOGY ABSORPTION

Indigenous technology available is continuously being upgraded to improve overall performance.

### D. FOREIGN EARNINGS & EXPENDITURE

Earnings in Foreign Exchange	Rs.47617079.90	(Rs.45755302.00)
<b>Expenditure in Foreign Exchange :</b>		
Capital Assets	Nil	(Rs.10236294.00)
Advances	Nil	(Rs.329665.00)
Others	Rs.22843751.73	(Rs.31937919.00)

## ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956,  
READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name, Age & Qualification	Designation	Date of Commencement	Experience (Yrs.)	* Gross Remuneration	Last Employment
Vishnu R. Dusad 40 Yrs., B.Tech	Managing Director	9.01.89	16	252000	—
R. P. Singh 32 Yrs., B.A. (Hons.) PG Diploma in Marketing Management, PG Diploma in Computer Application	President	1.04.94	12	625000	Nucleus Software Workshop (P) Ltd.
AVM N. C. Kaushal (Retd.) 59 Yrs., B.Sc. (Eng.), M. Tech MIE (I), M. Sc. (Mil. Sc.)	VP (Human) Resources & Development)	16.10.95	36	367560	Indian Air Force
Prakash Pai 36 Yrs., M.Sc. Computers	VP (Systems)	1.06.94	14	522000	Bank of India New Delhi
Parag Bhise 32 Yrs., MCA	AVP	3.10.89	8	349212	—
Anurag Bhatia 31 Yrs., MCA	Project Manager	15.01.96	7	311189	TCS

\* The Remuneration comprises of Salary, House Rent Allowance, Reimbursement of Expenses, Ex-gratia, Company's contribution to PF and LTA.

*Panam Bhargava*  
Authorised Signatory



# NUCLEUS SOFTWARE EXPORTS LTD.

## AUDITORS' REPORT TO THE MEMBERS

To The Members,

We have audited the attached Balance Sheet of **M/s. Nucleus Software Exports Limited** as on 30th June, 1997 and also the Profit & Loss Account of the Company for the year ended on that date and report as follows :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the Order to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books.
  - c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes in Schedule - 18 thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
    - i) in the case of Balance Sheet, of the state of affairs of the Company as on 30th June, 1997; and
    - ii) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **Abhay K. Agarwal & Company**  
Chartered Accountants

Place : New Delhi  
Dated : 21st September, 1997

**Abhay K. Agarwal**  
Proprietor

## ANNEXURE TO THE AUDITORS' REPORT

(REFERRED IN PARAGRAPH 1 OF OUR REPORT)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. The Fixed Assets have been physically verified by the Management. We are informed that no material discrepancies were noticed by the Management on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Company has taken loan from companies as listed in the register maintained under Section 301 of the Companies Act, 1956. However, as informed to us, there are no Companies under the same Management within the meaning of Section 370 (1-B) of the Companies Act, 1956.
4. According to the information and as per the explanation given to us, no loans and advances in the nature of loans have been given by the Company to Companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. However, as informed to us, there are no Companies under the same Management within the meaning of Section 370 (1-B) of the Companies Act, 1956.
5. The parties to whom the Loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated subject to Note No. 9 in Schedule 18. Interest free loans or advances in the nature of loans have, however, been given to employees who are repaying the principal amounts as stipulated except in a case.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Computer Consumables, Plant and Machinery, Equipments and other assets.
7. In our opinion and according to the information and as per the explanation given to us, the transaction for the services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 and aggregating during each year to Rs.50,000/- or more in respect of each party, have been made at prices which in our opinion are reasonable having regard to prevailing market prices of such services or the prices at which similar transactions have been made with other parties.
8. According to the information and as per the explanation given to us, the Company has not accepted deposits from the public.
9. In our opinion, the Company's present internal audit system is commensurate with its size and nature of the business.