NUCLEUS SOFTWARE

TRANSFORMING FINANCIAL SERVICES BEYOND DIGITAL

ANNUAL REPORT 2017-18

DRIVING INNOVATION IN FINANCIAL SERVICES GLOBALLY

3 DECADES
OF BANKING DOMAIN EXPERTISE

150
BANKS & FINANCIAL INSTITUTION CUSTOMERS ACROSS 50 COUNTRIES

26 M
TRANSACTIONS PROCESSED PER DAY

WORLDWIDE PRESENCE, GLOBAL KNOWLEDGE, LOCAL FOCUS

$200 B
VALUE OF LOANS MANAGED

1
NEW LOAN BOOKED EVERY SECOND

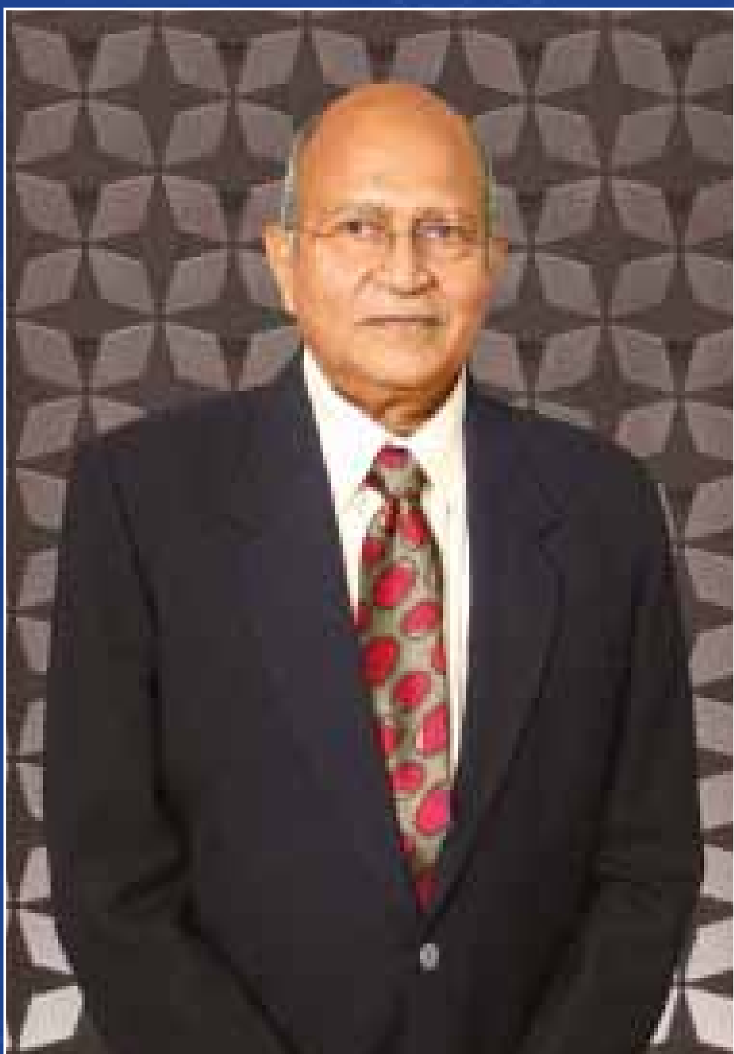
3 OF TOP 20
GLOBAL BANKS ARE OUR CUSTOMERS

CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are based on assumptions and expectations of future events and may be considered as forward-looking statements. Such statements must be reviewed in conjunction with the risks that the Company faces. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to the Management perceptions.

CHAIRMAN'S MESSAGE



S.M. ACHARYA
CHAIRMAN

DEAR SHAREHOLDERS,

I am pleased to address my first communication to you as the Chairman of Nucleus Software Exports Limited. Leading such a dynamic organization is a mission that I hold with utmost respect and commitment.

I am enormously proud to see that many leading banks and financial institutions in the world are using our advanced technologies to transform their business and deliver outstanding experiences for their customers.

Every day, in 50 countries around the world, more than 300,000 users log into our systems that provide products and services to a large number of customers.

According to Deloitte, 2018 could be an important year for banks globally in accelerating the transformation into more strategically focused, technologically modern, and operationally agile institutions, so that they may remain dominant in a rapidly evolving ecosystem.

THE CUSTOMER JOURNEY

Diverse technologies such as artificial intelligence, blockchain, cloud, cyber security and mobility are both promising and intimidating at the same time. They offer opportunities to reach new customers in new ways with new services but they also provide the opportunities to non-traditional competitors such as Fintechs. To make matters more complicated, a few regulations such as Open Banking, PSD2 and General Data Protection Regulations (GDPR) are expected to have a profound effect while presenting considerable challenges to financial institutions.

Despite the fact that several technology elements are interacting to drive digital transformation industry wide, customers remain at the core of it. Today's customers not only expect to be served at a time and a place of their choosing, they also require banks to intimately understand their needs and deliver a personalized experience without being overly intrusive. To be their customer's bank-of-choice, institutions need to transform their services. They need to understand their customers better, and anticipate and offer what they want before they know they need it. But they need to do this carefully as the line between 'helpful' and 'intrusive' is very fine. Banks need to carefully choose the right technology partners who can offer the new capabilities to help them attain their targeted ends. As a pioneer in providing solutions to the banking and financial industry, we are committed to helping our banking customers transform their businesses in this ever changing world of technology.

THE WAY AHEAD

Without a doubt, 2017 has been a rocky year for financial services; with political disturbances, economic uncertainty and planning for numerous regulatory changes coming into effect in 2018. In 2017, Brexit was a major factor in many parts of the world, with "uncertainty" spectre looming around the financial sector. As such, the key focus was on the financial services industry crafting their post-Brexit strategies, particularly on how to continue having access to both EU and UK markets and in turn catering to their customers' demands. According to Gartner, by 2019 Start-ups will go beyond Amazon, Google, IBM and Microsoft in driving the artificial intelligence economy with disruptive business solutions. AI services will eat into 30% of the revenues of market leading companies by 2019. AI and machine learning will enhance analytics and the actions and interfaces of technology-enabled systems. New digital business models are emerging, and new ecosystems are forming to realign business and customer relationships and expectations. This will create an intelligent digital experience. Big shifts will be needed in the enabling technologies and IT to support this experience and digital business ecosystems. Nucleus Software is well prepared to deal with these changes and is well positioned for meeting these challenges. We are committed to helping our customers make the right choices, take bold technology decisions and stay ahead of their competitors.

VALUES AND CULTURE

A strong corporate culture is a must for doing good business besides driving growth, innovation and upholding ethics. Culture is at the substratum of an organization's performance and influences the performance by elements such as values, mission, communication and general atmosphere. The Nucleus Board takes cognizance of this fact and provides the organizational culture the importance and attention it deserves at the highest level. The Board has established a practice of discussing and reviewing the areas associated with the culture as an inherent part of its governance process. We recognize that setting the right tone from the top is essential for the Board influencing the culture and also to ensure that the leadership team is supportive of the desired culture which is almost always inherent at the top. We are committed to continue building a lasting organization that delivers long-term sustainable performance and nurtures good human beings. This essentially links to organization values and culture. Values are the bedrock that makes the foundation of our organization culture. The elements in our five-faceted value-sphere have the right magnitude and direction. We want to ensure that these values manifest in the behaviour of each and every Nucleite thus ensuring that our espoused values are clearly visible in our day-to-day behaviors and there is a strong consonance between these and the in-practice values. We are an organization with a strong belief in learning. We learn from institutions who have built and sustained a strong value culture, while keeping our eyes and ears open to those who have suffered due to cultural mishaps.

To quote from the Rig Veda:

आ नो भद्राः क्रतवो यन्तु विश्वतः

Let noble thoughts come to us from all directions (Rig Veda, 1.89.1)

We continue our learnings from all good thoughts. We continue to assimilate and nurture these thoughts to evolve and strengthen a flourishing culture built over our sound values.

INSPIRING JOURNEY

I am confident about where we are placed in the midst of this transformational environment. Our expertise in building next-generation technology, our partnerships with the world's technology leaders and the changes that we have made as a company to align ourselves to the changing market conditions, have set us up very well for the future.

As we continue to add new talent, we have a growing team of millennials who have always lived in a connected world. Next-generation technology and our diversified work force has helped us transform the way we work and respond to the needs of our customers, employees and stakeholders. Boundaries dividing work and the rest of our lives are blurring and we at Nucleus Software are sensitive to this change.

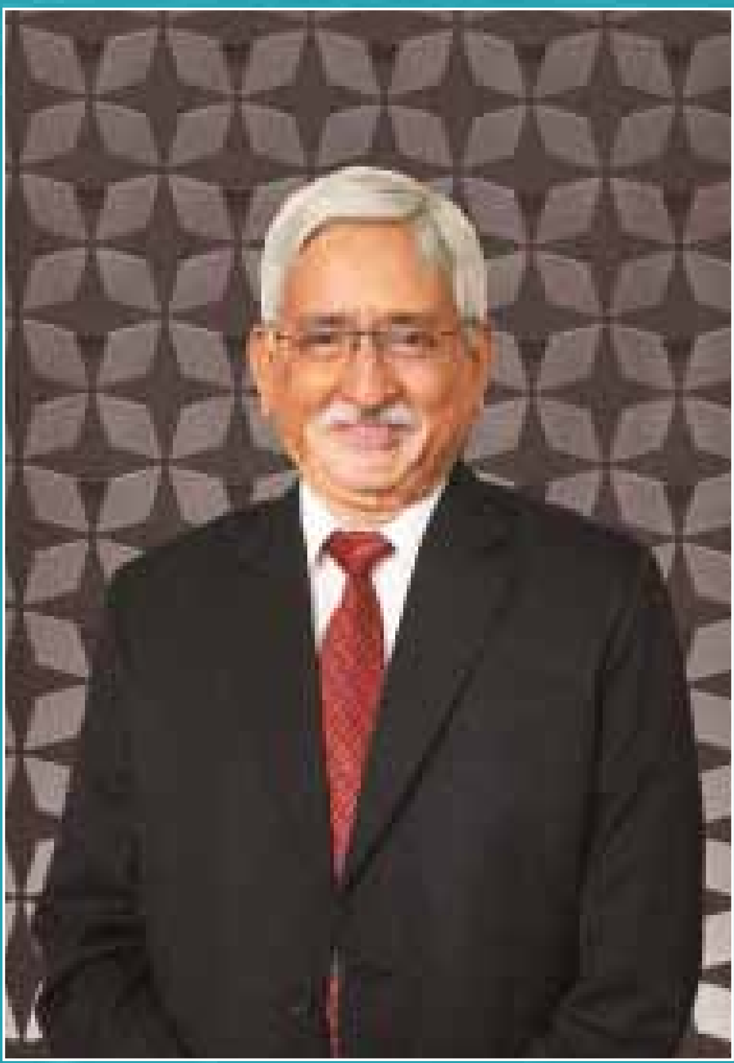
We will continue to be guided by the values for which we have always stood by – Collaboration, Result Orientation, Innovation, Integrity and Respect. These values have made us strong for the last three decades, and our adherence to them will help us endure beyond the present and into the future.

Working together as a team, we will continue our relentless focus on our customers – helping them achieve their goals through the use of innovative technology solutions. We look forward to many years of growth and success.

S.M. ACHARYA
Chairman

Date: May 3, 2018

MD'S MESSAGE



VISHNU R DUSAD
MANAGING DIRECTOR

DEAR SHAREHOLDERS,

The Financial Services sector is rapidly transforming. Our relentless focus on helping our customers succeed by combining innovative digital technologies with our deep business expertise continues to help us establish a leadership position in the market. Our strong performance during the year indicates the continued successful execution of our growth strategy.

The level of engagement from our customers continues to increase and we have seen some great opportunities coming in. I am delighted to see our performance during the year. Our business has continued to accelerate and witnessed great traction in the international market. We signed significant deals with leading Banks in Vietnam, Indonesia, Kenya, the Middle East and India for our lending and transaction banking solutions.

Building on our successful track record of being awarded the winner of the world's best-selling lending solution 10 times by IBS Intelligence, I am delighted to report that in IBS Intelligence's 2018 Sales League Table, FinnOne Neo has been recognized as the best-selling lending solution in India, and the 2nd best-selling lending solution worldwide.

One of our cloud implementations has also won the 'Best Lending Technology Implementation of the Year' award at the BFSI Innovative Technology Awards 2018. It was wonderful to see that our Cloud offering continued to be the most preferred lending technology platform in India as we won a total of 17 deals for FinnOne Neo Cloud in the last 18 months.

Our lending analytics solution has also gained strong interest in the market as we signed up with many leading Banks and Financial Institutions worldwide. Unlike traditional analytical tools, which cater to a wide set of industries, Nucleus Lending Analytics is designed specifically to address the analytical needs of the lending business. Along with HDBFS, Manappuram Finance, Atlas Finance and Bank Muscat, this solution is also helping banks worldwide by enabling more effective decision making, offering comprehensive portfolio management, increasing collection effectiveness and streamlining operations.

FINANCIAL HIGHLIGHTS

In the Financial Year 2017-18 we recorded annual revenues for the year of Rs. 411.81 crore against Rs. 372.39 crore for the previous year. Overall revenue in foreign currency including India Rupee revenue for the year is $63.42 Million, against US$ 55.13 Million for the previous year. Product revenue for the Year was up and it now represents 79% of total revenue at Rs. 326.09 crore, against 77% of total revenue at Rs. 288.09 crore for the previous year. Our planned expenditure on strategic initiatives in product, marketing and sales and people yielded at 14.1% margins against 14.3% previous year. Consolidated net profit after tax (PAT) stood at Rs. 62.55 crore in comparison to Rs. 66.16 crore in the previous year. Earnings per share (EPS) for the year at Rs. 20.47 in comparison to Rs. 20.43 in the previous year. Cash and cash equivalents, including investments in various schemes of mutual funds, fixed maturity plans, fixed deposits with banks, tax free bonds and preference shares are at Rs. 455.90 crore as on 31st March, 2018, as against Rs. 494.38 crore on 31st March, 2017.

I am very pleased to share that the Board of Directors, has appointed Mr. S.M Acharya as the Chairman of Nucleus Software effective from November 1, 2017. Mr. Acharya has been with the company since his appointment as an Independent Non-Executive Director on March 19, 2016. Mr. Acharya served as an Independent Director on the Board of the Bharat Electronics Ltd. He is a retired IAS office of the Karnataka cadre. We welcome him as the new Chairman of the Board. I would also like to extend my heartfelt thanks to Mr. Janki Ballabh for his immense contribution and continuous guidance towards the success of the company.

FROM STRENGTH TO STRENGTH

I am also delighted to share that the Board of Directors has appointed Mr. Ravi Pratap (RP) Singh as the new CEO effective from April 1, 2018. I will continue as the Managing Director of the Company. RP has been with the company since its inception and he is heading the Global Product Management for the Company. He will also continue as a 'Whole Time Director'. RP brings over three decades of valuable experience as a product and business leader. His track record and value system make him the ideal choice to lead the company. I am confident that under his leadership Nucleus Software will reach new heights while protecting the values that make us unique in the market. On behalf of each one of us, I would like to welcome him in this new role.

SHOWCASING OUR STRENGTHS GLOBALLY

Nucleus Software is a global business, and during the year, our teams travelled worldwide to demonstrate our expertise and product offerings. We participated in many leading Industry forums, including: In Australia, we sponsored the Australian Retail Banking Summit 2017, with the overarching theme of "Retail: Ripe for Revolution".

We demonstrated our expertise at the 8th annual Australian Mortgage Innovation Summit 2018, in Sydney. Demonstrating our ongoing commitment to Australia we showcased our comprehensive lending solution, FinnOne Neo for mutuals at the Customer Owned Banking Association's premiere annual convention, COBA 2017. In South East Asia, we hosted a roundtable discussion around "Profiting from Transaction Banking - Converting Challenges into Opportunities" at the Asian Banker's Future of Finance Summit 2017 in Singapore. We presented insights on 'How Banks and other Financial Services companies can benefit from Digital' at a gathering of industry leaders in Ho Chi Minh City and Hanoi, Vietnam. We hosted a conference for the leaders of Banks and other Financial Services companies in Manila on 'Driving Innovation in Lending Manila 2017'. In the Middle East, we presented insights on 'Digital Lending and Advanced Analytics' at the Middle East Banking Innovation Summit (MEBIS) 2017 in Dubai. In Africa, we talked about the fast-evolving trends that are transforming the microfinance industry at the Microfinance South Africa 2017 Annual General Meeting & Conference in South Africa. We organized an industry roadshow on 'Driving Innovation in Lending' for leading banks and financial institutions in Tanzania. In India, we hosted an exclusive industry roundtable discussion in Mumbai for NBFCs and HFCs.

SHAPING THE FUTURE

When I look out across Nucleus, I see more than 1900 Nucleites that are committed to making the world a better place and who beautifully bond together in our corporate culture built over our strong value framework. As a learning organization, we keenly learn from our own experiences and from what we observe in the marketplace to continue evolving ourselves. We shape what tomorrow will be. We have long way to go and I am seeing many opportunities to turn Nucleus into an even more successful and an even better company. I look forward to counting on your continued support as we move forward together on this journey.

Finally, I thank all our shareholders, customers and employees for their continued support and assure them of our sustained best efforts to ensure the success of the company.

VISHNU R DUSAD
Managing Director

Date: May 3, 2018

CEO'S MESSAGE

RAVI PRATAP SINGH

CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

Although I have been with the company for 32 years it gives me tremendous pleasure to address you for the first time as Chief Executive Officer.

It is a great honor to lead this wonderful institution built by Nucleites over these years under Vishnu's leadership on a solid foundation of high business values. Of course, my sincere gratitude goes out to the esteemed Board for putting their trust in me. As part of my focus on the future of Nucleus Software I will be building on the strengths that have generated our success to date – namely a relentless focus on helping our customers succeed through the provision of advanced business solutions. Passionate people, working together as a team are crucially important to our success, and I look forward to leading the team to ever greater heights.

In a rapidly changing world, innovation is vital to ensure that our business solutions continue to deliver what our customers need. Innovation is about using the right technology to help customers solve problems, target business opportunities and above all increase their profitability. We believe that our continuous focus on innovation and digital is vital to our long term success.

We have a long and proud track record of innovating for success and we believe that our innovative spirit will continue to help us establish a leadership position in financial services sector.

Momentum is an extremely powerful force, and hence I am delighted to share that our momentum continues to build with our strong performance during the year. I am pleased to report that we have accomplished a great deal and made great progress on several fronts. This year we recorded Rs. 411.8 Crore, which is a significant milestone for us as it marks the first time we crossed Rs. 400 Crore. We also won 35 new product orders and added 21 new customers to our existing 150 customers all over the globe.

CONTINUOUS LEARNING

Learning is an integral part of our organization's DNA. In this process, we have been investing in our people across levels by having them go through technology and management courses in premier institutes across the world such as the IIMs, Harvard Business School, INSEAD, Wharton School of Business, Stanford Graduate School of Business and many others. This is an integral part of our professional development and organization development activities.

During the year, we have also announced new policies, introduced various initiatives and programs for our employees. We have a new organizational structure that puts the employee at the center, we believe that our people are our strength and they are vital for our long term success.

TECHNOLOGY IS CHANGING EVERYTHING

The use of technology is dramatically changing most people's lives. For example according to a Pew Research Center survey, nearly half of U.S. adults (46%) say they now use digital assistants to interact with smartphones and other devices, and that these digital assistants are being incorporated into an ever growing range of consumer products. While Siri was originally released in 2011, followed by Alexa in 2014, the use of this technology has really taken off following their integration to devices such as Amazon Echo and Apple HomePod. It wasn't too long ago that banks realized that customer preferences for interactions were shifting towards digital and new channels. Mobile emerged as a channel of choice and everyone started rolling out mobile apps. However, as mobile banking is reaching its prime, voice banking – powered by digital assistants and artificial intelligence – may be getting ready to take it to the next level.

I am delighted to see that many large banks have already started offering voice enabled banking options though they are often quite limited in what they can do. Some are using it only as an additional means for authentication while others are experimenting with providing limited access to banking services such as fund transfers, enquiries and making payments.

With a unique combination of artificial intelligence and machine learning, digital assistants could offer the customer endless opportunities to optimize their banking relationship, manage their finances, improve their credit profile and track loan repayments. The best part is that this could benefit all segments of the market – high net worth individuals, corporate and small customers.

BUILDING LEADERSHIP

Nucleus Software is a technology and innovation driven organization. In our pursuit to be in alignment with the latest trends in the technology, we are collaborating with the premier institutes in India and abroad. We are collaborating with IISc to bring in automation and efficiency in transforming the legacy systems. Our leadership and technology teams have also been actively participating in the top notch conferences including the ones at

Massachusetts Institute of Technology to track the upcoming and future trends in technology in general and for the financial industry in particular.

GIVING BACK TO THE SOCIETY

At Nucleus Software, we strongly believe that companies should act as a force for positive change in the societies in which they operate. Through the Nucleus Software Foundation we run a number of initiatives designed to help improve the lives of people in the community around us. I am delighted to share that our employees share our passion for helping and the Nucleus Software Foundation helps channel their efforts and contributions to maximize the impact. The Nucleus Software Foundation was incorporated on 21st October 2014 to plan and execute the corporate responsibility activities of the organization, focusing on education. The mission of our Foundation is to improve educational outcomes for children at primary level in government schools and affordable private schools, through the use of innovative, easy to use technology. We know that children learn best when they are engaged with the subject matter and hence we use digital technologies to build that engagement. We partnered with CG Slate to deliver digital education content for class I to V.

We feel that technology will help teachers to teach more effectively and cover a larger number of kids. We wish to spread the seeds of innovative teaching practices in the government schools ecosystem so that there are more practitioners and adopters of technology in this segment.

EXCITING TIMES

I am thrilled about where we are placed in the center of digital transformation. Having focused on helping our customers transform for over three decades, we have constantly refined our expertise in building best-in-class products while also establishing strong partnerships with the leading technology companies. I firmly believe that the combination of our existing strengths and our recent changes have set us up very well for future.

I express my gratitude to all of our Shareholders, the Customers we serve, and to all the Nucleites whose hard work and talent make us a leading company in the world.

RAVI PRATAP SINGH
Chief Executive Officer

Date: May 3, 2018

TRANSFORMING
Financial Services Beyond Digital

While mobile and digital transformation in financial services is reasonably new, the effects are already being felt. Banks are investing heavily in digital banking technology, in which customers use mobile, web or digital platforms to use banking services. Artificial intelligence solutions such as bots, are being used by many banks to assist customers in simple tasks such as making payments. Overall, consumer behavior and smart device trends are steering banking technology advances in the direction of convenience. An increasing number of remote technologies allow you to interact with your bank right from the palm of your hand. And from your email inbox to visiting an actual branch, you can expect to encounter a whole new customer experience, perhaps even sooner than you think. The true value of digital has yet to be seen. The true value of digital will become apparent when it enables entirely new businesses, and generates entirely new revenue streams. While some leading banks are beginning to evaluate their success in terms of the percentage of their business coming from digital, the next step is "beyond digital".

While financial services companies will continue pouring money into the development of new and better digital offerings, there are a few trends that need to be considered:

FINTECHS – COMPETE OR COLLABORATE:

Ecosystems, partnerships and networks – the world has changed, and in many industries it is no longer possible for a single company to deliver everything its customers want by themselves. The role of FinTech companies is evolving – from being direct competitors to collaboration, and in some cases both. According to Pwc, with more than 75% of FinTech firms identifying their primary business objective as collaborating with traditional firms, it is essential that both FinTechs and traditional firms transform their business models by collaborating to drive innovation while retaining customer trust. Without an agile and committed collaboration partner, both traditional and FinTech firms risk failure.

DATA – THE NEW OIL:

Many people refer to data as the new oil, which is a nice way to try to convey a complex concept in a simple way. However data is not a finite resource, so unlike oil there is no benefit in hoarding it or storing it in silos. In fact data becomes more useful the more it is used. However the ability to mine data, will be central to everything that happens in the future of financial services. But only if that raw data can be turned into useful information and that useful information can be combined with expertise to turn it into actionable intelligence. As data volumes grow, the challenge also grows, in fact it has been estimated that the total volume of data – the datasphere – will grow from ten-fold from 16 zettabytes in 2016 to 163 zettabytes in 2025. Clearly this is huge growth but what does it mean? If you watched Netflix's entire catalogue of 489 million times you would generate 163 zettabytes. Putting that data to use quickly will be a serious challenge.

Won **'Best Lending Technology Implementation of the Year'** award for FinnOne Neo cloud at the **BFSI Innovative Technology Awards 2018**

RISE OF BOTS:

According to Gartner, customers will manage 85% of their relationship with the enterprise without interacting with a human by 2020. Chatbots are revolutionizing customer experience and can deliver everything a human can in terms of value to the customer—cross selling, personalised advice, and remembering preferences, at a fraction of the cost, and pretty much instantly.

The time is now ripe for financial institutions to enhance the capabilities of chatbots to create a completely differentiated experience for their customers by combining knowledge across all relevant segments and providing better insights. This will give rise to a new level of conversational banking where results are delivered instantly through real-time conversations, thus facilitating better decision making.

CONTINUOUS INNOVATION:

Today, what helps FinTech industries stay competitive against larger institutions is their ability to innovate. These companies put pressure on established institutions to continue to innovate as well. Part of this innovation is digital transformation. Social, mobile and cloud-based technologies offer promises of cost-saving and security. Mobile banking gives consumers a convenient way to spend and save.

Key factors that drive innovation and transformative changes include improving operations, making easily functioning services and products and regulating compliance.

Received an award in Mid Corporate Segment-for **Excellence in IT/ITES Sector** by **Dun & Bradstreet Information Services** India Pvt. Ltd (D&B)

STRATEGIC
Initiatives

With three decades of domain expertise combined with the experience of working with 150 of the world's most innovative banks and financial services companies, we are proud to help our customers leverage innovative technologies to help them become market leaders. It is very exciting to work as a key technology partner with the leading Banks and other Financial Institutions who are embracing digitization as a part of their transformation journey.

We are aware of the challenges that our customers are going through and our commitment to enhance our offerings to help them cater to the evolving requirements. During the year, we have launched a number of strategic initiatives to help our customers enhance their efficiency, meet growing customer demands and address new growth opportunities.

FINNONE NEO
Driving Innovation in Lending

Nucleus FinnOne Neo has been designed to meet the challenge of delivering agile and efficient solutions while reducing the cost of operations. With implementations across 50 countries, FinnOne has been recognized as the world's best-selling lending system 10 times by IBS Intelligence. In 2018, FinnOne Neo has been recognized as "Leader in the Lending Systems Category in the Indian Domestic Sales League Table 2018" and also secured "2nd position in the Lending Systems Category in the Global Sales League Table 2018"by IBS Intelligence. FinnOne Neo supports both cloud and on- premise deployments. The on-premise approach has been traditionally followed by large financial institutions who have complex business requirements and IT teams to manage it. The cloud model is being preferred by smaller financial institutions who are looking for a more flexible pay-per-use approach, faster implementations and on-demand scalability to match their evolving business requirements.

While some organizations are still figuring out where cloud actually fits in their overall IT strategy there are many who have already adopted Cloud as their key strategy and moved ahead. According to Gartner, cloud adoption strategies will influence more than 50% of IT outsourcing deals by 2020.

Building on our established track record as an innovator, Nucleus FinnOne Neo Cloud has helped many leading Non-Banking Financial Institutions (NBFCs) in India transform into digital businesses during the year. FinnOne Neo Cloud enables NBFCs to rapidly scale up their business, reduce time to market, scale on-demand, and benefit from market leading best practices on security.

It was wonderful to see that our Cloud offering continued to be the most preferred lending technology platform in India as we won a total of 17 deals for FinnOne Neo Cloud in the last 18 months. Finova Capital has chosen FinnOne Neo Cloud to set up a completely automated and paperless loan processing capability. TAB Capital selected FinnOne Neo Cloud to digitize its operations. Sai Point Finance has chosen FinnOne Neo Cloud to support their strategic business expansion and we were able to deploy our solution in just 4 days. Manappuram Home Finance chose Nucleus FinnOne Neo Cloud to give its customers instant access to a wide range of innovative products and services, and deliver outstanding services to its customers. Manappuram Finance Limited selected Nucleus Software's cloud based lending solution while Esskay Fincorp selected FinnOne Neo Cloud for their digital transformation agenda. This solution supported will provide Esskay Fincorp scalability; functionality and flexibility which will help them expand their business and achieve their business goals.

Recognised as the Leader in the **Lending Systems Category** in the I**BS Indian Domestic Sales League Table 2018**

FINNAXIA 5.0

Continuing the Success

According to a recent report, Fortune 500 companies incur more than $81 billion of unnecessary supply chain and working capital costs each year due to inefficiencies and lack of visibility in trade finance. Digitization has the potential to overhaul trade finance by enabling the convergence of physical, financial and document chains, providing complete visibility of the supply chain and automating key processes such as - document evaluations, due-diligence checks and the generation of purchase orders and invoices.

As a leader in the financial technology space, we are always focused on product innovation with a passion for perfection and a relentless commitment to deliver best-in-class products to corporate banks globally. Building on the success of FinnAxia in delivering powerful benefits to corporate banks across the globe, we launched latest version of our transaction banking solution called FinnAxia 5.0 and introduced Trade Finance portal.

FinnAxia 5.0 provides corporate customers with a single, global view of their trade finance business. This reduces the risk of fraud and also enables the bank to make faster and more efficient financing decisions. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank's corporate customers.

The solution allows the corporates to define their own liquidity structures and visualize the prospective outcomes graphically.

With a constant emphasis on ensuring compliance to regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms.

With FinnAxia 5.0, corporate banks can capture new business opportunities, enable working capital management for their corporate customers and ensure compliance with new regulations in the transaction banking space.

bob Finance and Nucleus FinnOne won **'The Banking Technology Award 2016'** for the best use of IT in Lending

LENDING ANALYTICS

Leveraging the Power of Predictive Analytics

According to Accenture, more than a third of the world's adult population makes little or no use of formal financial services, and serving this huge market of unbanked and underbanked could generate about $380 billion in new revenues. To seize this opportunity, credit managers need to use analytics extensively. Analytics can help where traditional scoring models do not work.

The growing popularity of FinTech and the rise of digitization have created both threats and opportunities for banks. To stay ahead and take advantage of the evolving market dynamics, banks need to leverage digitization and analytics to provide superior customer experiences giving customers what they want, when and where they want it at an attractive and profitable price.

With cutting edge statistical and data analysis capabilities, Nucleus Lending Analytics delivers insights from qualitative and unstructured data sourced from multiple channels such as social media and customer surveys to identify the right set of customers. It addresses key business drivers including higher growth by targeting the right customers with customized offerings, increased profitability by reducing costs and customer churn, enhanced quality of portfolio by strategic decisioning throughout the loan lifecycle.

The solution's AI powered capabilities such as Natural Language Processing (NLP) based text analysis and neural networks, can help financial institutions gauge customer sentiment using the information to offer tailored products. This solution helps target the right customers with the right loan products at the right time, increasing acquisition rates, lowering costs and improving customer satisfaction.

Unlike traditional analytical tools, which cater to a wider set of industries, Nucleus Lending Analytics is designed specifically to address the analytical needs of lending business. We are already witnessing a lot of interest from financial institutions across the globe. Along with HDB Financial Services, the solution is helping Banks in Africa and the Middle East by enabling more effective decision making, offering comprehensive portfolio management, increasing collection effectiveness and streamlining operations.

Won the award for "AWS Specialty Partner of the Year 2017" at AWS Partner Summit 2018

LENDING MOBILITY

Anytime, Anywhere Access

During the year, we launched the latest version of our award winning lending solution FinnOne Neo Lending Mobility. We extended digitization capability of FinnOne Neo mCollect which can now be used for Unified Payments Interface (UPI) based direct fund transfers.

To push its goal of turning India into a "cashless society", the government has rolled out multiple initiatives for facilitating seamless digital payments transactions including UPI-based apps and services, most notable of them being the Bharat Interface for Money (BHIM). As per data from the RBI, the number of transactions across UPI increased by 584 per cent (0.3 to 4.5 million) since demonetisation in Nov 2016 and reached 6.9 million amounting to a value of INR 22 billion in April 2017. With fast growing adoption of digital payments, it is important for banks and other financial services companies to extend their digitization initiatives to loan collections and offer convenient payment options to their loan customers.

With this capability in FinnOne Neo mCollect, loan collection agents can initiate a UPI based payment request to the customer on their Virtual Payment Address (VPA). Customers will receive a mobile notification in their UPI app, which could either be the BHIM app or any other UPI based mobile app of their bank.

Once the customer accepts the request, the payment is completed instantly. Coupled with Straight Through Processing (STP) capability, the payment gets credited into customer's loan account and reflected into the Loan Statement immediately. This approach facilitates faster, simpler, cost effective and secure loan collections benefitting both the banks and the end user.

With the Banks and Financial Services Companies in India moving to UPI based payments; it is expected to reach 100 million users in a few years. Nucleus Software is committed to empower banks and other financial services companies digitize their loan collections over UPI.

Today, our lending mobility solution mCollect has processed over $1.8 billion in loan collections globally and we believe this will continue to increase with the new UPI capabilities.

Won the **'Platinum Award for Excellence 2018'** by the **League of American Communications Professional (LACP)**

PAYSE™

The Digital Wallet

PaySe™, the digital wallet from Nucleus Software is India's first offline payment solution designed to disrupt the card payments market. Traditional card-based payments are based on a hub and spoke methodology and hence are focused mostly on the connected and banked population of the world.

PaySe™ offline payment solution are targeted at customers and merchants in the rural and semi urban areas where mobile data connectivity is still a challenge. The simplicity of the solution infrastructure which consists of a POS terminal and a Mifare card makes it an ideal payment solution for rural consumers where apart from challenges in data connectivity, smart phones are not prevalent.

During the year PaySe™ payment solutions have been enhanced with the online mobile payment capability thus making PaySe™ an ideal payment solution for both the connected and non-connected world.

The Government of India has launched a massive program to move the country from a cash based economy to a digital economy and PaySe™ will play an important role as it is primarily focusing on the rural and semi urban economy, a segment which most wallet players tend to ignore.

During the year gone by PaySe™ has been rolled out in a couple of villages and has found favour with consumers to make payments for their daily purchases in the village and for LPG and PDS payments.

In keeping with the UGC guidelines advising colleges and universities to move towards a less cash economy, Nucleus is focusing on the colleges and universities to make their campuses cashless campuses by enabling digital payments for all financial transactions in the campus and extending the same to transactions around the campus.

Nucleus will continue to invest in the PaySe™ product a solution made in India for Bharat.

Named as a **‘Model Bank Vendor 2016’ Award by Celent** for helping multiple clients achieve technology or implementation excellence

BOARD OF DIRECTORS

Top: Standing Left to Right : Mrs. Elaine Mathias (Non-Executive, Independent Director), Prof. Trilochan Sastry (Non-Executive, Independent Director), Mr. Vishnu R Dusad (Managing Director), Mr. N. Subramaniam (Non-Executive, Independent Director), Ms. Ritika Dusad (Non-Executive Director)

Bottom: Sitting Left to Right : Mr. Prithvi Haldea (Non-Executive, Independent Director), Mr. S. M. Acharya (Chairman, Non-Executive, Independent Director), Mr. R.P. Singh (Executive Director & CEO)

Board of Directors

Mr. S. M. Acharya
Chairman,
Non-Executive, Independent Director

Mr. Vishnu R Dusad
Managing Director

Ms. Ritika Dusad
Non-Executive Director

Mr. Prithvi Haldea
Non-Executive, Independent Director

Mrs. Elaine Mathias
Non-Executive, Independent Director

Prof. Trilochan Sastry
Non-Executive, Independent Director

Mr. R P Singh
Executive Director & CEO

Mr. N. Subramaniam
Non-Executive, Independent Director

Board Committees

Audit Committee
- Mr. N. Subramaniam, Committee Chairman
- Mr. S. M. Acharya
- Mr. Prithvi Haldea
- Mrs. Elaine Mathias
- Prof. Trilochan Sastry

Nomination & Remuneration / Compensation Committee
- Mr. Prithvi Haldea, Committee Chairman
- Mrs. Elaine Mathias
- Prof. Trilochan Sastry

Stakeholder Relationship Committee
- Mr. Prithvi Haldea, Committee Chairman
- Mr. Vishnu R Dusad
- Prof. Trilochan Sastry

Corporate Social Responsibility Committee
- Prof. Trilochan Sastry, Committee Chairman
- Mr. Vishnu R Dusad
- Mr. S. M. Acharya
- Mr. Prithvi Haldea

Offices

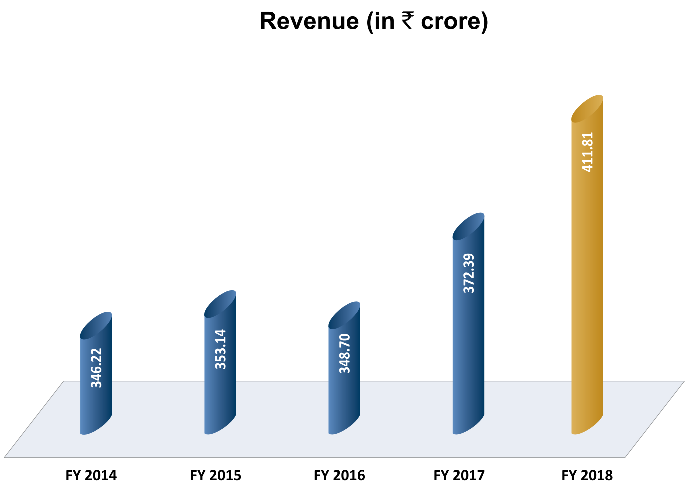
Registered Office

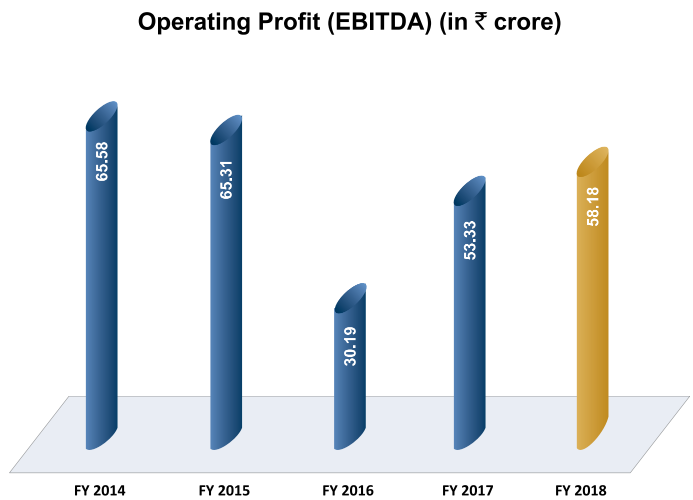
Nucleus Software Exports Ltd.
CIN : L74899DL1989PLC034594
33-35 Thyagraj Market, New Delhi - 110 003, India
Tel: +91 - 11 - 24627552. Fax: +91 - 11 - 24620872

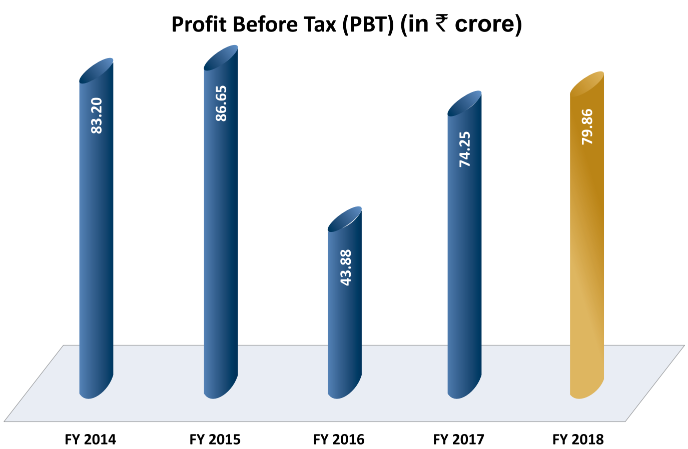
Corporate Office

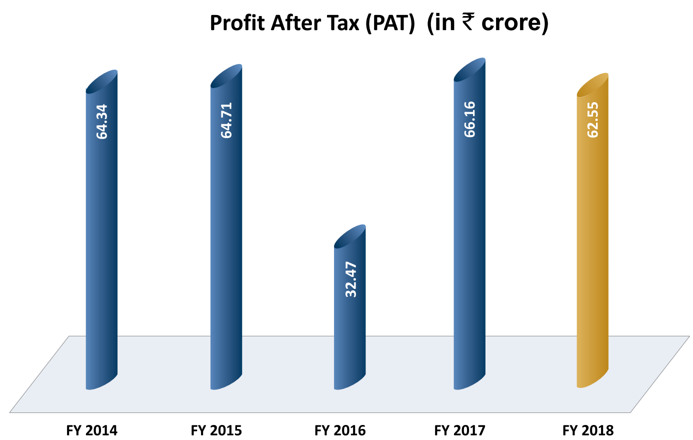
Nucleus Software Exports Ltd.
A-39, Sector 62, NOIDA, UP-201 307, INDIA
Tel: +91-120-4031400. Fax: +91-120-4031672
Email: investorrelations@nucleussoftware.com
Website: www.nucleussoftware.com

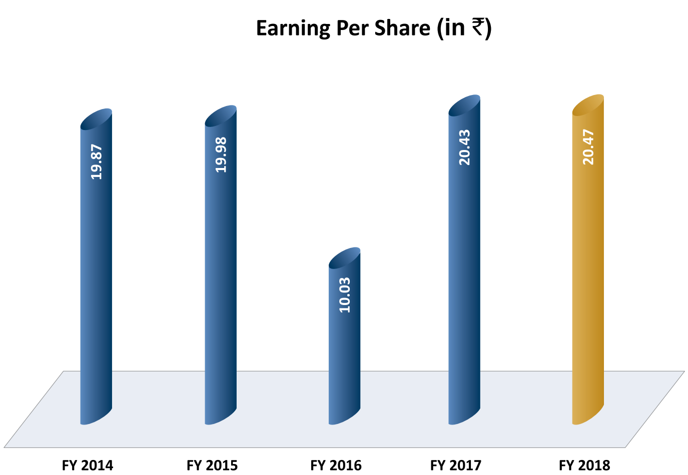
Graphical Representation

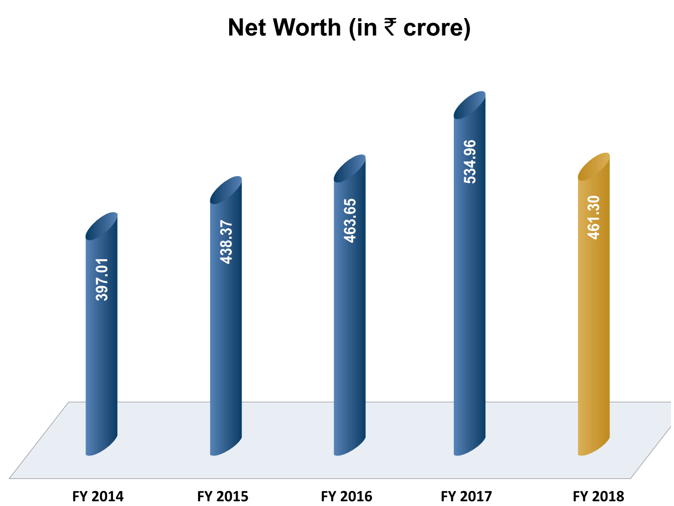












Years at a Glance

(All figures in ₹ crore, except per share data)

Consolidated Performance

For the Year Ended March 31,	2018	2017	2016	2015	2014
Revenue from Operations	411.81	372.39	348.70	353.14	346.22
Operating Profit (EBITDA)	58.18	53.33	30.19	65.31	66.58
Depreciation	7.04	11.22	12.22	11.97	7.93
Other Income (inlcusive of foreign exchange gain/loss)	28.72	32.14	25.91	33.31	24.55
Tax expense	17.31	8.09	11.41	21.94	18.86
Profit After Tax (PAT)	62.55	66.16	32.47	64.71	64.34
EBITDA as a % of Revenue from Operations	14.13	14.32	8.66	18.49	19.23
PAT as a % of Revenue from Operations	15.19	17.77	9.31	18.32	18.58
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	16.03	14.87	9.73	20.75	22.28
Return on Average Networth (%)	12.56	13.25	7.20	15.49	17.23
As at March 31,	**2018**	**2017**	**2016**	**2015**	**2014**
Share Capital	29.04	32.39	32.39	32.39	32.39
Reserves and Surplus	432.26	502.57	431.26	405.98	364.62
Net Worth	461.30	534.96	463.65	438.37	397.01
Property, Plant and equipment and Other intangible assets	45.17	45.11	52.42	58.95	61.90
Cash & Cash Equivalents including Current Investments	214.17	300.36	247.38	281.25	298.02
Working Capital	140.25	256.34	242.43	294.68	293.73
No. of Shares (Face Value of ₹10.00)	29,040,724	32,383,724	32,383,724	32,383,724	32,383,724
Market Capitalisation	1164.10	797.29	626.14	547.61	705.64
No. of Shareholders	14,856	18,951	17,257	16,589	15,008
Per Share data					
Earning Per Share (in ₹)	20.47	20.43	10.03	19.98	19.87
Dividend Per Share (in ₹)	8.00	5.00	5.00	5.00	6.00
Book Value Per Share (In ₹)	158.85	165.19	143.17	135.37	122.60

Notes:

1. *While calculating figures of group, intergroup transactions have been ignored*
2. *Previous year figures have been regrouped/reclassified wherever necessary*
3. *The company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017. Consequently the results for the year ended March 31, 2017 have been restated to comply with Ind-AS to make them comparable.*

Years at a Glance

(All figures in USD'000 except per share data)

Consolidated Performance

For the Year Ended March 31,	2018	2017	2016	2015	2014
Revenue from Operations	63,424	55,135	53,367	57,087	57,742
Operating Profit (EBITDA)	8,960	7,896	4,621	10,558	11,104
Depreciation	1,084	1,661	1,871	1,935	1,323
Other Income (inlcusive of foreign exchange gain/loss)	4,423	4,759	3,965	5,385	4,094
Tax Expense	2,666	1,198	1,746	3,547	3,145
Profit After Tax (PAT)	9,633	9,795	4,969	10,461	10,730
EBITDA as a % of Revenue from Operations	14.13	14.32	8.66	18.49	19.23
PAT as a % of Revenue from Operations	15.19	17.77	9.31	18.32	18.58
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	16.03	14.87	9.73	20.75	22.28
Return on Average Networth (%)	12.56	13.25	7.20	15.49	17.23
US$ Exchange Rate (In ₹)*	64.93	67.54	65.34	61.86	59.96
As at March 31,	**2018**	**2017**	**2016**	**2015**	**2014**
Share Capital	4,456	4,994	4,888	5,182	5,409
Reserves and Surplus	66,318	77,498	65,086	64,957	60,892
Net Worth	70,774	82,492	69,974	70,139	66,301
Property, Plant and equipment and Other intangible assets	6,930	6,957	7,911	9,432	10,337
Cash Equivalents & Current Investments	32,981	46,216	37,335	45,000	49,770
Working Capital	21,518	39,528	36,587	47,149	49,053
No. of Shares (Face Value of ₹10.00)	29,040,724	32,383,724	32,383,724	32,383,724	32,383,724
Market Capitalisation	178,597	122,943	94,497	87,617	117,843
US$ Exchange Rate (In ₹)#	65.18	64.85	66.26	62.50	59.88
Ratios - per share					
Earning Per Share	0.32	0.30	0.15	0.32	0.33
Dividend Per Share	0.12	0.07	0.08	0.08	0.10
Book Value Per Share	2.44	2.55	2.16	2.17	2.05

Notes:

1. *While calculating figures of group, intergroup transactions have been ignored*
2. *Previous year figures have been regrouped/reclassified wherever necessary*
3. ** Revenue and expenditure items have been translated at the average US$/₹ Rate, mentioned here for respective years*
4. *# Balance Sheet items have been translated at year end US$/Rs. Rate, mentioned here for respective years.*
5. *The company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017. Consequently the results for the year ended March 31, 2017 have been restated to comply with Ind-AS to make them comparable.*

DIRECTORS' REPORT

Directors' Report

Dear Members,

We are pleased to present your Company's Twenty Ninth Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2018.

1. **RESULTS OF OPERATIONS - Financial Results**

The Company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017 (transition date being April 1, 2016) pursuant to the notification issued by Ministry of Corporate Affairs dated February 16, 2015 regarding the Companies (Indian Accounting Standards) Rules, 2015. Accordingly, the financial results have been prepared in accordance with the Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder. The results for the year ended March 31, 2017 have been restated to comply with Ind AS to make these comparable.

The financial statements are prepared in accordance with the Companies (Accounting Standards) Rules, 2015, notified under Section 133 of the Act and other relevant provisions of the Act. The accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard, requires a change in the accounting policy hitherto in use. The Management takes into cognisance all new as well as revised accounting standards on an ongoing basis.

The Company has nine subsidiary companies, all of which are wholly-owned subsidiaries except Avon Mobility Solutions Pvt. Ltd., in which the Company acquired a 96% stake in March 2016. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis.

a) Consolidated Operations

Revenue from consolidated operations for the year was ₹ 411.81 crore, as compared to ₹372.39 crore in the previous year. As the Company continued its focus on strategic initiatives for new products, focused sales and market development and hiring of senior experienced personnel to help drive transformation, the overall operational expense for the year increased to ₹ 353.63 crore, against ₹ 319.06 crore in the previous year. The Operating Profit (EBITDA) was at ₹ 58.18 crore, 14% of revenue, against ₹ 53.33 crore, 14% of revenue in the previous year. Profit after Tax for the year was at ₹ 62.55 crore, 15% of revenue, against ₹ 66.16 crore, 18% of revenue in the previous year.

Consolidated financial results are as below:

(₹ in crore)

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue
Revenue From Operations	**411.81**	***100.00***	**372.39**	***100.00***
Expenses				
a) Employee benefit expense	276.97	*67.26*	244.55	*65.67*
b) Operating and other expenses	76.15	*18.49*	73.96	*19.86*
c)Finance costs (Bank charges)	0.51	*0.12*	0.55	*0.15*
Total Expenses	**353.63**	***85.87***	**319.06**	***85.68***
Operating Profit (EBITDA)	**58.18**	***14.13***	**53.33**	***14.32***
Depreciation	7.04	*1.71*	11.22	*3.01*
Operating Profit after Interest and Depreciation	**51.14**	***12.42***	**42.11**	***11.31***
Other Income	28.72	*6.97*	32.14	*8.63*
Profit Before Tax	**79.86**	***19.39***	**74.25**	***19.94***
Taxation	17.31	4.20	8.09	2.17
Profit After Tax	**62.55**	***15.19***	**66.16**	***17.77***
Other Comprehensive Income	(1.50)	(0.36)	5.15	1.38
Total Comprehensive Income for the period	**61.05**	***14.82***	**71.31**	***19.15***

b) Standalone Operations

Revenue from the standalone operations for the year was ₹ 337.32 crore against ₹ 299.35 crore in the previous year, an increase of 13%. Total operational expense for the year was ₹ 294.94 crore against ₹ 264.15 crore in the previous year, an increase of 12%. Operating Profit (EBITDA) for the year was at ₹ 42.38 crore, 13% of revenue, against ₹ 35.20 crore, 12% of revenue, in the previous year. Profit after Tax for the year was at ₹ 65.60 crore, 19% of revenue, against ₹ 51.78 crore, 17% of revenue in the previous year.

Standalone financial results are as below: *(₹ in crore)*

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue
Revenue from Operations	**337.32**	***100.00***	**299.35**	***100.00***
Expenses				
a) Employee benefit expense	216.29	*64.12*	175.89	*58.76*
b) Operating and other expenses	78.33	*23.22*	87.91	*29.37*
c)Finance costs (Bank charges)	0.32	*0.09*	0.35	*0.12*
Total Expenses	**294.94**	***87.44***	**264.15**	***88.24***
Operating Profit (EBITDA)	**42.38**	***12.56***	**35.20**	***11.76***
Depreciation	6.47	*1.92*	10.26	*3.43*
Operating Profit after Interest and Depreciation	**35.91**	***10.65***	**24.94**	***8.33***
Other Income	41.77	*12.38*	31.82	*10.63*
Profit Before Tax	**77.68**	***23.03***	**56.76**	***18.96***
Taxation	12.08	*3.58*	4.98	*1.66*
Profit After Tax	**65.60**	***19.45***	**51.78**	***17.30***
Other Comprehensive Income	(2.83)	(0.84)	6.50	2.17
Total Comprehensive Income for the period	**62.77**	***18.61***	**58.28**	***19.47***

A detailed analysis on the Company's performance, both consolidated and standalone, is included in "Management's Discussion and Analysis" Report, which forms part of the Annual Report.

2. TRANSFER TO RESERVES

In order to augment resources your Directors do not propose to transfer any amount to reserves. Appropriations to retained earnings for the financial year ended March 31, 2018 as per financial statements are as under:

(₹ in crore)

Retained Earnings	*Closing Balance as on March 31, 2018*
Opening Balance	361.89
Profit for the period	65.60
Utilised for Buyback of equity shares	(32.54)
Dividend Paid	(16.19)
Corporate Dividend tax	(0.49)
Closing Balance	**378.27**

3. BUY BACK OF EQUITY SHARES

During the year, the Company bought back 3,343,000 equity shares through the Tender Offer route at a price of ₹ 350/- per equity share for an aggregate consideration of ₹ 117.00 crore.

The Buyback size was 24.83% of the aggregate Paid-Up Equity Share Capital and Free Reserves of the Company as per the audited standalone accounts for the financial year ended March 31, 2017. The Buyback process was completed and the shares were extinguished on September 14, 2017. Further details/ documents relating to the Buyback are available on our website at http://nucleussoftware.com/investors/

4. SHARE CAPITAL

Issued and Paid-Up Share Capital

During the Year, the Company extinguished 3,343,000 equity shares in September 2017 consequent to Buyback of shares. Consequently, the Paid-Up Share Capital of the Company, as on March 31, 2018, is 29,040,724 equity shares of ₹ 10 each, as compared to 32,383,724 equity shares of ₹ 10 each as on March 31, 2017.

Shares under Compulsory Dematerialization

The shares of the Company are under compulsory dematerialization ("Demat") category and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) of the entire paid up shares, 28,960,841 shares or 99.72%, are in dematerialized form as at March 31, 2018. The International Securities Identification Number (ISIN) allotted to the Company's shares is INE096B01018.

5. LISTING

Your Company is listed at National Stock Exchange of India Ltd. and BSE Ltd.

Stock Exchange where Nucleus shares are listed	Scrip Symbol /Code
National Stock Exchange of India Ltd. (NSE) w.e.f. December 19, 2002	NUCLEUS
BSE Ltd. (BSE) w.e.f. November 6, 1995	531209

6. LIQUIDITY AND CASH EQUIVALENTS

Your Company continues to retain its debt-free status and maintains sufficient cash and cash equivalents to meet future strategic initiatives. The Company has been conservative in its investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to completely eliminate short and medium-term liquidity risks, and at the same time also help scale up operations at a short notice. The goal of cash management at Nucleus is to:

a. Use cash to provide sufficient working capital to manage business operations of the Company to be able to add value to all our stakeholders and continuously enhance the same.

b. Maintain sufficient cash as reserves that will aid the Company in capturing meaningful business opportunities, including acquisitions.

c. Invest surplus funds in low-risk bank deposits, debt schemes of mutual funds, preference shares and tax free secured bonds of Public Sector Enterprises.

Cash and cash equivalents including current investments at a consolidated level of ₹ 214.97 crore, constitute 47% of the shareholders' funds at the year end, against ₹ 300.36 crore, 56% of the shareholders' funds at the close of the previous year. In addition, the Company holds tax-free bonds issued by public sector enterprises at amortised cost of ₹ 87.13 crore against ₹ 81.55 crore in the previous year, long-term fixed maturity plans of mutual funds at amortised cost of ₹ 59.75 crore against ₹ 19.83 crore last year, preference shares at amortised cost of ₹ 46.90 crore against ₹ 51.49 crore last year, debentures of ₹ Nil against ₹ 5.14 crore in the previous year and Investment in equity shares of a listed company (at FVOCI) at ₹ 8.64 crore against ₹ 10.60 crore in the previous year.

7. DIVIDEND

The Dividend Policy of your Company prescribes a dividend pay-out in the range of 15-30% of the profits available for distribution, subject to:

a) Provisions of The Companies Act, 2013 and other applicable laws, and

b) Cash flows of the Company

We are pleased to state that for the 18th consecutive year, your Company has recommended a Dividend . The Proposed Dividend is 80% (₹8.00 per equity share of ₹ 10 each) as compared to last year Dividend of 50% (₹ 5.00 per equity share of ₹ 10 each). The Proposed Dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting. If approved, the total dividend payout will be ₹ 23.23 crore, against payout of ₹16.19 crore in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period June 26 to July 2, 2018 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend. The Dividend, if approved at the Annual General Meeting, will be payable to such members whose names appear on the Register of Members of the Company and as beneficial owners in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd., at close of business hours as on June 25, 2018.

8. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to applicable provisions of the Companies Act 2013, read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules 2016 ('the Rules') all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more shall also be transferred to the Demat account created by IEPF Authority. Accordingly, the Company has transferred all unclaimed or unpaid dividends and shares to IEPF as per applicable regulations.

9. DEPOSITS FROM PUBLIC

Your Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Company policy for determining 'Material Subsidiaries' and on 'Related Party Transactions', as approved by the Board can be accessed on the Company website link: http://www.nucleussoftware.com/investors.

Particulars of contracts or arrangements with related parties in the prescribed Form AOC-2, are provided as Annexure A to this Directors' Report.

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to the Financial Statements.

12. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF FINANCIAL YEAR 2018 AND DATE OF THIS DIRECTORS' REPORT

No material changes and commitments have occurred after the close of the year till the date of this Directors' Report, which affect the financial position of the Company.

13. CHANGE IN THE NATURE OF BUSINESS

There has been no change in the nature of business of the Company.

14. MANAGEMENT DISCUSSION & ANALYSIS

As per requirements of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosures) Regulations 2015, the Management's Discussion and Analysis of the financial condition and results of both standalone and consolidated operations have been provided separately in the Annual Report.

15. REVIEW OF BUSINESS & OUTLOOK

Your Company continues its journey as a preferred partner for banking and financial organizations worldwide, providing innovative and pioneering products, services and solutions. Continuing the relentless focus on customer success, your Company launched a range of innovative solutions during the year.

Overall, the Indian IT companies had a decent year in terms of financial performance, driven by factors such as digitisation and non-linear growth models. The Indian IT firms continue to move up the value chain by providing more end-to-end solutions and engaging more closely with the clients.

Recent forecasts for technology spending have shown growth – for example, Gartner from 5.8 to 6.7% and Forrester from 3.9 to 5.1%. Part of this growth has been driven by increased investment to support digital initiatives.

As per NASSCOM, the Indian IT Industry is expected to add USD 14-16 billion in revenue in FY19 with Domestic Technology adoption to continue with double digit growth.

Digital technologies are increasingly becoming all pervasive and are not only blurring the boundaries between business units (technology, finance, marketing, etc.) but also between companies, it is now no longer tech and non-tech companies. The future of the industry will lie in 'Digital at Scale' as global digital spend is expected to increase from USD 180 Bn in 2017 to USD 310 Bn in 2020 growing over 20% YoY, as per Everest research

Since the rise of FinTech, the world of lending has been abuzz with the power of "digital" – FinTechs positioned themselves as offering "digital only" and "neo-digital" experiences, while traditional lenders focused on adding a digital flavor to their services. Transformation, disruption and revolution have all been associated with digital. Clients are welcoming these developments, expecting that their lending experiences are changing for the better.

16. NEW PRODUCT LAUNCHES

During the Year, Your Company has continued to enhance its solutions to take advantage of market trends, such as increasing digitization of financial services. We have leveraged India Stack further to offer end to end digitization of Loan lifecycle.

Your Company launched customer portal modules – eApply and eServe that offer a host of services to the end customer for applying for and servicing of the loan. We also launched ECM – Enterprise Content Management solution which can be used to seamlessly store and retrieve documents, images, letters, customer communications etc.

As a part of ongoing development program, your Company also launched FinnAxia 5.0 including a newly launched Trade Finance Portal, which would help corporate customers with a single, global view of their trade finance business. This will reduce the risk of fraud and will also enable the lenders to make faster and more efficient financing decisions. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank's corporate customers. The solution also allows the corporates to define their own liquidity structures and visualize the prospective outcomes graphically.

With a constant emphasis on ensuring compliance of regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms.

With FinnAxia 5.0, banks can capture new business opportunities, enable working capital management for their corporate customers and ensure compliance with new regulations in the transaction banking space.

During the year, the PaySe™ payment solutions have been enhanced with the online mobile payment capability thus making PaySe™ an ideal payment solution for both the connected and the non-connected world. PaySe™ has been rolled out in a couple of villages and has found favour with consumers to make payments for their daily purchases in the village and for LPG and PDS payments. In keeping with the UGC guidelines advising colleges and universities to move towards a less cash economy, Nucleus is focusing on such institutions to make their campuses cashless campuses by enabling digital payments for all financial transactions in the campus and extending the same to transactions around the campus.

Your Company remains committed to providing its existing and potential customers with competitive and cutting-edge products and will continue to focus on investments in product innovation and business expansion.

17. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- **Best Lending Technology Implementation of the Year** award at the BFSI Innovative Technology Awards 2018 for project Lending on cloud for Sai Point Finance with FinnOne Neo.
- Received an award **in Mid Corporate Segment-for Excellence in IT/ITES Sector**, at SME Business Excellence Awards, 2017 organized by Dun & Bradstreet Information Services India Pvt. Ltd (D&B).
- Annual Report for the Year Ended March 31, 2017 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked 7th amongst the World's Top 100 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).

18. SUBSIDIARY COMPANIES

Your Company has nine subsidiaries across the globe. There are no associate companies or joint venture companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act").

The following table provides a list of all these subsidiaries as on March 31, 2018:

Name of Subsidiary	Location	Date of Incorporation/ Acquisition	Percentage of Shareholding
Nucleus Software Solutions Pte. Ltd.	Singapore	February 25, 1994	100%
Nucleus Software Inc.	USA	August 5, 1997	100%
Nucleus Software Japan Kabushiki Kaisha	Japan	November 2, 2001	100%
VirStra *i*- Technology Services Ltd.	India	May 6, 2004	100%
Nucleus Software Netherlands B.V.	Netherlands	February 3, 2006	100%
Nucleus Software Ltd.	India	April 21, 2008	100%
Nucleus Software Australia Pty. Ltd.	Australia	February 3, 2014	100%
Nucleus Software South Africa Pty. Ltd.	South Africa	February 10, 2015	100%
Avon Mobility Solutions Pvt. Ltd.	India	March 17, 2016 (Date of Acquisition)	96%

There has been no material change in the nature of the business of the subsidiaries.

A statement containing the salient features of the financial statement of our subsidiaries in the prescribed form AOC 1 is provided as Annexure B to this Directors' Report. The statement also provides the details of performance, financial position of each of the subsidiaries.

Further, pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company.

a) Nucleus Software Solutions Pte. Ltd.

Nucleus Software Solutions Pte. Ltd. (NSS) is based in Singapore. It was incorporated in 1994 to expand the Company's business in South East Asia. Currently, it is the central entity for Asia-Pacific excluding Japan and Australia with responsibility for business development, sales and software development services for customers in the region.

b) Nucleus Software Inc.

Nucleus Software Inc. (NSI) is based in New Jersey, USA. It was incorporated in 1997 for providing business presence in the Americas. NSI operates as a business development and sales hub for the region.

c) Nucleus Software Japan Kabushiki Kaisha

Nucleus Software Japan Kabushiki Kaisha (NSJKK) is based in Tokyo, Japan. It was incorporated in 2001 to expand business in the country. NSJKK operates as a business development and sales hub for Japan. Additionally the subsidiary provides software development services, to the local customers in Japan.

d) VirStra *i*- Technology Services Ltd.

VirStra *i*- Technology Services Ltd. is based in Pune, India. It was incorporated in 2004 to provide software development services, targeted at the Japanese market.

e) Nucleus Software Netherlands BV

Nucleus Software Netherlands BV (NSBV) is based in Amsterdam, The Netherlands. It was incorporated in 2006 for enlarging business presence in the European market. NSBV is a business development and sales hub for Nucleus in Europe.

f) Nucleus Software Ltd.

Nucleus Software Ltd. (NSL) has operations in Jaipur with registered office in New Delhi. It was incorporated in 2008 for facilitating delivery to larger clients through operations in a Special Economic Zone. NSL had acquired 17.41 acre of land in 2008 in the Mahindra World Special Economic Zone, Jaipur and has co-developed a 250-seater facility.

g) Nucleus Software Australia Pty. Ltd.

Nucleus Software Australia Pty. Ltd. (NSA) is based in Sydney, Australia. It was incorporated in 2014 for tapping the growing business opportunities in ANZ region. NSA operates as a business development and sales hub for the region. Additionally the subsidiary provides software development services, to the local customers in Australia.

h) Nucleus Software South Africa Pty. Ltd.

Nucleus Software South Africa Pty. Ltd. (NSSA) is based in Johannesburg, South Africa. It was incorporated in 2015 for tapping the growing business opportunities in South African region. NSSA operates as a business development and sales hub for the region.

i) Avon Mobility Solutions Pvt. Ltd.

Avon Mobility Solutions Pvt. Ltd, is based in Chennai and has very good experience in logistics domain and expertise in developing mobile applications.

Avon Mobility Solutions Pvt. Ltd. became subsidiary of your Company on March 17, 2016.

19. INFRASTRUCTURE

Your Company, along with its subsidiaries, has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2018 is detailed below:

Office Location	Area in sq. ft.	Seating Capacity - No. of Persons
India		
Noida	2,08,122	1,677
Jaipur	22,312	250
Pune	9,573	114
Chennai	8,100	67
New Delhi	4,200	40
Mumbai	3,250	31
Overseas		
Singapore	4,807	61
Dubai, UAE	1,290	17
Tokyo, Japan	735	15
Manila, Philippines	151	2
Jakarta, Indonesia	97	3
London, UK	226	2
Sydney, Australia	130	2
California, USA	100	1
	263,093	**2,282**

Noida, New Delhi and Jaipur premises are owned by the Company and its subsidiaries.

20 QUALITY PROCESSES

Your Company is committed to ensure the highest level of quality for its products and services. The key focus for this year was to synchronize and standardize the quality processes with the transformational journey of the organisation. Process improvement initiatives were centred on 'Process Optimization'. The FinnEdge implementation methodology has emerged as standard implementation methodology for New Products. Extension to FinnEdge i.e. Rapid is introduced and piloted in few projects, that will help implementation of solution in quick time for greenfield customers. FinnEdge covers various aspects of the project from 'Value Creation to Value Realization' and from 'Project Discovery' to 'Project Implementation' to 'Project Upgrade'. Process was defined and baselined for Cloud Implementation projects. To improve and measure Product Quality, Defect Management Lifecycle is getting simplified and standardized.

A dedicated Quality Assurance team handles the process change management, implementation and its adherence across the organization. This team monitors quality and productivity improvements through audits and dashboard reporting.

21. BRAND VISIBILITY

In FY 2018, your Company continued to grow its marketing operations and activities in support of its strategic aspirations.

During the Year, the Company moved forward on its agenda of growth into new markets around the world by establishing brand awareness and generating demand from focused target segments. Your Company is continually investing in marketing, with the below objectives:

- **Ensure** that your Company is known to provide high **quality, innovative** lending and transaction banking solutions to the target markets.
- **Establish** your Company as an Industry Thought Leader.
- **Equip** the sales team fully with the material and **tools required** to sell the product or service they represent.

Industry Interactions

To showcase our expertise and product offerings, your Company continued to participate in the leading industry events and business forums worldwide.

During the Year, Our teams travelled worldwide to demonstrate our expertise and product offerings; participated in many of leading Industry forums. Few of them includes: In Australia: Sponsored the Australian Retail Banking Summit 2017, with the overarching theme of "Retail: Ripe for Revolution". Demonstrated expertise at 8th annual **Australian Mortgage Innovation Summit 2018**. Showcased comprehensive lending solution, **FinnOne Neo for Mutuals at** Customer Owned Banking Association's premiere annual convention, COBA 2017. In South East Asia: hosted a roundtable discussion around **"Profiting from Transaction Banking - Converting Challenges into Opportunities" at Asian Banker's** Future of Finance Summit 2017 in Singapore. Presented insights on 'How Banks and other Financial Services companies can benefit from Digital' at a gathering of industry leaders **at Ho Chi Minh City and Hanoi,** Vietnam. Hosted an exclusive conference for the leaders of Banks and other Financial Services companies in Manila on 'Driving Innovation in Lending Manila 2017'. In the Middle East: Presented insights on 'Digital Lending and Advanced Analytics' at the Middle East Banking Innovation Summit (MEBIS) 2017 in Dubai. Hosted an exclusive webinar on **'How do you become the Digital Bank of Tomorrow – Today?',** for sharing expertise on leveraging the power of digital, personalization and analytics. In Africa: showcased expertise on the fast-evolving trends that are transforming the microfinance industry at the Microfinance South Africa 2017 Annual General Meeting & Conference (MFSA AGM) in South Africa, Organized an exclusive industry roadshow on 'driving Innovation in Lending' for leading banks and financial institutions in Tanzania. In India: hosted an exclusive industry roundtable discussion for Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) with the theme of **'Driving Innovation in Lending'** in association with Dun & Bradstreet and Amazon Web Services in Mumbai and Delhi. Demonstrated insights on 'How next generation digital lending solutions can help you transform your business' at the National Cooperative Banking Summit 2017 (NCBS) in Jaipur.

Digital Presence & Visibility

Your Company continued to build its presence in the traditional media as well as on social media channels. Media activities continued with interactions with worldwide media including television, print, wires and online portals and source exclusive media opportunities in various geographies such as Australia, Africa, the Middle East and India. Social media has been a focus area, covering a wide range of brand activities and our successes. Your Company used social media primarily for activities involving thought leadership blogs, articles, press releases, customer video testimonials and other business content marketing purposes.

22. HUMAN RESOURCE MANAGEMENT

Your Company is determined to accelerate its growth story by corresponding to the changing needs of diverse workgroup by fostering an engaging work environment, to constantly build the unique capabilities and skills of the people.

The global employee strength of the Company, at the end of FY 2018, was 1,851.

During the Year, there were launches of various organization-wide initiatives to ensure high-performing and engaged workforce, like:

1. **Delivering Business Excellence** – Frequent connect sessions with associates largely targeting the high potentials
   - **a.** Gathering insights about the workplace, culture & opportunities offered & sharing them with the business for preventive action
   - **b.** Acting as strategic business partner by regularly sharing HR metrics in the form of dashboard
   - **c.** Launch of Trust Survey
2. **Employee Assist** – Conceptualize & execute suitable interventions to keep associates motivated
   - **a.** Revamping referral program to attract talent from the industry
   - **b.** Aligning the annual performance management process (NucEDGE18) to the industry standards
   - **c.** Launch of day care in Nucleus Software premises

Going forward, your Company's focus lies in creating a performance-based culture, driven by focused growth and clear career development plan for each employee. The HR roadmap will also focus on 'Collaboration & Acceleration' to stimulate our strategic growth through employee empowerment to make it a great place to work for.

23. CORPORATE GOVERNANCE

We, at Nucleus, believe that good and effective Corporate Governance is critical to achieve corporate vision and mission of the organization; it is more of an organizational culture than a mere adherence to rules and regulations. Law alone cannot bring changes and transformation, and voluntary compliance both in form and in substance plays an important role in developing good Corporate Governance.

Your Company has established and maintained a strong ethical environment, overseen by Board of Directors, where 5 out of 8 Directors are Independent. The Company's practices and policies reflect the true spirit of Corporate Governance initiatives.

Your Company is in compliance of all mandatory requirements of Corporate Governance as stipulated as per Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015. Compliance status is provided in the Corporate Governance section of the Annual Report. A certificate issued by the Statutory Auditors of the Company under Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015, confirming compliance of the conditions of Corporate Governance, is provided as Annexure C to this Directors' Report. The auditors' certificate for fiscal 2018 does not contain any qualifications, reservations or adverse remark.

A detailed report on Corporate Governance for the year forms part of the Annual Report.

24. DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

In accordance with the provisions of the Companies Act 2013 and the Articles of Association of the Company, Mr. R P Singh, CEO and Whole time Director, retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

Mr. S. M. Acharya, Mr. Prithvi Haldea, Prof. Trilochan Sastry, Mr. N. Subramaniam and Mrs. Elaine Mathias are Independent Directors as per the Companies Act, 2013, not liable to retire by rotation, to hold office for five consecutive years. They have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as Independent Director during the year. Ms. Ritika Dusad, a Non-Executive Director was appointed by Board on July 20, 2016 as a Director liable to retire by rotation.

During the year, Mr. Janki Ballabh, retired from the Chairmanship of the Board w.e.f. Oct 31, 2017, due to attainment of retirement age. Mr. Ballabh had joined as the Chairman of our Board on November 15, 2008. The Board members thanked Mr. Ballabh for his immense contribution and guidance, and in framing a strategic roadmap of the Company during his tenure.

The Board of Directors on the recommendation of the Nomination and Remuneration/Compensation Committee appointed Mr. S. M. Acharya, Independent Director as the Chairman of the Board w.e.f. November 1, 2017.

The Board of Directors on the recommendation of the Nomination and Remuneration/Compensation Committee also appointed Mr. R P Singh, Whole time Director as the Chief Executive Officer of the Company w.e.f April 1, 2018 and re-designated Mr. Vishnu R Dusad, CEO and Managing Director as the Managing Director of the Company w.e.f. April 1, 2018.

Mr. Vishnu R. Dusad was reappointed as Managing Director w.e.f. January 1, 2017 for a period of 5 years. His present term expires on December 31, 2021.

During the year, the Non-Executive Directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees, commission, and reimbursement of expenses incurred by them for the purpose of attending meetings of the Company.

Pursuant to provisions of Section 203 of the Companies Act, 2013, Mr. Vishnu R. Dusad, Managing Director, Mr. R P Singh, CEO, Mr. Ashish Nanda, Chief Financial Officer and Ms. Poonam Bhasin, Company Secretary are the Key Managerial Personnel of the Company as on date of the report.

25. BOARD EVALUATION

The Board of Directors carried out an annual evaluation of its own performance and performance of the Chairman, Board committees and individual Directors pursuant to the provisions of the Companies Act 2013 and the Corporate Governance requirements under Regulation 25 (4) of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015.

The Board, along with the Nomination and Remuneration/ Compensation Committee, developed and adopted the criteria and framework for the evaluation of each of the Directors and of the Board and its Committees.

The evaluation was then conducted as per the approved process (explained in detail in the Report on Corporate Governance of the Annual report). The Chairman of the Committee also had interactions with each of the Directors and sought their feed-back and suggestions on the overall Board Effectiveness and Directors performance.

In addition, pursuant to the provisions of Schedule IV to the Companies Act, 2013 the Independent Directors reviewed the performance of the Non-Independent Directors and of the Board as a whole, performance of the Chairman of the Board taking into account the views of all the Directors, and the quality, quantity and timeliness of flow of information between the Company management and the Board and its sufficiency for the Board to effectively perform its duties.

The Chairman placed the Evaluation Summary before the committee members. The same was discussed in detail, and the members recorded their satisfaction

26. COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The primary responsibility of the Nomination and Remuneration / Compensation Committee (NRC) is to identify and nominate suitable candidates for Board membership. The Committee also formulate policies relating to the remuneration of Directors, Key Managerial Personnel and other senior employees of the Company.

The Committee, while evaluating potential candidates for Board membership, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. The basic responsibilities of NRC with regard to Directors' appointment are as follows:

- Recommending desirable changes in Board size, composition, Committee structure and processes, and other aspects of the Board's functioning;
- Formulating criteria for determining qualifications, positive attributes and Independence of a Director

- Conducting search and recommending new Board members in light of resignation of current members or a planned expansion of the Board;
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

The policy of the Company for selection of Directors is provided as Annexure D and Remuneration Policy for Directors, Key Managerial Personnel and other employees is provided as Annexure E to this Directors' Report.

27. DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 25 of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015.

28. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTOR'S

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters can be accessed on the Company website link : http://www.nucleussoftware.com/investors .

29. MEETINGS OF THE BOARD OF DIRECTORS

The Board met 9 times during the year. The details are provided in the Report on Corporate Governance, a part of the Annual Report.

30. COMMITTEES OF THE BOARD

There are four Committees of the Board as on March 31, 2018, as follows:

- Audit Committee
- Nomination and Remuneration/Compensation Committee
- Stakeholder Relationship Committee
- Corporate Social Responsibility Committee

Details of all the Committees along with their charters, composition and meetings held during the year, are provided in the Report on Corporate Governance, a part of the Annual Report.

The Composition of Board Committees as on March 31, 2018 is as follows:

	Audit Committee	Nomination & Remuneration /Compensation Committee	Stakeholder Relationship Committee	Corporate Social Responsibility Committee
Mr. S. M. Acharya	√			√
Mr. Vishnu R Dusad			√	√
Mr. Prithvi Haldea	√	√	√	√
Mrs. Elaine Mathias	√	√		
Prof. Trilochan Sastry	√	√	√	√
Mr. N. Subramaniam	√			

31. VIGIL MECHANISM

The Company has a well established whistle blower policy as part of vigil mechanism for observing the conduct of Directors and employees and report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of Director(s)/ employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

32. SIGNIFICANT AND MATERIAL ORDERS

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

33. RISK MANAGEMENT POLICY

The Company has developed and implemented a 'Risk Management Policy' that includes identification of elements of risk, which in the opinion of the Board may threaten the existence of the Company. Risk Management Report forms a part of the Annual Report.

34. ADDITIONAL INFORMATION TO SHAREHOLDERS

Detailed information to the shareholders is provided in the Shareholders' Referencer, a part of the Annual Report.

35. AUDITORS

Statutory Auditors

Pursuant to the provisions of Section 139 of the Companies Act 2013 and the rules framed thereafter, M/s BSR and Co., LLP, Chartered Accountants, were appointed as statutory auditors of the Company from the conclusion of the Annual General Meeting (AGM) of the Company held on July 8, 2016 until the conclusion of Annual General Meeting of the Company to be held in Calendar year 2021, subject to ratification of their appointment at every AGM.

M/s BSR and Co, LLP, Chartered Accountants have furnished a certificate of their eligibility as per Section 141 of the Companies Act, 2013

Secretarial Auditor

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed companies, and they are required to annex the Secretarial Audit report with their Board Report in the Annual Report. We are pleased to inform that your Company, as a voluntary practice, has been getting Secretarial Audit done for the past several years and also reporting it in the Annual Report.

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, the Board appointed, M/s P I and Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. Secretarial Audit Report in the prescribed Form MR 3, is provided as Annexure F to this Directors' Report. The Secretarial Auditors' Report is self explanatory and does not call for any further explanation.

The Company voluntarily adheres to the various Secretarial Standards issue by the Institute of Companies Secretaries of India.

36. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with reference to the financial statements.

M/s BSR and Co, LLP, the statutory auditors of the Company, has audited the financial statements included in the Annual Report and has issued an attestation report on our internal control over financial reporting (as defined in Section 143 of Companies Act 2013).

37. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Inclusive growth and sustainable development are strong pillars of your Company's responsible corporate citizenship and are a part of the core values and driving force for many of its initiatives. The Company believes that responsible investments in this regard will generate long term value for all the stakeholders.

In accordance with requirements of The Companies Act 2013, the Company has a Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director. Prof. Trilochan Sastry is the Chairman of the Committee, Mr. Vishnu R Dusad, Mr. Prithvi Haldea and Mr. S. M. Acharya are the other members. The Committee framed and recommended a CSR Policy to the Board for adoption and instituted a transparent monitoring mechanism for ensuring implementation of the projects / activities to be undertaken by the Company.

The CSR Policy may be accessed on the Company website link: http://www.nucleussoftware.com/investors.

Your Company has set up Nucleus Software Foundation (NSF), a Trust for the purposes of undertaking CSR activities of the Company. This Foundation, established in 2014 as a Section 25 Company, works towards its stated mission: "Empowering underprivileged with essence of education and thereby better livelihood and better life".

During the Year, the Foundation worked towards its aim to make the educational quality standards better for the underprivileged children studying at government primary schools and NGO schools. It was able to reach over 4,500 students across 54 schools with the help of 1,140 NSF Tabs which are mapped to the syllabus from classes 3rd to 5th. We have seen a great positive shift in the engagement pattern of children specifically in the government schools.

After establishing the engagement through NSF TAB Program, the aim in the coming years is to strengthen the impact of learning. In order to pursue this goal, the NSF team has designed a remedial program to bridge the gap identified by the baseline and end line conducted across selected schools using NSF TAB. The NSF remedial program will bridge the gap to bring the children closer to their class level and the NSF tab program will help in reinforcing the learning.

At other NGO schools, the Foundation is trying to make learning more fun-filled and effective by using remedial and NSF Tab program.

The other CSR initiatives undertaken by the Foundation during the year were:

- Supporting the Meritorious: Sponsored college and hostel fees for two students of IIT Roorkee.
- Skill Development and Livelihood support: Providing tailoring training to the underprivileged women in Chennai.
- Assisting an NGO 'Ables Charity' at Faridabad and 'Samriddhi trust' at Sadarpur Noida to run their bridge schools for out-of-school children.

During the year, the Company contributed ₹1.11 crore, as a mandatory requirement, towards the CSR activities to the Foundation. The Foundation expended ₹ 1.17 crore on the CSR activities during the year. The Annual Report on CSR activities is provided as Annexure G to this Directors' Report.

38. EMPLOYEE STOCK OPTION PLAN (ESOP)

Currently, there is only one ESOP scheme prevalent in the Company; ESOP scheme - 2015 (instituted in 2015). As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust, which is established to carry out activities for the benefit and welfare of its Employees by launching various Schemes in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Details of ESOP as per the provisions of Companies Act, 2013 and Rules made there under are as follows:

Particulars			**2015 Plan**
a)	Total number of options under the Plan		500,000
(b)	Pricing formula		100% of the Fair Market Price as on date of grant
(c)	Options granted during the year		–
(d)	Options vested as of March 31, 2018		–
(e)	(i)	Options exercised during the year	–
	(ii)	Total number of shares arising as a result of exercise of above options during the year	–
(f)	Options forfeited during the year		–
(g)	Option lapsed during the year		–
(h)	Variation of terms of options during the year		–
(i)	Amount realized by exercise of options during the year		–
(j)	Total number of options in force as on March 31, 2018		–

During the year, no stock options were granted to any employee under the above-mentioned ESOP plan and therefore no calculations are required to be made or reported regarding difference between intrinsic value and fair market value of ESOPs granted.

39. PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the prescribed format and annexed as Annexure H to this Directors' Report.

Having regard to the provisions of the first provision to Section 136(1) of the Companies Act, 2013 and as advised, the Annual Report excluding part of the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request. The full Annual Report including the aforesaid information is available on the Company's website.

40. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to as per Section 134 (5) of the Companies Act, 2013, the Directors confirm that:

(a) in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the Directors had prepared the annual accounts on a going concern basis;

(e) the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

(f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by the management, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2017-18.

41. EXTRACT OF ANNUAL RETURN

Extract of Annual Return of the Company in the prescribed Form MGT-9, is provided as Annexure I to this Directors' Report.

42. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, is provided as Annexure J to this Directors' Report.

43. ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the co-operation received from the Government of India, State Governments of Delhi, Uttar Pradesh and Rajasthan, Customs and Excise Departments, Department of Scientific and Industrial Research (Ministry of Science and Technology), Software Technology Park-Noida, Software Technology Park-Chennai, Software Technology Park-Pune, Special Economic Zone authorities and other government agencies.

Your Directors would also like to thank the Company's customers, bankers, vendors, partners and shareholders for their continued support to the Company. In specific, the Board would like to put on record its sincere appreciation of the commitment and contribution made by all employees of the Company.

For and on behalf of the Board of Directors

Date: May 3, 2018 **S. M. Acharya**
Place: Noida **Chairman**

ANNEXURES TO THE DIRECTORS' REPORT

Annexure A Particulars of contracts or arrangements with related parties in Form AOC-2

Annexure B Salient features of the financial statement of subsidiaries in Form AOC-1

Annexure C Certificate by Statutory Auditors confirming compliance of the conditions of Corporate Governance

Annexure D Policy for selection of Directors

Annexure E Remuneration Policy for Directors, Key Managerial Personnel and other employees

Annexure F Secretarial Audit Report in Form MR 3

Annexure G Annual Report on CSR activities

Annexure H Disclosures pertaining to remuneration under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Annexure I Extract of Annual Return of the Company in the prescribed Form MGT-9

Annexure J Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo

Annexure A

FORM - AOC - 2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013

(Pursuant to clause (h) of sub-section (3)of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis-

   There were no contracts or arrangements entered by the Company during FY 2017-18 which were not at arm's length.

2. Details of material contracts or arrangement or transactions at arm's length basis-

   The transactions /entered into by the Company with related parties were at arm's length but were not material.

   (a) Name(s) of the related party and nature of relationship: N.A

   (b) Nature of contracts/arrangements/transactions: N.A

   (c) Duration of the contracts/arrangements/transactions: N.A

   (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A

   (e) Date(s) of approval by the Board, if any: N.A

   (f) Amount paid as advances, if any: N.A

For and on behalf of the Board of Directors

Noida
May 3, 2018

S.M. Acharya
Chairman

Annexure B

FORM AOC -1

Statement containing salient features of the financial statement of subsidiaries

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

A statement containing the salient features of the financial statement of our subsidiaries in the prescribed From AOC-1 is attached at the end of consolidated financial statements of the Compny.

Annexure C

INDEPENDENT AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)

To the Members of
Nucleus Software Exports Limited,

1. This report is issued in accordance with the terms of our agreement dated 24 April 2018.
2. This report contains details of compliance of conditions of Corporate Governance by Nucleus Software Exports Limited ("the Company") for the year ended 31 March 2018 as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with the Stock Exchanges.

Management's Responsibility

3. The compliance with the terms and conditions contained in the Corporate Governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

Auditors' Responsibility

4. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2018.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India (ICAI). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Service Engagements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable, during the year ended 31 March 2018.
9. 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.

Restrictions on use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For B S R & Associates LLP
Chartered Accountants
Firm Registration No: 116231W/W-100024

Rakesh Dewan
Partner
Membership No: 092212

Place: Gurugram
Date : 03 May 2018

POLICY FOR SELECTION OF DIRECTORS

A. OBJECTIVE

The objective of this Policy is to promote an optimal structure of the Board of Directors of Nucleus Software Exports Ltd. (the Company), to encompass varied expertise, diversity and independence .

B. DEFINITIONS

1. **"The Policy"** means Policy for selection of Directors of the Company.
2. **"The Board"** means Board of Directors of the Company.
3. **"The Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
4. **"The Committee"** means the Nomination and Remuneration Committee of the Company as constituted by the Board, in accordance with the Act and applicable listing agreements and/or regulations.
5. **"Directors"** means Directors of the Company
6. **"Independent Director"** means a Director appointed as such in accordance with the requirements laid down by the Companies Act, 2013 and applicable rules and regulations of the Listing Agreement, including amendments thereto.

   Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Rules made there under as amended from time to time shall have the meaning respectively assigned to them therein.

C. RESPONSIBILITY FOR SELECTION

The Board has established a Nomination and Remuneration/Compensation Committee (the Committee) to assist in fulfilling its responsibilities relating to the size and composition of the Board. The Committee is responsible for evaluating suitable candidates, for making appropriate recommendations to the Board and to determine the independence of Directors, in case of their appointment as Independent Directors of the Company.

D. PROCEDURE FOR NOMINATION, SELECTION AND APPOINTMENT OF DIRECTORS

1. Board Initiation

The Board shall continuously assess its current and requisite strengths and enumerate the desired composition of the Board in line with the Company's strategic priorities. The Board shall interact with the Committee when ever there is a need for induction of new Director/s and shall highlight the attributes of the desirable candidate.

2. Selection Procedure

The Committee shall follow the process as outlined below for shortlisting suitable candidates for appointment as new Directors on the Board:

a. The Chairman of the Committee, in consultation with its members, shall prepare the candidate profile.

b. The Board members may suggest some potential candidates. The Chairman of the Committee may seek external professional advice for developing a list of potential candidates for Directorship.

c. Profiles of the shortlisted potential candidates shall then be examined by the Committee. The Committee, while evaluating the potential candidates, shall consider a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. While screening the potential candidates, the Committee shall necessarily consider the following:

   (i) Qualifications, skills and experience

   (ii) Potential contribution of the candidate to the Board /Company

   (iii) Time commitment that the candidate can provide

   (iv) Independence of the candidate in case he/she is being appointed as an Independent Director.

d. After review and interviews, the Committee shall recommend a candidate/s to the Board for its approval

e. The Board shall discuss the Committee's proposal and either approve the same or request it to find some more candidates.

f. Before final appointment, the final shortlisted candidates may also be requested to come for a meeting with the Board members.

g. The proposed candidate shall also be required to fulfill the requirements as may be prescribed under the Act, Listing Agreement and other relevant laws.

h. The selected candidate shall then be appointed as an Additional Director, subject to ratification by the shareholders.

i. A formal appointment letter shall be issued by the Company to each new Director, which shall set out the key terms of appointment

E. TERM/TENURE OF A DIRECTOR

1. Managing Director/Whole-Time Director

The Board shall appoint any person as a Managing Director and CEO or Whole-Time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of the term

2. Independent Director

An Independent Director shall hold office for a term upto five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly

3. Retirement

No person shall be nominated or continue to serve as a 'Director' after he or she has passed his or her 75th Birthday.

F. Policy Review

This Policy is purely at the discretion of the Nomination and Remuneration/Compensation Committee and it reserves its right to recommend modifications in this Policy to the Board, as per applicable laws and regulations, at any time without assigning any reason whatsoever.

Remuneration Policy for Board Members, Key Managerial Personnel and other Employees

A. OBJECTIVE

Nomination and Remuneration/Compensation Committee of the Board, shall recommend this Policy to the Board, relating to the remuneration of the Directors, Key Managerial Personnel and other employees. The objective of this policy is to ensure that :

1. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors
2. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
3. Remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

B. DEFINITIONS

1. **"The Policy"** means Remuneration Policy For Board Members, Key Managerial Personnel and other Employees
2. **"The Board"** means Board of Directors of the Company.
3. **"The Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
4. **"The Committee"** means the Nomination and Remuneration / Compensation Committee of the Company as constituted by the Board, in accordance with the Act and applicable listing agreements and/or regulations.
5. **"Directors"** means Directors of the Company
6. **"Independent Director"** means a Director appointed as such in accordance with the requirements laid down by the Companies Act, 2013 and applicable rules and regulations of the Listing Agreement, including amendments thereto.
7. **"Key Managerial Person"** means key managerial personnel as defined under Section 2(55) of the Companies Act, 2013 and amendments made from time to time and includes the following personnel in the Company :
   (i) the Chief Executive Officer or the Managing Director or the Manager;
   (ii) the Company Secretary and
   (iii) the Chief Financial Officer;
7. **"Senior Management"** means personnel of the Company who are members of its management team members excluding the Board of Directors.

   Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Rules made there under as amended from time to time shall have the meaning respectively assigned to them therein.

C. REMUNERATION TO EXECUTIVE DIRECTORS

The Remuneration to be paid to Executive Directors shall be governed as per provisions of the Companies Act, 2013 and Rules made there under. The same shall be determined by the Committee and recommended to Board for approval.

1. Remuneration structure of the Executive Directors shall include following components:
   a. Fixed Pay
   b. Perquisites and allowances
   c. Commission
   d. Stock options
2. The Committee may recommend an increase in existing remuneration structure to the Board, within the limits as approved by shareholders.
3. Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

D. REMUNERATION TO NON-EXECUTIVE/INDEPENDENT DIRECTORS

The Remuneration to be paid to Non-Executive/Independent Directors shall be governed as per provisions of the Companies Act, 2013 and Rules made there under. The same shall be determined by the Committee and recommended to Board for approval.

1. **Commission-based payment**

   Non-Executive / Independent Directors of the Company may be paid an amount not exceeding one percent of the net profits of the Company in terms of provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, and as approved by the shareholders.

2. **Sitting fee**

   Non-Executive / Independent Directors of the Company shall be paid a sitting fee for attending the Board as well as the Committee meetings as per the Companies Act, 2013 and Rules made thereunder as amended from time to time

3. **Employee Stock Options (ESOP)**

   An Independent Director shall not be entitled to any stock option of the Company

4. **Pension**

   The Board of Directors of the Company are not covered by any pension scheme or any defined benefit pension scheme.

5. **Reimbursement of expenses**

   The Company shall reimburse the Directors all traveling, hotel, and other incidental expenses properly and reasonably incurred by them in the performance of duties as per provisions of the Companies Act, 2013 in conjunction with the Company rules and policies.

E. REMUNERATION OF KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT PERSONNEL

Remuneration of KMP's (excluding the Managing Director and Executive Director, which is already covered above) and Senior management personnel, shall be reviewed /decided on an annual basis, or earlier if deemed necessary, by the Nomination and Remuneration/ Compensation Committee.

The Remuneration shall consist of the following components:

- Fixed remuneration
- Variable pay
- Incentives if any
- Employee Stock Options (ESOP)
- Reimbursement of expenses

F. Policy Review

This Policy is purely at the discretion of the Nomination and Remuneration/Compensation Committee and it reserves its right to recommend modifications in this Policy to the Board, as per applicable laws and regulations, at any time without assigning any reason whatsoever.

MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Nucleus Software Exports Limited
(L74899DL1989PLC034594)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Nucleus Software Exports Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company, books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, during the audit period covering the financial year ended on March 31, 2018, the Company has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent based on the management representation letter/ confirmation, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018, according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder;

(v) 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, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable during the audit period)

  (d) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014; (Not applicable during the audit period)

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable during the audit period)

  (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable during the audit period)

  (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(vi) We have relied on the representation made by the Company and its officers for system and mechanism framed by the Company for compliances under the following applicable Act, Laws & Regulations to the Company:

- Workmen's Compensation Act, 1923 and all other allied labour laws, as informed/ confirmed to us
- Applicable Direct and Indirect Tax laws
- Prevention of Money Laundering Act, 2002
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- The Special Economic Zone Act, 2005 and Rules made thereunder
- Information Technology Act, 2000
- Compliances related to the Software Technology Parks of India (STPI) Scheme.
- foreign Trade Policy as formulated under Foreign Trade (Development and Regulation) Act, 1992 and Rules made thereunder

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 (**"the Listing Regulations, 2015"**);

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except those related to fixation of record dates during the financial year. It may be noted that there shall be difference of thirty (30) days, between two record dates as prescribed under the Listing Regulations, 2015

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the following major events took place in the Company:

1. The Company Bought Back upto 3,343,000 (Thirty-Three Lacs Forty Three Thousands) Equity shares of face value of ₹ 10/- each at a price of ₹ 350/- per Equity Share from the existing equity shareholders of the Company on September 14, 2017.

For PI & Associates,
Company Secretaries

Partner
(Ankit Singhi)
ACS No.: A20642
C P No.: 16274

Date: 03.05.2018
Place: New Delhi

This report is to be read with our letter of even date which is annexed as "Annexure" and forms an integral part of this report.

Annexure

To,
The Members,
Nucleus Software Exports Limited

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our Responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulation and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For PI & Associates,
Company Secretaries

Partner
(Ankit Singhi)
ACS No.: A20642
C P No.: 16274

Date: 03.05.2018
Place: New Delhi

ANNUAL REPORT ON CSR ACTIVITIES

Brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

Corporate Social Responsibility (CSR) is a means to balance economic, social and environmental objectives while addressing stakeholder expectations and enhancing shareholder value. It is a responsible way of doing business.

The objective of CSR framework at Nucleus is to encourage the stakeholders to have a more meaningful engagement with the business rather than the often-prevalent one-sided expectation driven engagement.

Your Company has set up Nucleus Software Foundation, a Trust for the purposes of undertaking CSR activities of the Company.

The CSR Policy may be accessed on the Company website link: http://www.nucleussoftware.com/investors.

As per the CSR Policy, the objective of CSR will be achieved through concentrated and dedicated initiatives/projects encompassing the following identified core areas:

Education –

- To encourage the development of human capital of the country by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields.
- Including special education and employment enhancing vocation skills specially among children, women, elderly, and differently abled and livelihood enhancement projects
- Providing basic computer based literacy programs for unprivileged children in nearby villages
- Assisting in providing better infrastructural facilities to schools for construction/renovation/repair of hostels, school buildings, classrooms etc.

Health & MedicalCare –

- Promoting preventive health care measures
- Assisting in providing better infrastructural facilities to MedicalCentres/Hospitals/Dispensaries etc.
- Actively supporting healthcare programmes of nearby localities.

Community at large –

- Setting up homes and hostels for women, orphans, setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Promote employment opportunities for differently abled persons.
- Development of rural based projects

Environment

- Promote ecological balance, protection of flora and fauna, animal welfare, conservation of natural resources and maintaining quality of soil, air and water.
- Promoting recycling waste for energy production and installation of solar panels.

Focus areas :

During the year under review, the Nucleus Software Foundation (NSF) worked towards its aim to make the educational quality standards better for the underprivileged children studying at government primary schools and NGO schools. We are able to reach 4500 students across 54 schools with the help of 1140 NSF Tabs which are mapped to the syllabus from classes 3rd to 5th. We have seen a great positive shift in the engagement pattern of children specifically in the government schools.

After establishing the engagement through NSF TAB Program our aim in the coming years is to strengthen the impact of learning. In order to pursue our goal in the said direction, NSF team has designed a remedial program to bridge the gap identified by the baseline and end line conducted across selected schools using NSF TAB. NSF remedial program will bridge the gap to bring the children closer to their class level and NSF tab program will help in reinforcing the learning.

At other NGO schools we are trying to make learning more fun and effective by using remedial and NSF Tab program.

The other CSR initiatives undertaken by the Foundation during the year were:

- Supporting the Meritorious: Sponsored college and hostel fees for two students of IIT Roorkee.
- Skill Development and Livelihood support: Providing tailoring training to the underprivileged women's in Chennai.
- Assisting an NGO 'Ables Charity' at Faridabad and 'Samriddhi trust' at Sadarpur Noida to run their bridge schools for out of school children.

CSR committee: In accordance with the requirements of Companies Act 2013, the Company has a Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director. The CSR Committee comprises of Prof. Trilochan Sastry- Chairman of Committee, Mr. Vishnu R Dusad, Mr. Prithvi Haldea and Mr.S. M. Acharya.

Average net profit of the Company for last three financial years for the purpose of computation of CSR:

As per the Section 135 of the Companies Act, 2013 and Rules made thereunder, the Company is required to mandatorily spend at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, on prescribed CSR activities.

Particulars	Amount in ₹ crore
a. Average net profits of the Company for the last three financial years	55.56
b. Prescribed CSR expenditure (2% of average net profits as above)	1.11
Details of CSR expenditure during the financial year (FY 17-18)	
c. Amount contributed to Nucleus Software Foundation by the Company	1.11
d. Amount spent by Nucleus Software Foundation	1.17 *
e. Amount unspent for financial year (FY 17-18) (b-c)	Ni

* The excess amount as spent by Nucleus Software Foundation in FY 2017-18, is the unspent amount of CSR funds of the previous years.

The manner in which the amount was spent during the financial year is detailed as below:

CSR project or activity	Sector in which the project is covered	Location of the Projects / programs	Amount outlay (budget) (in ₹ crore)	Amount spent on the projects or programs (in ₹ crore)	Cumulative expenditure upto the reporting period (in ₹ crore)	Amount spent: Direct or through implementing agency
i Expenditure on Project /Programme						
Enabling Quality Education	Promoting education	Delhi and surrounding areas in Noida (UP)	0.41	0.41	0.41	Through Nucleus Software Foundation
	Promoting education	Delhi and surrounding areas in Noida (UP)	0.23	0.23	0.23	Implementation through support partner Foster and Forge Foundation
Educational assistance	Promoting education	IT Roorkee Delhi /NCR	0.02 0.46	0.02 0.46	0.02 0.46	Through Nucleus Software Foundation
Sill development work	Livelihood promotion	Chennai	0.02	0.02	0.02	Through Nucleus Software Foundation
Administration expenses	Overheads		0.03	0.03	0.03	Through Nucleus Software Foundation
Total			**1.17**	**1.17**	**1.17**	

Reasons for not spending the prescribed amount

Not Applicable

Responsibility statement of the CSR committee

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

Sd/-
Vishnu R Dusad
(Managing Director)

Sd/-
Prof. Trilochan Sastry
(Chairman CSR Committee)

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

A. **The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:**

The ratio of the remuneration of each Director to the median remuneration of the employees of the Company:

Independent Directors	Ratio to median remuneration (FY18)
Mr. Janki Ballabh*	1.64
Mr. S.M. Acharya	3.23
Mr. Prithvi Haldea	3.81
Mrs. Elaine Mathias	3.45
Prof. Trilochan Sastry	3.52
Mr. N. Subramaniam	3.02
Ms. Ritika Dusad	2.23

*During the year, Mr. Janki Ballabh retired from Chairmanship of the Board w.e.f. October 31, 2017

Executive Directors	Ratio to median remuneration (FY18)
Mr. Vishnu R. Dusad	10.84
Mr. Ravi Pratap Singh	32.46

B. (1) The percentage increase in remuneration of each Director , CFO & Company Secretary:

Name	Title	Remuneration in fiscal 2018 (in ₹ Lacs)	Remuneration in fiscal 2017 (in ₹ Lacs)	No. of stock options / RSUs granted in fiscal 2018	% increase of remuneration in 2018 as compared to 2017	Excl. WTD	Incl. WTD	Ratio of remuneration to	
						Ratio of remuneration to MRE	Ratio of remuneration to MRE and WTD	Revenues (fiscal 2018)	Net Profit (fiscal 2018)
Mr. Vishnu R. Dusad	Managing Director	6,028,800	6,028,800	Nil	-	10.84	10.84	0.18	0.92
Mr. Ravi Pratap Singh	Executive Director & CEO	18,057,121	11,458,582	Nil	57.59	32.46	32.46	0.54	2.75
Mr. Ashish Nanda	Chief Financial Officer	9,690,289	7,076,475	Nil	36.94	17.42	17.42	0.29	1.48
Ms. Poonam Bhasin	Company Secretary	3,198,135	2,822,388	Nil	13.31	5.75	5.75	0.09	0.49

RSU - Restricted Stock Units WTD - Whole-time Director MRE - Median Remuneration of Employees

Remuneration paid to Independent Director

Name of the Director	Remuneration in fiscal 2018	Remuneration in fiscal 2017	Number of Stock Options/ RSU's granted in fiscal 2018	% increase of remuneration (2018 over 2017)
Mr. Janki Ballabh*	912,030	1,425,179	-	-36%
Mr. S.M. Acharya	1,797,995	1,645,179	-	9%
Mr. Prithvi Haldea	2,117,995	1,925,179	-	10%
Mrs. Elaine Mathias	1,917,995	1,825,179	-	5%
Prof. Trilochan Sastry	1,957,995	1,885,179	-	4%
Mr. N. Subramaniam	1,677,995	1,505,179	-	11%
Ms. Ritika Dusad	1,237,995	668,924		85%

*During the year, Mr. Janki Ballabh retired from Chairmanship of the Board w.e.f. October 31, 2017

C. The percentage increase in the median remuneration of employees in the financial year:

The Median Remuneration of Employees (MRE) excluding Whole-time Directors (WTDs) was ₹ 5,56,276/- and ₹ 5,77,435/- in fiscal 2018 and fiscal 2017 respectively. The decrease in MRE (excluding WTDs) in fiscal 2018, as compared to fiscal 2017 is 3.66%

The Median Remuneration of Employees (MRE) including Whole-time Directors (WTDs) was ₹ 5,56,369/- and ₹ 5,78,627/- in fiscal 2018 and fiscal 2017 respectively. The decrease in MRE (including WTDs) in fiscal 2018, as compared to fiscal 2017 is 3.85 %

D. The number of permanent employees on the rolls of Company:

The number of permanent employees on the rolls of the Company as of March 31, 2018 and March 31, 2017 was 1,688 and 1,460 respectively.

E. Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average annual increase was around 8-9% in India. However, during the course of the year, the total increase is approximately 7.5%, after accounting for promotions and other event based compensation revisions. Employees outside India received a wage increase varying from 3% to 4%. Increase in the managerial remuneration for FY18 is not comparable with FY17 owing to change in role/designation and hence, not stated.

F. Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirms remuneration is as per the remuneration policy of the Company.

G. The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

EXTRACT OF ANNUAL RETURN FORM - MGT 9

As on the financial year ended on 31st March 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I.	**REGISTRATION AND OTHER DETAILS:**	
(i)	CIN	L74899DL1989PLC034594
(ii)	Registration Date	January 9, 1989
(iii)	Name of the Company	Nucleus Software Exports Limited
(iv)	Category / Sub-Category of the Company	Category - Public Limited Company / Company Limited by Shares Sub–Category – Indian Non- Government Company
(v)	Address of the Registered office and contact details	33- 35, Thyagraj Market, New Delhi – 110003 Tel :– 011 – 24627552
(vi)	Whether listed company Yes / No	Yes
(vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computer Share Pvt. Ltd. Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500032, India Tel: 040-23420815-18 Fax: 040-23420814, mailmanager@karvy.com
II.	**PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**	
	All the business activities contributing 10 % or more of the total turnover of the company shall be stated	As per Annexure I 1
III.	**PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**	As per Annexure I 2
IV.	**SHARE HOLDING PATTERN** (Equity Share Capital Breakup as percentage of Total Equity)	
	i) Category-wise Share Holding	As per Annexure I 3
	ii) Shareholding of Promoters	As per Annexure I 4
	iii) Change in Promoters' Shareholding	As per Annexure I 5
	iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDR and ADR)	As per Annexure I 6
	v) Shareholding of Directors and Key Managerial Personnel	As per Annexure I 7
V.	**INDEBTEDNESS**	
	Indebtedness of the Company including interest outstanding/accrued but not due for payment	As per Annexure I 8
VI.	**REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**	
	i) Remuneration to Managing Director, Whole-time Directors and/or Manager:	As per Annexure I 9
	ii) Remuneration to other Directors	As per Annexure I 10
	iii) Remuneration to Key Managerial Personnel other than MD/Manager/WTD	As per Annexure I 11
VII.	**PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**	As per Annexure I 12

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Products	620	94%
2	Projects & Services	620	06%

Annexure I 2

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	Nucleus Software Limited 33-35, Thyagraj Market, New Delhi – 110003	U74120DL2008PLC176975	Subsidiary	100%	2(87) (ii)
2	Virstra i-Technology Services Limited 33-35, Thyagraj Market, New Delhi – 110003	U72200DL2004PLC126213	Subsidiary	100%	2(87) (ii)
3	Nucleus Software Solutions Pte. Ltd. 300, Tampines Avenue-5 # 04-06, Tampines Junction, Singapore-529653	N. A	Subsidiary	100%	2(87) (ii)
4	Nucleus Software Japan Kabushiki Kaisha Mitsubishi Building 11F, 5-2 Marunouchi, 2 Chome Chiyoda Ku Tokyo 100-0005 Japan	N. A	Subsidiary	100%	2(87) (ii)
5	Nucleus Software Inc. 505, Thornall State, Suite 401, Edison, NJ 08837 USA	N. A	Subsidiary	100%	2(87) (ii)
6	Nucleus Software Netherlands B.V. Cuserstraat 93, Floor 2 and 3, Amsterdam, 1081 CN. Netherlands	N. A	Subsidiary	100%	2(87) (ii)
7	Nucleus Software Australia Pty. Ltd. Suite 4, 96-98 Wigram Street Harris Park, NSW 2150, Australia	N. A	Subsidiary	100%	2(87) (ii)
8	Nucleus Software South Africa (Pty) Ltd. 28, Fort Street, BIRNAM, Gauteng 2196, Johannesburg	N. A	Subsidiary	100%	2(87) (ii)
9	Avon Mobility Solutions Private Limited No:07, M V Naidu Street, Ground and First Floor, Chetpet, Chennai-600031	U72900TN2007PTC063505	Subsidiary	96%	2(87) (ii)

IV SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

	Category of Shareholder	No. of shares held at the beginning of the year (as on April 1, 2017)				No. of shares held at the end of the year (as on March 31, 2018)				% change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(A)	**PROMOTER AND PROMOTER GROUP**									
(1)	INDIAN									
	(a) Individual /HUF	7,633,984	-	7,633,984	23.57	7,629,984	-	7,629,984	26.27	2.70
	(b) Central Government/State Government(s)	–	–	–	–	–	–	–	–	–
	(c) Bodies Corporate	11,997,882	-	11,997,882	37 .05	11,997,882	-	11,997,882	41 .31	4.26
	(d) Financial Institutions / Banks	–	–	–	–	–	–	–	–	–
	(e) Others	–	–	–	–	–	–	–	–	–
	Sub-Total A(1):	**19,631,866**	**-**	**19,631,866**	**60.62**	**19,627,866**	**-**	**19,627,866**	**67.59**	**6.96**
(2)	FOREIGN									
	(a) Individuals (NRIs/Foreign Individuals)	–	–	–	–	–	–	–	–	–
	(b) Bodies Corporate	–	–	–	–	–	–	–	–	–
	(c) Institutions	–	–	–	–	–	–	–	–	–
	(d) Qualified Foreign Investor	–		–	–	–	–	–	–	–
	(e) Others	–	–	–	–	–	–		–	–
	Sub-Total A(2):	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	Total A=A(1)+A(2)	**19,631,866**	**-**	**19,631,866**	**60.62**	**19,627,866**	**-**	**19,627,866**	**67.59**	**6.96**
(B)	**PUBLIC SHAREHOLDING**									
(1)	INSTITUTIONS									
	(a) Mutual Funds /UTI	407,507	1,000	408,507	1.26	369,241	-	369,241	1 .27	0.01
	(b) Financial Institutions /Banks	44,375	-	44,375	0.14	4,619	-	4,619	0.02	(0.12)
	(c) Central Government / State Government(s)	–	–	–	–	–	–	–	–	–
	(d) Venture Capital Funds	–	–	–	–	–	–	–	–	–
	(e) Insurance Companies	–		–		–	–	–	–	–
	(f) Foreign Institutional Investors	2,750,689	-	2,750,689	8.49	2,680,355	-	2,680,355	9.23	0.74
	(g) Foreign Venture Capital Investors	–	–	–	–	–	–	–	–	–
	(h) Qualified Foreign Investor	–	–	–	–	–	–	–	–	–
	(i) Others	–	–	–	–	–	–	–	–	–
	Sub-Total B(1):	**3,202,571**	**1,000**	**3,203,571**	**9.89**	**3,054,215**	**-**	**3,054,215**	**10.52**	**0.62**
(2)	NON-INSTITUTIONS									
	(a) Bodies Corporate	872,440	1,400	873,840	2.70	594,109	1,000	595,109	2.05	(0.65)
	(b) Individuals									
	(i) Individuals holding nominal share capital upto ₹ 1 lakh	4,839,811	111,359	4,951,170	15.29	3,382,622	78,883	3,461,505	11.92	(3.37)
	(ii) Individuals holding nominal share capital in excess of ₹ 1 lakh	2,946,022	12,000	2,958,022	9.13	1,665,577	-	1,665,577	5.74	(3.40)
	(c) Others									
	CLEARING MEMBERS	91,134	-	91,134	0.28	29,639	-	29,639	0.10	(0.08)
	IEPF	-	-	-	-	47,450	-	47,450	0.16	0.16
	NON RESIDENT INDIANS	595,118	8,000	603,118	1.86	490,115	-	490,115	1.69	(0.17)
	NRI NON-REPATRIATION	67,143	-	67,143	0.21	69,048	-	69,048	0.24	0 .03
	TRUSTS	3,850	-	3,850	0.01	200	-	200	0.00	(0.01)
	(d) Qualified Foreign Investor	–	–	–	–	–	–	–	–	–
	Sub-Total B(2):	**9,415,518**	**132,759**	**9,548,277**	**29.48**	**6,278,760**	**79,883**	**6,358,643**	**21.90**	**(7.59)**
	Total B=B(1)+B(2) :	**12,618,089**	**133,759**	**12,751,848**	**39.38**	**9,332,975**	**79,883**	**9,412,858**	**32.41**	**(6.96)**
	Total (A+B) :	**32,249,955**	**133,759**	**32,383,714**	**100 .00**	**28,960,841**	**79,883**	**29,040,724**	**100.00**	**0**
(C)	**Shares held by custodians, against which Depository Receipts have been issued**									
	(1) Promoter and Promoter Group	–	–	–	–	–	–	–	–	–
	(2) Public	–	–	–	–	–	–	–	–	–
	GRAND TOTAL (A+B+C):	**32,249,955**	**133,759**	**32,383,714**	**100.00**	**28,960,841**	**79,883**	**29,040,724**	**100.00**	

ii. Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (as on April 1, 2017)			Shareholding at the end of the year (as on March 31,2018)			
		No. of Shares	% of total Shares	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares	% of Shares Pledged / encumbered to total Shares	% change in shareholding during the year
1	KARMAYOGI HOLDINGS PRIVATE LTD	9,000,000	27.79	-	9,000,000	30.99	-	-
2	MADHU DUSAD	3,066,248	9.47	-	3,066,248	10.56	-	-
3	VISHNU DUSAD	1,603,492	4.95	-	1,603,492	5.52	-	-
4	RITIKA DUSAD	1,000,000	3.09	-	1,000,000	3.44	-	-
5	KRITIKA DUSAD	1,000,000	3.09	-	1,000,000	3.44	-	-
6	YOGESH ANDLAY	863,534	2.67	-	863,534	2.97	-	-
7	NUCLEUS SOFTWARE ENGINEERS PVT LTD	2,385,882	7.37	-	2,385,882	8.22	-	-
8	NUCLEUS SOFTWARE WORKSHOP PRIVATE LIMITED	600,000	1.85	-	600,000	2.07	-	-
9	NAVEEN KUMAR	72,952	0.23	-	72,952	0.25	-	-
10	SUMAN MATHUR	27,758	0.09	-	23,758	0.08	-	-0.01%
11	CARD SYSTEMS PRIVATE LIMITED	12,000	0.04	-	12,000	0.04	-	-

iii. Change in Promoters' Shareholding

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year, as on April 01, 2017/end of the year March 31, 2018			Increase /Decrease in share holding		Cumulative Shareholding during the Year	
		No. of Shares	% of total shares of the Company	Date	No. of Shares	Reason	No. of Shares	% of total shares of the Company
1	Karmayogi Holdings Private Ltd	9,000,000	27.79	01-04-2017				
		9,000,000	30.99	31-03-2018	–	Nil movement	9,000,000	30.99
2	Nucleus Software Engineers Pvt Ltd	2,385,882	7.37	01-04-2017				
		2,385,882	8.22	31-03-2018	–	Nil movement	2,385,882	8.22
3	Madhu Dusad	3,066,248	9.47	01-04-2017				
		3,066,248	10.56	31-03-2018	–	Nil movement	3,066,248	10.56
4	Vishnu R Dusad	1,603,492	4.95	01-04-2017				
		1,603,492	5.52	31-03-2018	–	Nil movement	1,603,492	5.52
5	Ritika Dusad	1,000,000	3.09	01-04-2017				
		1,000,000	3.44	31-03-2018	–	Nil movement	1,000,000	3.44
6	Kritika Dusad	1,000,000	3.09	01-04-2017				
		1,000,000	3.44	31-03-2018	–	Nil movement	1,000,000	3.44
7	Yogesh Andlay	863,534	2.67	01-04-2017				
		863,534	2.97	31-03-2018	–	Nil movement	863,534	2.97
8	Nucleus Software Workshop Private Limited	600,000	1.85	01-04-2017				
		600,000	2.07	31-03-2018	–	Nil movement	600,000	2.07
9	Naveen Kumar	72,952	0.23	01-04-2017				
		72,952	0.25	31-03-2018	–	Nil movement	72,952	0.25
10	Suman Mathur	27,758	0.09	01-04-2017				
		27,758	0.08	31-03-2018	-4,000	Sale	23,758	0.08
11	Card Systems Private Limited	12,000	0.04	01-04-2017				
		12,000	0.04	31-03-2018	–	Nil movement	12,000	0.04

iv. Shareholding Pattern of top ten Shareholders
(other than Directors, Promoters and Holders of GDR and ADR):

Sl No	Name of the Share Holder	Shareholding at the beginning of the year, as on April 01, 2017/end of the year March 31, 2018			Increase/Decrease in Shareholders		Cumulative Shareholding during the Year	
		No of Shares	% of total shares of the Company	Date	No. of shares	Reason	No of Shares	% of total shares of the Company
1	FIDELITY PURITAN TRUST-FIDELITY LOW-PRICED STOCK F	2,200,000	6.79	31/03/2017			2,200,000	6.79
				08/09/2017	-1,117,871	Sale	1,082,129	3.34
				12/01/2018	-27,524	Sale	1,054,605	3.63
				19/01/2018	-13,062	Sale	1,041,543	3.59
				26/01/2018	-41,543	Sale	1,000,000	3.44
				02/02/2018	-29,302	Sale	970,698	3.34
				09/02/2018	-70,698	Sale	900,000	3.10
				31/03/2018			884,399	3.05
2	ARUN JAIN	625,124	1.93	31/03/2017			625,124	1.93
				08/09/2017	-214,725	Sale	410,399	1.27
				31/03/2018			410,399	1.41
3	ICICI PRUDENTIAL TECHNOLOGY FUND	407,507	1.26	31/03/2017			407,507	1.26
				08/09/2017	-38,266	Sale	369,241	1.14
				31/03/2018			369,241	1.27
4	DHANANJAYA DVIVEDI	312,000	0.96	31/03/2017			312,000	0.96
				08/09/2017	-29,297	Sale	282,703	0.87
				31/03/2018			282,703	0.97
5	B N NAGAMANI	210,000	0.65	31/03/2017			210,000	0.65
				08/09/2017	-28,990	Sale	181,010	0.56
				31/03/2018			181,010	0.62
6	PRAKASH PURUSHOTTAM PAI	190,521	0.59	31/03/2017			190,521	0.59
				28/04/2017	1,200	Purchase	191,721	0.59
				28/04/2017	-1,364	Sale	190,357	0.59
				02/06/2017	-2,259	Sale	188,098	0.58
				16/06/2017	-7,059	Sale	181,039	0.56
				23/06/2017	-50,399	Sale	130,640	0.40
				30/06/2017	-1,598	Sale	129,042	0.40
				07/07/2017	-21,927	Sale	107,115	0.33
				14/07/2017	-6,000	Sale	101,115	0.31
				08/09/2017	-52,192	Sale	48,923	0.15
				31/03/2018			48,923	0.17
7	ARUN SHEKHAR ARAN	175,092	0.54	31/03/2017			175,092	0.54
				12/05/2017	-2,500	Sale	172,592	0.53
				02/06/2017	-2,500	Sale	170,092	0.53
				09/06/2017	-5,000	Sale	165,092	0.51
				30/06/2017	-7,500	Sale	157,592	0.49
				08/09/2017	-35,461	Sale	122,131	0.38
				22/12/2017	-2,000	Sale	120,131	0.41
				31/03/2018			120,131	0.41

Sl No	Name of the Share Holder	Shareholding at the beginning of the year, as on April 01, 2017/end of the year March 31, 2018			Increase/Decrease in Shareholders		Cumulative Shareholding during the Year	
		No of Shares	% of total shares of the Company	Date	No. of shares	Reason	No of Shares	% of total shares of the Company
8	VINITA ARAN	166,456	0.51	31/03/2017			166,456	0.51
				09/06/2017	-3,916	Sale	162,540	0.50
				30/06/2017	-8,734	Sale	153,806	0.47
				08/09/2017	-35,269	Sale	118,537	0.37
				31/03/2018			118,537	0.41
9	HIRZEL CAPITAL MASTER FUND, L.P.	157,377	0.49	31/03/2017			157,377	0.49
				07/04/2017	2,000	Purchase	159,377	0.49
				21/04/2017	30,000	Purchase	189,377	0.58
				28/04/2017	57,905	Purchase	247,282	0.76
				05/05/2017	20,725	Purchase	268,007	0.83
				02/06/2017	138	Purchase	268,145	0.83
				16/06/2017	6,037	Purchase	274,182	0.85
				07/07/2017	23,079	Purchase	297,261	0.92
				14/07/2017	12,633	Purchase	309,894	0.96
				21/07/2017	22,312	Purchase	332,206	1.03
				08/09/2017	-139,318	Sale	192,888	0.60
				31/03/2018			207,294	0.71
10	ACADIAN EMERGING MARKETS EQUITY II FUND LLC	77,182	0.24	31/03/2017			77,182	0.24
				05/05/2017	19,948	Purchase	97,130	0.30
				02/06/2017	-9,481	Sale	87,649	0.27
				16/06/2017	-6,110	Sale	81,539	0.25
				03/11/2017	9,531	Purchase	91,070	0.31
				17/11/2017	11,543	Purchase	102,613	0.35
				08/12/2017	8,216	Purchase	110,829	0.38
				22/12/2017	30,240	Purchase	141,069	0.49
				19/01/2018	6,467	Purchase	147,536	0.51
				31/03/2018			147,536	0.51

v. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year, as on April 01, 2017/end of the year March 31, 2018			Increase /Decrease in share holding		Cumulative Shareholding during the Year	
		No. of Shares	% of total shares of the Company	Date	No. of Shares	Reason	No. of Shares	% of total shares of the Company
A.	**Shareholding of Directors**							
1	Vishnu R Dusad	1,603,492	4.95	01-04-2017	–	Nil movement	1,603,492	4.95
		1,603,492	5.52	31-03-2018			1,603,492	5.52
2	Ravi Pratap Singh	304,650	0.94	01-04-2017	–	Nil movement	304,650	0.94
		151,977	0.47	31-03-2018	-152,673	Sale	151,977	0.47
3	N Subramaniam	7,684	0.02	01-04-2017	–	Nil movement	7,684	0.02
		7,684	0.03	31-03-2018			7,684	0.03
4	Ritika Dusad	1,000,000	3.09	01-04-2017	–	Nil movement	1,000,000	3.09
		1,000,000	3.44	31-03-2018			1,000,000	3.44
B.	**Shareholding of Key Managerial Personnel**							
1	Poonam Bhasin	10	–	01-04-2017	–	Nil Movement	10	–
		10	–	31-03-2018			10	–

Note : During the year, the Company extinguished 3,343,000 equity shares consequent to the Buyback Offer in September 2017. Consequently, the paid-up share capital of the Company, as on March 31, 2018, is 29,040,724 equity shares of ₹ 10 each and above mentioned percentage shareholding as on March 31, 2018 is based on this new paid up capital.

The following Directors did not hold any shares during the FY 2017-18

1. Janki Ballabh
2. Prithvi Haldea
3. Elaine Mathias
4. S. M. Acharya
5. Prof. Trilochan Sastry

The following Key Managerial Personnel did not hold any shares during the FY 2017-18

1. Ashish Nanda

V. INDEBTEDNESS – Not Applicable

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Annexure I 9

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: **(in ₹)**

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Vishnu R Dusad	R P Singh	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the	6,000,000	18,017,521	24,017,521
	(b) Income-tax Act, 1961	28,800	39,600	68,400
	(c) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission	Nil	Nil	Nil
	- as % of profit	Nil	Nil	Nil
	- others	Nil	Nil	Nil
5.	Others	Nil	Nil	Nil
	Employer's contribution to PF	360,000	897,935	1,257,935
	Total (A)	**6,388,800**	**18,955,056**	**25,343,856**
	Ceiling as per the Act	₹ 71,932,000 (being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act 2013)		

Annexure I 10

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount
		Janki Ballabh	Prithvi Haldea	S. M. Acharya	Elaine Mathias	Prof. Trilochan Sastry	N Subramanaiam	Ritika Dusad	
1.	**Independent Directors**								
	• Fee for attending board committee meetings	280,000	10,40,000	720,000	840,000	880,000	600,000		4,360,000
	• Commission*	632,030	1,077,995	1,077,995	1,077,995	1,077,995	1,077,995		6,022,005
	• Others, please specify	–	–	–	–	–	–		–
	Total (1)	**912,030**	**2,117,995**	**1,797,995**	**1,917,995**	**1,957,995**	**1,677,995**		**10,382,005**
2.	**Other Non-Executive Directors**								
	• Fee for attending board committee meetings	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	160,000	160,000
	• Commission	–	–	–	–	–	–	1,077,995	1,077,995
	• Others, please specify	–	–	–	–	–	–	–	–
	Total (2)	–	–	–	–	–	–	**1,237,995**	**1,237,995**
	Total (B) = (1 + 2)	**912,030**	**2,117,995**	**1,797,995**	**1,917,995**	**1,957,995**	**1,677,995**	**1,237,995**	**11,620,000**
	Total Managerial Remuneration								
	*Overall Ceiling as per the Act	₹ 7,193,200 (being 1% of the Net Profits of the Company calculated as per Section 198 of the Companies Act 2013)							

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary (Poonam Bhasin)	CFO (Ashish Nanda)	Total
1.	Gross salary	NA			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		3,198,135	9,650,689	12,848,824
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		---	39,600	39,600
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		Nil	Nil	Nil
2.	Stock Option		Nil	Nil	Nil
3.	Sweat Equity				
4.	Commission				
	- as % of profit		Nil	Nil	Nil
	- others, specify...		Nil	Nil	Nil
5.	Others, please specify				
	Employer's contribution to PF		181,500	522,925	704,425
	Total		**3,379,635**	**10,213,214**	**13,592,849**

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: - Not Applicable

There were no PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES for the year ending March 31, 2018

Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo

A. Conservation of Energy

Your Company is always in the lookout for energy efficient measures for operation, and values conservation of energy through usage of latest technologies for improving productivity and quality of products and services.

The Company focuses on processes to monitor and improve environmental performance through various means and initiatives focusing on energy, carbon, water and waste. Moreover, operations of the Company also involve low energy consumption, but still the endeavour is to reduce electricity consumption and the resultant carbon footprint. A few of the energy conserving measures, include the following:

- Installing a few LED lights in the office on experimental basis. The plan is to replace in phases all Sodium vapor and CFL based lighting to LED based lighting which will give immense savings in Electricity consumption.
- Strong measures are being initiated to ensure no unnecessary equipment is left in a switch on mode during non-working hours.
- Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.
- Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
- Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
- Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- Individual ON/OFF switches have been provided to the lights at Cafeteria and one of the floors on an experimental basis to enable users to switch on/off the light above their respective workstations as required.
- Regular maintenance of all water pumps to improve pump efficiency and thereby reduction in Energy demand
- Waste water from the RO plant is being recycled to conserve water.
- Continuous monitoring of floor areas after normal working hours and switching off lights and Air-conditioning.

The overall effect of the above measures has led to reduction of energy consumption vis-à-vis the last year. Water efficiency and conservation initiatives, rainwater harvesting systems, help the Company in significant conservation of water and minimal wastage.

B. Research & Development

During the year, your Company continues to invest significantly in product R&D. Highlight of the activities are:

- A dedicated team setup which continuously researches the technology/business trends in the Market and build new innovative capabilities
- Every 6 months the Company comes out with enhanced releases of our Product.
- Key focus is on applying new technologies to deliver value to business. For example, using Artificial Intelligence (AI)/ Machine Learning (ML) in the areas of fraud detection, credit evaluation & debt recovery. Chatbots, Image processing are also areas under research.
- There is lot of work going on in the Digital transformation area using
    - o Straight Through Processing
    - o Self-Servicing Portal
    - o Mobility Applications
    - o Imaging Solution
- Our Products are designed for fairly intensive computing. Market demands scalability and performance in the growing conditions that prevail. Lot of work is going on to make our Products highly Scalable and Secure.
- Work is also on towards developing new business capabilities/modules/products to cater to the ever changing businesses.
- Teams engage with global Institutions like MIT, IISc etc. for exploring and learning about new technologies.

The following sections highlight R& D Initiatives in Specific Areas , their benefits and future plan of action:

FinnOne Neo™ Product Suite
Customer Acquisition System (CAS)
Loan Management System (LMS)
Collections
Finance Against Securities (FAS)
Enterprise Content Management (ECM)
Mobility Apps: mCAS, mApply, mCollect & mServe
Portal : eApply & eServe
Lending Analytics

The FinnOne Neo™ suite is one of the Products that has come out of this R&D initiative and is under constant enhancement. FinnOne Neo is an end-to-end solution for Lending Businesses. The CAS module covers the entire Customer Onboarding process, with a multi channel front end and a solid credit process backend. The LMS module takes care of the entire servicing life cycle of a Loan including accounting, repayments, special transaction, NPA Management, self-service through channels etc. The Collection module takes over in managing defaulters or possible defaulters. The FAS modules handles specialized financial products like Advances against Securities. All the above are served by the Lending Analytics modules with Customer targeting, Credit Scoring, Collection Strategy models.

As part of the 6 monthly release plan, we came out with Rel 2.0 in May 2017 and Rel 2.5 in November 2017.

Release Highlights
eApply
eServe
Enterprise Content management (ECM)
Goods & service Tax (GST)
Education Loan
Micro Finance Loans
Agriculture Loan
Graded & Structured Repayment support
Single Sign-On (SSO)
Funding Multi-Asset Value Added Products in single application
Capability to define & handle Tax Deduction at Source (TDS)
Builder Subvention
NACH (National Automated Clearing House) Support
Collection – Legal Tracking
Collection - Settlement
Collection – Repossession
Web Services for digital landscape

Three additional business product lines were added in these releases. Product was made compliant to Goods & Service Tax (GST). Customer Portal with eApply & eServe module and Enterprise Content management (ECM) solution were released which is used for scanning, storing & retrieving the images thus enabling business in their digitization journey. Collection system added – Legal tracking, Repossession & Settlement module.

To support digital journey many services were externalized which can be consumed by various 3rd party system/channels.

Lending Analytics (LA) with added feature like Multiple Linear Regression, Clustering, Time Series (Moving Average & Exponential Smoothing), Random Forest & Ensemble Model released during the year.

Mobility solution offerings enriched – mApply as new app released. mCAS enriched with auto PAN validation, integration for bank statement analysis, Form 26AS integration, Aadhar QR data reading & GPS location tagging.

FinnAxia ™ Product Suite

FinnAxia Product Suite
Global Receivables
Global Payments
Global Liquidity Management
Financial Supply chain Management (FSCM) & Electronic Invoice Presentment and Payment (EIPP)
Trade Front End
Electronic Bill Presentment and Payment (EBPP)

The FinnAxia™ suite offers an enterprise solution for the Transaction banking operations of the Corporate Bank. It offers capability to the Bank for serving Receivables Management, Payable Management and Liquidity Management needs of their Corporate customers. It also now offers an innovative Financial Supply Chain platform for Corporate and SME to evolve an ecosystem. The Product modules can be used as independent product systems or together to form a single integrated platform.

During the year we came out with Rel 4.5 in June 2017 and Rel 5.0 version in December 2017.

Release Highlights
Global Receivables: Increased compliance to NPCI Mandates, eSign eMandates, eMandates via API
Global Payments: RENTAS, Payment to Loan & Card, Malaysian Regulatory to support cross border FX payments. Multiple FX contract Payments
Liquidity Management: Hybrid Pooling, Rule based reverse sweep
EBPP: Bill Payments - Bill Upload ; Standing Instructions ; Auto Pay
Digital Compass: Customer Relationship view on Investment Dashboard on Mutual Funds & Equities
Trade Finance: Import LC, Export LC, Letter of Guarantee, Export Bills, Import Bills

Integration of complementary business functions, such as cash management and trade finance, has become a priority for banks in recent years, firstly in response to customers' changing working capital needs, and secondly to reflect the increasing cost of capital. Corporate treasurers understand the changing regulatory pressures on banks, and despite the possible constraints in terms of cost and availability of financing, they also see the benefits in terms of improved, more integrated solution offerings that meet their working capital objectives more specifically than a product-led approach. Our release this year was to focus on solution around this business need.

The theme of Jun '17 Product release was **"Digitizing the physical & financial supply chain"**.

The Financial Supply Chain Management (FSCM) solution was enhanced to bring in PO Financing; Invoice Discounting; Factoring, Reverse Factoring; Invoice Financing; PO and Invoice life cycle management; Personalized and Pre canned reports for Supply chain entities.

The theme of Dec '17 Product release was **"Integrated Cash, Trade & Supply Chain solution for the entire B2B2C value chain"**.

A new LOB to support Trade Front End was added. This version supports –

Import LC Initiation, amendment & Enquiry. Letter of Guarantee Initiation, amendment & Enquiry. Authorization Matrix for Trade service request approval, Export LC advising and Enquiry, Import Bills collection, request for settlement, Export Bills.

R & D is a continuous innovation process and with changing needs and technologies we would need to reinvent our products and versions as we go along.

Research & Development Expenditure

As reported, the in house R&D unit of your Company located in the corporate office in Noida, was accorded initial recognition by the Department of Scientific and Industrial Research (DSIR) from December 31, 2012 till March 31, 2015, which has been further renewed for a period of three years till March 31, 2018. The Company has during the year ended 31 March, 2018 availed and recognised tax benefit under section 35 (2AB).

The R&D expenditure for FY 2018 and FY 2017 is as follows:

(₹ in crore)

For the Year ended March 31,	2018	2017
Revenue expenditure	29.13	23.26
R&D expenditure/Total revenue	8.64	7.77

C. Technology Absorption, Adaptation and Innovation

Your Company realizes the importance of innovation and improvements in key areas of business. As business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality up gradation of software development processes and software product enhancements. This has helped maintain margins despite changes in technology. In order to create a conducive environment which propels adaptation of new ideas, skills and methodologies, your Company has instituted a culture of quality consciousness at the grass-root level.

Your Company not only encourages innovation, but also recognizes and rewards it suitably. This policy is not restricted to technology, but includes innovation in non-IT processes and human resource initiatives.

Information in case of imported technology (imports during the last five years) - not applicable to the Company.

D. Foreign Exchange Earnings and Outgo

1. Export Initiatives and Development of New Export Markets

Your Company is recognized as one of the pioneers in software exports in the BFS domain. The Company is registered with the Software Technology Park of India, is present in a Special Economic Zone; both as a co-developer and a unit. The Company also has a network of international offices across the globe.

During the year, your Company won 35 product orders and implemented 63 product modules all over the world.

In FY 2018, foreign exchange earnings from software products and services were at ₹ 220.14 crore, 65% of revenue against ₹ 199.68 crore, 67% of revenue in FY 2017.

2. Foreign Exchange Earned and Used

(₹ in crore)

For the Year ended March 31,	2018	2017
Foreign Exchange earnings		
from software development of products and services	211.25	199.68
from dividend and interest income	8.89	-
Foreign Exchange outgo (Including capital goods)	44.62	50.06

For and on behalf of the Board of Directors

Noida **S. M. Acharya**
May 3, 2018 **Chairman**

REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

The pillars of successful Corporate Governance are accountability, fairness, transparency, assurance, leadership and stakeholder management. All six are critical in successfully running a entity and forming solid professional relationships among its stakeholders which include board directors, managers, employees, customers, regulators and most importantly, shareholders. Effective Corporate Governance practices build the strong foundation on which commercial enterprises are built to succeed and sustain.

Given certain serious developments during the year, the Securities and Exchange Board of India (SEBI) constituted a committee under the chairmanship of Mr. Uday Kotak, to suggest suitable policy and regulatory changes in order to enhance the efficiency of Corporate Governance norms for Indian listed entities. SEBI, in its Board meeting on 28th March 2018 considered the Kotak Committee report and accepted several recommendations made by it, without any modifications and accepted a few other recommendations with certain modifications..

Our commitment for adoption of best practices of Corporate Governance makes us compliant with the Companies Act 2013 as well as with the provisions of Corporate Governance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company shall ensure that it is fully compliant with all amendments that will be notified by SEBI.

The flow of content in this Report is as follows:

Report on Corporate Governance

A. Board of Directors

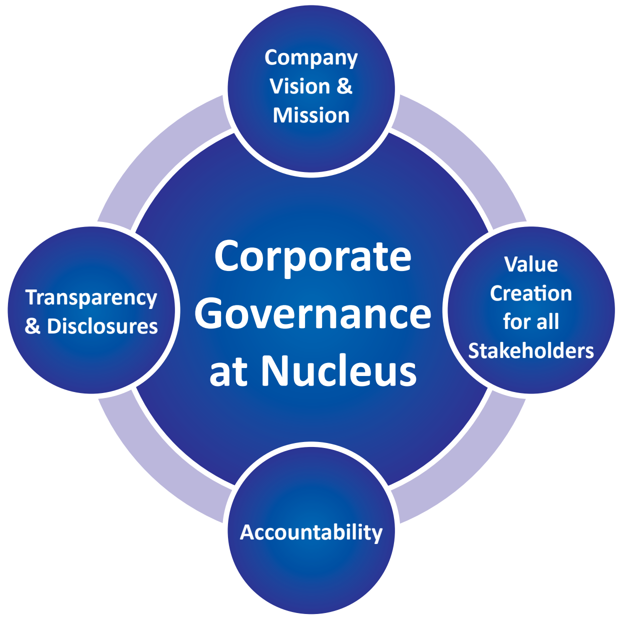
B. Committee of the Board of Directors

C. Shareholder Information

D. Disclosures

E. General Shareholder Information

F. Compliance with Non-Mandatory Requirements



Company's Philosophy on Corporate Governance

Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment of all its stakeholders including shareholders, customers, partners, vendors and employees. The driving forces of Corporate Governance at Nucleus are its core values: belief in people, entrepreneurship, customer orientation and pursuit of excellence. Corporate Governance philosophy at Nucleus is to not only comply, not just in letter but also fully in spirit, with the statutory requirements, but also voluntarily formulate and adhere to best Corporate Governance practices.

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

A. Board of Directors

The Company's Board of Directors plays a key role in providing direction in terms of strategy, target setting and performance evaluation of the top management. It places special emphasis on compliance as also ensuring that the Company operates in the best interests of all its shareholders.

Nucleus firmly believes that Board independence is essential to bring objectivity and transparency in the management of the Company. The policy, in fact, has been to have more number of Independent Directors to ensure the independence of Board and separate its functions of governance and management.

a) Attributes of a Board

It is important to consider a variety of personal attributes among the Board incumbents including intellect, judgment, openness, honesty and the ability to develop trust. A Board requires Directors who have the intellectual capability to question status quo and debate any new policy/strategy as also offer suggestions and alternatives.

b) Size and Composition of the Board

An ideal Board should ensure an appropriate balance of power, independence and authority. The key to good Corporate Governance is the optimum combination of the executive and non-executive Directors on the Board. As of March 31, 2018, the Board at Nucleus consists of Eight members; Six Board members are Non-Executive, out of six, five are Independent Non-Executive, one is Non-Executive and two are Executive Directors. All Independent Directors, with their diverse knowledge and expertise, provide valuable contribution in the deliberations and decisions of the Board, maintaining the requisite independence.

Composition of the Board as on March 31, 2018:

Name of Director	Position	Age in years
Mr. S. M. Acharya (DIN 00545141)	Non-Executive, Chairman, Independent Director	69
Mr. Vishnu R Dusad (DIN 00008412)	Managing Director, Promoter, Executive Director	61
Ms. Ritika Dusad (DIN: 07022867)	Non-Executive Director	28
Mr. Prithvi Haldea (DIN 00001220)	Non-Executive, Independent Director	67
Mrs. Elaine Mathias (DIN 06976868)	Non-Executive, Independent Director	64
Prof. Trilochan Sastry (DIN 02762510)	Non-Executive, Independent Director	58
Mr. R P Singh (DIN 00008350)	Executive Director	55
Mr. N Subramaniam (DIN 00166621)	Non-Executive, Independent Director	57

Table 1

During the year, Mr. Janki Ballabh retired from the Chairmanship of the Board w.e.f. October 31, 2017 and Mr. S. M. Acharya was elected as the Chairman of the Board w.e.f. November 1, 2017.

A brief profile of each of the Board members is presented below.

Mr. S. M. Acharya, Independent Director

Mr. S. M. Acharya is a retired IAS officer of the Karnataka cadre. He has held various senior positions in both State and Central Governments in his long and distinguished career and retired as Secretary to the Government of India in the Ministry of Defence in 2009. Mr. S. M. Acharya went to school in Bangalore and Gwalior and graduated from the universities of Madras and Hong Kong obtaining Bachelor of Arts degrees. He also possesses a Masters Degree in Economics from the Victoria University of Manchester, UK. Having taught at a school for a year and a half. Mr. Acharya enrolled in an intensive course in Chinese language at the University of Delhi and then sat for the civil service examinations in 1973. He served in the Indian Administrative Service for 35 years based in Karnataka for 20 years and in Delhi for 13 years and 2 years as a probationer in Mussoorie. During the course of these years he has had a variety of experiences that have helped him to gain an insight into the affairs of human beings. After retirement he was retained by a leading education Trust to act the Chief Executive to help run their engineering and general sciences institutions. He also served as an Independent Director on the Board of the Bharat Electronics Ltd.

Mr. Acharya joined the Board of Directors of Nucleus Software Exports Ltd. in March 2016.

Mr. Vishnu R. Dusad, Managing Director

Mr. Vishnu R. Dusad is one of the main founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from Indian Institute of Technology, Delhi and has also done Masters in Systems and Management He has been associated with the development of the software industry in India since 1983 as an entrepreneur. Mr. Dusad has enriched Nucleus with his technology background and 30 years of valuable professional experience in the exciting space of BFSI IT Solutions. He has a deep commitment for 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 the strategic planning.

Mr. Prithvi Haldea, Independent Director

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with the World Bank and the U.S. Department of Commerce.

In 1989, Mr. Haldea set up PRIME Database, the country's first and still the only database on the primary capital market. It has a large subscriber base and is widely reported by the media Mr. Haldea has been a visiting faculty at several institutions and has addressed hundreds of conferences.

Mr. Haldea is presently a Member of the Government's Standing Council of Experts for the Financial Sector. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Advisory Committee on Individual Insolvency and Bankruptcy, Insolvency and Bankruptcy Board of India. Mr. Haldea is a member of the Jury for ASSOCHAM's awards for Corporate Governance and for Corporate Social Responsibility. He is also a member of the Editorial Board of ICSI and Financial Services Committee of ICSI. He is a Public Interest Director on the board of Multi Commodity Exchange of India. Additionally, he is an Advisor to the Association of Investment Bankers of India, Gaja Capital and Association of Independent Directors of India.

Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority-SEBI, First Trustee of the Pension Fund Regulatory & Development Authority, Board of Governors of Indian Institute of Corporate Affairs, Central Government Nominee on the Governing Council of Institute of Chartered Accountants of India and Central Government Nominee on the Governing Council of Institute of Company Secretaries of India. He was also a member of Ministry of Finance Task Force on Financial Redress Agency, Quality Review Board-ICAI, FSDC Committee on Commission/ Incentive Structure of the Distributors of Financial Products, Finance Minister's High-level Expert Committee on Corporate Bonds and Securitization, SEBI Secondary Market Advisory Committee, SEBI Committee on Disclosures & Accounting Standards, SEBI Committee for Review for MAPIN, ICSI Standing Committee for Development of a Model for Assessing Corporate Governance, Chairman of the ASSOCHAM's National Council for Capital Markets, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, Listing Advisory Committee of NSE, Index Committee, Listing Committee and Delisting Committee of BSE and Delisting Committee of DSE. He was also a member of CII's National Task Force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee. Mr. Haldea was also the Chairman of PHDCCI Capital Markets Committee and ASSOCHAM Capital Markets Committee. He was also on the board of UTI Mutual Fund as an Independent Director for nearly 6 years till end 2011.

In a recent effort, Mr. Haldea has rewritten gratis for SEBI the ICDR Regulations, in an orderly manner and in simple English.

As an investor protection activist and proponent of corporate governance, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched several unique websites which include www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 3,00,000 cases, www.primedirectors.com, a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, www.indianboards.com profiling directors of listed companies and www.msmementor.in, a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained www.directorsdatabase.com, covering detailed profiles of directors of Indian listed companies and www.iepf.gov.in, an investor education initiative in 11 languages.

Mr.Haldea has also extended his skills of information management to other organizations, by creating www.bsepsu.com, a website dedicated to disinvestments, a new website www.divest.nic.in for the Department of Disinvestment and the PE/VC Directory for the Indian Venture Capital Association.

A lover of Urdu poetry, he is presently devoting a lot of his time to Ibaadat Foundation, which he founded for bringing poets and poetry back to life, through musical dramas. He is also the Founder-Advisor to Rekhta Foundation which has created the world's largest website on Urdu poetry.

Mr. Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, of Nucleus Software Ltd. in April 2008 and Virstra- i Technology Services Limited in August 2014.

Mrs. Elaine Mathias, Independent Director

Mrs. Elaine Mathias is a B.Com (Hons.) graduate from Sydenham College of Commerce and Economics, Mumbai. She has a dual Professional qualification and is a Fellow member of the Institute of Chartered Accountants of India and also an Associate member of the Institute of Cost Accountants of India.

Mrs. Elaine Mathias is a highly reputed professional with thirty four years' experience in Bharat Electronics Limited (BEL), Bangalore, a Navratna Company under the Ministry of Defence, Government of India, from where she superannuated as Executive Director (Finance). At BEL she was in charge of various portfolios in Corporate Finance like Accounts, Taxation, Treasury, Budgeting and Pricing and introduced continuous improvements in systems and procedures in all these areas.

Besides her Finance role, she played a very active part in all Human Relations activities including negotiations with the Unions and framing of Personnel Policies within the Government Guidelines. She has proficiency in development of various financial systems, risk management, regulatory compliances, strategy implementation, talent management, best practices of Corporate Governance.

At the time of her superannuation, she was the Chairperson of various Trusts and Committees like the BEL Gratuity Trust, the BEL Superannuation Pension Trust and the Corporate Committee against Sexual Harassment of Women at the Workplace.

She has interacted and represented BEL at meetings with various external agencies like Bankers, Credit rating agencies, Statutory Auditors, Government Auditors, Cost Auditors, Government officials, Financial Analysts, Institutional Investors and Technology Collaborators.

Mrs. Elaine Mathias joined the Board of Directors of Nucleus Software Exports Ltd. In September 2014.

Professor Trilochan Sastry, Independent Director

Professor Trilochan Sastry, former Dean at IIM Bangalore, currently teaches at IIM Bangalore. A B.Tech from IIT, Delhi, an MBA from IIM, Ahmedabad and a Ph.D. from MIT, USA, Professor Sastry has taught for several years at IIM, Ahmedabad after which he moved to IIM, Bangalore. A recipient of national award for research and teaching, Professor Sastry has taught in many prestigious Universities in India, Japan, Hong Kong and United States and has published several academic papers in Indian and International journals. He had earlier served on the Board of NABARD and also on the Board of IIM Bangalore for 5 years. He is currently a Director on the Board of Indiafarm Foods Pvt. Ltd.

Mr. Trilochan Sastry joined the Board of Directors of Nucleus Software Exports Ltd. In July 2013. He is also on the Board of Nucleus Software Limited.

Mr. R P Singh, Executive Director

Mr. Ravi Pratap Singh, or 'RP', has been with Nucleus ever since its initiation. In the early years, he played a key role in building innovative solutions for Citibank in India and South East Asia.

Currently, he heads Global Product Management for Nucleus Software covering both its product lines i.e., FinnOneTM, the flagship Lending solution and Cash@ Will, the comprehensive Cash Management solution. He took on this role in 2012 and has been instrumental in the launch of the re-architected avatars of both the products. The two are in the market with brand names Finnone NEO and FinnAxia.

Prior to this, he had a long stint as Head, Global Delivery where he was instrumental in implementing and supporting Nucleus products across nearly 50 countries. A respected industry leader, he led a highly charged team while implementing the products at some of the largest businesses in India, South East Asia and Middle East. In 2010, he started Nucleus School of Banking Technology (NSBT) as a new division of Nucleus, with a vision of training & developing world class Banking (& Financial) Technology Professionals. Being a natural mentor and a technocrat of high caliber himself, he continues to work closely with NSBT to teach young professionals what they were not taught at Engineering Schools.

His entire career has been spent designing, developing & delivering software solutions for global Banking and Financial Services leaders. His strong background in technology and business domain coupled with his enthusiasm to deliver value to customers drives his career.

Mr. Singh did his graduation in Economics from Shri Ram College of Commerce before doing his Post Graduation in Computer Applications. An alumni of Harvard Business School, he completed the General Management Program (GMP) from the School.

He is an ardent golfer and an outdoors person involved in many adventure activities.

He is also on the Board of Virstra – i Technology Services Limited, Nucleus Software Limited, Nucleus Software Japan Kabushiki Kaisha and Nucleus Software Netherland B. V.

Mr. R P Singh has been appointed as CEO of the Company w.e.f April 1, 2018.

Mr. N. Subramaniam, Independent Director

Mr. N. Subramaniam is a post graduate from IIM Ahmadabad and is also CA, CS and CWA by qualification. Having a corporate experience of over 30 years, he founded M Cap Fund Advisors and is acting as its Managing Partner. He is currently a Director on the Board of, Ganesha Ecosphere Limited and NS Equity Advisors Private Limited. In the past, he has been the Chairman of Venture Capital Association of India, Infrasoft Technologies, Vice Chairman of Mphasis, Chairman of Audit Committee of Mphasis and Director of Auro Mira Energy, Maples ESM Technologies, SECOVA, Cybernet Software Systems and SlashSupport Inc. He was also the member of Board at Integra Software Services, SlashSupport, Jyothy Laboratories, SRA Systems, Omkar Clean Energy Services Private Limited and L & T Financial Services His interests, beyond finance, include a passion for Executive Coaching and Green Energy Technologies.

Mr. Subramaniam joined the Board of Directors of Nucleus Software Exports Ltd. In July 2012 and Nucleus Software Australia Pty. Ltd. In February 2014 and Avon Mobility Solutions Pvt. Ltd. in April, 2016.

Ms. Ritika Dusad, Non-Executive Director

Ms. Ritika Dusad is presently pursuing a PhD in physics from the prestigious Cornell University, USA. She is interested in physics of magnets and spintronics- which is said to be spearheading the next generation memory devices for our computers. Ms. Ritika joined the Board in July 2016.

c) Board Membership Criteria

Our Board comprises of eminent professionals of integrity with relevant skills and experience. Their contribution is facilitated by:

- high quality Board documentation;
- expert opinions, wherever deemed necessary; an
- healthy debate especially on complex, contentious and critical issues.

Nomination and Remuneration/ Compensation Committee (NRC) of the Board assist in fulfilling the responsibilities relating to the size and composition of the Board.

d) Selection of Independent Directors

Nomination and Remuneration/Compensation Committee while evaluating the potential candidates, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency and match these with the requirements set out by the Board.

Broadly, the following criteria have been set for selection of Independent Directors based on:

- Independence from Management
- No substantial shareholding
- Other significant relationship which may cause a conflict of interest
- Capability of taking fair decisions without being influenced
- Independent Directors are expected to balance the decision-making process of the Board by constructively challenging the Company's strategy and exercise due diligence
- Independent Directors should possess the requisite business and industry expertise in the domain the Company operates in
- Independent Directors should be competent enough to work effectively like a team member as well as leader with the other Directors of the Board and committees
- Independent Directors should contribute constructively in the Board's deliberations.

The aim is to secure a Boardroom which achieves the right balance between challenge and teamwork and fresh input and thinking.

The Committee has also framed a Policy for "Selection of Directors". The Board considers the Committee's recommendations and takes appropriate actions.

Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he/she meets the criteria of independence as provided under law. The Company has received declarations from all the Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 25 of the SEBI (LODR) Regulations, 2015.

e) Familiarization programmes for Board members

The Company has constituted familiarization programmes for its Directors (Independent and Non-Independent), with an objective to:

a) Provide them with every opportunity to familiarize themselves with the Company, Nucleus's Board practices and processes, its management and its operations and above all the Industry perspective & issues;

b) To familiarize them with regards to their rights, duties and functions;

c) To ensure that all Directors are cognizant and appreciate the legal and ethical framework in which they must conduct themselves;

d) To ensure that all Directors attain a level of understanding of the business and industry in which Nucleus functions;

e) To energize on the level and degree of each Director's contribution to the Board;

f) To ensure that all Directors make informed decisions in their deliberation of matters concerning the Company; and

g) To foster a spirit of independence in all Directors in order to ensure that they contribute meaningfully and impartially.

The familiarization programmes comprise of a combination of written information, presentations and activities including meetings, site visits, etc. to enable them to familiarize with the Company management, operations and practices.

The requirement for these programmes increases manifolds for a newly appointed Director. The newly appointed Director is given a formal induction and orientation with respect to the Company's Vision, Mission, objectives and key values including Code of Ethics, Corporate Governance, financial issues and business operations.

The details on programmes can be accessed on the Company website link: http://www.nucleussoftware.com/investors.

f) Diversity in Board

Diversity, in all its aspects, serves an important purpose for Board effectiveness. It can widen perspectives while making decisions, avoid similarity of attitude and help companies better understand and connect with its stakeholders. Such diversity may be with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality and age. The Nucleus Board represents diversity in terms of all these parameters.

g) Separation of the Office of Chairman and the Chief Executive Officer (CEO)

At Nucleus, the role and office of the Chairman and Chief Executive Officer (CEO) have always been separate. This promotes the right balance and prevents unfettered decision making power with a single individual. For greater efficiency, there is also a clear demarcation of the role and responsibilities of the Chairman and the CEO.

The primary role of the Chairman of the Company is to provide leadership to the Board. The Chairman of the Board presides over its meetings and leads and assists the Board in setting and realising the Company's vision and related short and long term goals.

CEO is the principal executive of the Company and is accountable for the management and operations of the Company and implementation of business policies and strategies agreed to by the Board of Directors in a manner that is consistent with best business practices. CEO leads internally by adding value in strategy and structure and ensuring that the Company is represented with integrity to institutions, investors, analysts and other stakeholders.

Roles and Responsibilities of the Nucleus Board Chairman are to:

- Ensure that the Board establishes and regularly reviews the Company's policies, strategies and plans.
- Provide consistent strategic input and scrutiny.
- 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.
- Plan the composition of the Board and Board committees, Induct new Directors as required and plan for Board members' succession.

Role and Responsibilities of the Nucleus CEO are to:

- 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 organization structure.
- Responsible for succession planning for key executives and its implementation.
- Communication with investors and other stakeholders.

h) Membership Term

The Companies Act, 2013, mandates the retirement of two-third of the Board members (who are liable to retire by rotation) every year and the retiring members eligible for re-appointment. Independent Directors shall hold office for a term of upto five consecutive years on the Board of a Company and be eligible for re-appointment on passing of a special resolution by the shareholders of the Company. Mr. R P Singh, Whole Time Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

Mr. R P Singh was appointed as a Whole Time Director w.e.f. July 26, 2014 for a period of 5 years. His present term will expire on July 25, 2019.

All Independent Directors have been appointed for a term of five years and shall be eligible for re-appointment on passing of a special resolution by shareholders of the Company.

i) Mechanism for Evaluating Board members

Pursuant to the provisions of the Companies Act, 2013 and Regulations 25 of the SEBI (LODR) Regulations, there is a formal Policy for Board Performance Evaluation which suggests process for evaluation of the performance of both the Board and individual Directors and the Committees. The purpose of the Policy is:

- To ensure the overall performance evaluation process of Directors
- Maximize strengths and identify and address the weaknesses.
- Maintain an energized, proactive and effective Board.

The Board, along with the Nomination and Remuneration/ Compensation Committee, laid down the criteria for evaluation of the performance of all Directors, which then became a part of the Board Effectiveness Survey. The Securities and Exchange Board of India ("SEBI") released a guidance note on January 5, 2017 on the evaluation of the Board of Directors of a Listed Company ("Guidance Note"). This note is based on an analysis of the global practices in various jurisdictions like regulatory requirements, best practices, internal versus external evaluation, disclosure requirements etc.

The Nomination and Remuneration/Compensation committee in view of the Guidance Note, revised the criteria for evaluation of the performance of all Directors. The Chairman of the Committee revised the evaluation forms and circulated to all the Directors, including Executive Directors. These filled-in forms had been received back by the Chairman and the responses were tabulated and analysed.

The revised questionnaires of the Survey were designed on a scale of 1 to 5 and in a comprehensive manner to be able to effectively capture the performance of each of the Directors, of the Board as a whole and several Committees of the Board. Each Board member was requested to evaluate the other Directors on a large number of parameters, including the effectiveness of the Board dynamics and skills to encourage discussions and decisions and flow of information to address issues relating to the Company's performance and future strategies, as also improving relationships with all stakeholders of the Company. Specifically for Independent Directors, the key performance indicators based on which they were evaluated, besides their attendance in the Board/Committee meetings, included monitoring of the Company's Corporate Governance practices, improving policies and processes across all functions and contribution to strategic planning. The evaluation of the Board and the Directors for fiscal 2018 has been completed.

j) Compensation of the Board of Directors

Compensation of the Executive Directors is approved by the shareholders.

Non-Executive, Independent Directors are paid an amount not exceeding one percent of the net profits of the Company for the year, in accordance with section 197 of the Companies Act, 2013 and as approved by the shareholders vide a special resolution for a period of five years, at the Annual General Meeting held on July 8, 2014. As per the Companies Act, 2013, Independent Directors are not eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time.

All Board level compensation is approved by the shareholders and disclosed separately in the financial statements.

Compensation Paid /Payable to the Directors for the period April 2017 to March 2018

(Amount in ₹)

Name of Director	Position	Salary	Company's Contribution to Provident and other funds	Perquisites/ Allowances	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Non-Executive, Independent Director	–	–	–	632,030	280,000	912,030
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	6,000,000	360,000	28,800	-	-	6,388,800
Mr. Prithvi Haldea	Non-Executive, Independent Director	–	–	–	1,077,995	1,040,000	2,117,995
Mrs. Elaine Mathias	Non-Executive, Independent Director	–	–	–	1,077,995	840,000	1,917,995
Prof. Trilochan Sastry	Non-Executive, Independent Director	–	–	–	1,077,995	880,000	1,957,995
Mr. R P Singh	Executive, Whole Time Director	18,017,521	897,935	39,600	-	-	18,955,056
Mr. N. Subramaniam	Non-Executive, Independent Director	–	–	–	1,077,995	600,000	1,677,995
Mr. S. M. Acharya	Non-Executive, Independent Director	-	-	-	1,077,995	720,000	1,797,995
Ms. Ritika Dusad	Non-Executive, Director	-	-	-	1,077,995	160,000	1,237,995
Total		**24,017,521**	**1,257,935**	**68,400**	**7,100,000**	**4,520,000**	**36,963,856**

Table 2

The service contract of the Executive Directors is as below:

1. Mr. Vishnu R Duasd, Managing Director - for a period of 5 years that will expire on December 31, 2021 and
2. Mr. R. P. Singh, Executive Director - for a period of 5 years that will expire on July 25, 2019.

Remuneration of the Executive Directors mentioned above, does not include provision for incremental liability on account of gratuity, compensated absences since actuarial valuation is done for the Company as a whole.

None of the above Directors are eligible for any severance package and do not hold any stock options of the Company as on March 31, 2018. The notice period for a Director is as mutually agreed between the Executive Director and the Board.

Formal letters of appointment were issued to all Independent and Non-Executive Directors and terms and conditions of the same are disclosed on the website of the Company.

Details of Equity Shares held by Non- Executive Directors as on March 31, 2018

Name of Director	Position	No. of Equity Shares
Mr. S. M. Acharya	Non-Executive and Independent Director	-
Ms. Ritika Dusad	Non-Executive Director	1,000,000
Mr. Prithvi Haldea	Non-Executive, Independent Director	–
Mrs. Elaine Mathias	Non-Executive, Independent Director	–
Prof. Trilochan Sastry	Non-Executive, Independent Director	
Mr. N. Subramaniam	Non-Executive, Independent Director	7,684

Table 3

k) Memberships of other Boards

An Executive Director may, with the prior consent of the Chairman of the Board, serve on the Board of two other business entities, provided that such business entities are not in direct competition with Company operations. A Director shall not serve as Director in more than 20 companies of which not more than 10 shall be Public Limited Companies. A Director shall not serve as an Independent Director in more than 7 Listed Companies and not more than 3 Listed Companies in case he is serving as a Whole-time Director in any Listed Company. A Director shall not be a member in more than 10 Committees or act as Chairman of more than 5 Committees across all companies in which he holds Directorships. For the purpose of considering the limit of the Committees, Audit Committee and Stakeholders' Relationship Committee of all Public Limited Companies, whether listed or not, shall be included and all other companies including Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 shall be excluded.

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2018 is mentioned in the table below:

Name of Director	Position	Relationship with other Directors	Directorships Held of Other Companies			Committee Positions held as a	
			Public	Private	Section 8 Company	Chairperson	Member
Mr. S. M. Acharya	Chairman, Independent Director	None	-	-	-	-	1
Mr. Vishnu R Dusad	Managing Director (MD), Promoter Executive Director	None	3	8	1	1	1
Ms. Ritika Dusad	Non-Executive Director	Daughter of Managing Director	-	1	-	-	-
Mr. Prithvi Haldea	Independent Director	None	3	3	1	1	2
Mrs. Elaine Mathias	Independent Director	None	–	–	–	–	1
Prof. Trilochan Sastry	Independent Director	None	1	1	–	-	3
Mr. R P Singh	Executive Director	None	2	2	–	–	-
Mr. N. Subramaniam	Independent Director	None	2	6	–	1	2

Table 4

In accordance with Regulation 26 of SEBI (LODR) Regulations, 2015 of the Listing Agreement:

i) Membership/Chairmanships of only the Audit Committee and Stakeholder Relationship Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.

ii) None of our Directors are members of more than ten Board level committees, or Chairman of more than five committees in Companies in which they are Directors. All the Directors are, as such, fully compliant with the requirement.

Furthermore, all our Directors besides informing the Company annually about their Committee positions in other companies, also notify changes as and when these take place.

l) Board Meetings

(i) Information supplied to the Board

The Board has complete access to all information available with the Company. All information stipulated under Regulation 17 of SEBI (LODR) Regulations, 2015 is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings. There is a structured manner in which the agenda items are prepared and distributed for the Board meetings. During the Board meetings, the senior management is invited to present the plans and achievements relating to their respective areas of responsibility.

(ii) The information placed before the Board includes:

- Annual operating plans and budgets, with updates, if any.
- Capital budgets and updates, if any.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- Information on recruitment, remuneration and removal of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
- 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 material default in financial obligations to and by the Company or substantial non-payment for products 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.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.

- o Any significant development concerning human resources/ industrial relations.
- o Sale of material nature, of investments and assets, which are not in the normal course of business.
- o Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- o Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o Quarterly details of investments by the Company in liquid mutual funds, bank deposits and bonds and returns thereon.
- o Quarterly update on HR related activities.
- o Quarterly update on wholly-owned subsidiaries.
- o Quarterly update on large orders.
- o Report on order book position
- o Report on compliances under "Code of Prevention of Insider Trading" of the Company.

(iii) Board Agenda

The Company Secretary, in consultation with the Chairman of the Company and Chairman of the respective Board Committees, prepares the agenda and supporting papers for discussion at each Board and Committee Meeting. The agenda and notes are circulated to Board/Committee members in advance and in the defined agenda format. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters for discussion at the meeting with permission of the Chairman.

(iv) Board Materials Distributed in Advance

Information and data that is important to the Board's understanding of matters on the agenda is distributed to the Board several days prior to the Board meetings in order to allow the members adequate time for a detailed review.

(v) Minutes of Board meetings of the Company's unlisted subsidiary companies

Minutes of the Board meetings of the Company's unlisted subsidiary companies are also placed before the Board for information.

(vi) Scheduling of Board Meetings and Attendance during FY 2017-18.

- A minimum of four Board Meetings are required to be held each year. Moreover, the gap between two Board Meetings should not exceed four months. During FY 2017-18, 9 Board meetings were held by your Company and the maximum gap between two Board meetings during the year was three months.

- The dates on which the Board meetings were held during FY 2017-18 and the attendance record of the members in these meetings is provided in a table.

	Board Meeting Dates								
Name of Directors	**25-Apr-17**	**08-Jul-17**	**20-Jul-17**	**18-Sep-17**	**17-Oct-17**	**24-Nov-17**	**12-Jan-18**	**23-Jan-18**	**13-Mar-18**
Mr. Janki Ballabh*	✓	✓	✓	✓	✓	NA	NA	NA	NA
Mr. S. M. Acharya	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Vishnu R Dusad	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Ritika Dusad	X	X	✓	✓	✓	✓	✓	✓	✓
Mr. Prithvi Haldea	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Elaine Mathias	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prof Trilochan Sastry	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R P Singh	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. N. Subramaniam	✓	✓	✓	X	✓	✓	☎	✓	X

Table 5

* Mr. Janki Ballabh retired from Chairmanship of the Board w.e.f. 31st October 2017,

- 4 statutory Board meetings are scheduled in advance for the entire year to be held after the end of each financial quarter. Additional Board meetings are convened by giving appropriate notice. In addition, for any business exigencies, the resolutions are passed by circulation and later placed in the ensuing Board meeting.
- Committees of the Board meet whenever required.
- The Board meetings are usually held at the Company's corporate office at A 39, Sector 62, Noida 201307.
- Information as mentioned in Schedule II Part A of the SEBI (LODR) Regulations 2015, has been placed before the Board for its consideration
- Video conferencing/other audio visual means as prescribed by the Companies Act 2013 and Rules made thereunder, are used to facilitate Directors travelling abroad, or present at other locations to participate in the meetings.

(vii) Recording Minutes of Proceedings at Board/ Committee Meeting

- The Company Secretary, who is present in each Board/Committee meeting, records the minutes of the proceedings. The draft minutes are circulated to all Board members within 48 hours of the meeting for their comments.
- The final minutes are entered in the Minutes Book and signed by the Chairman within 30 days from the conclusion of each meeting.

  In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes also contain:

  (a) the names of the Directors present at the meeting; and

  (b) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from, or not concurring with the resolution.

  Further all other requirements as per the Companies Act, 2013 and Rules made thereunder are duly observed regarding Board/Committee meeting Minutes.

(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 applicable laws and regulations.

(ix) Action Taken Report

All items discussed in the Board meetings which require an action are recorded separately and are circulated to the relevant persons for requisite action. The action taken by them is then reported through an "Action Taken Report", which is placed at each Board meeting.

m) Discussion with Independent Directors

Pursuant to Schedule IV of the Companies Act 2013 and the Rules made thereunder, the Independent Directors of the Company held a meeting during the year, in absence of the non-Independent Directors and members of management. The Independent Directors were present at this meeting and participated in the discussions.

In this meeting of Independent Directors, performance of non-Independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of Executive Directors and Non-Executive Directors.

The members also discussed quality, quantity and timeliness of flow of information between the company management and the Board in great detail and expressed their satisfaction that the Board as a whole and each member individually receives all pertinent/sought for information from the Company in an adequate manner and in time. The members also discussed adequacy of Internal Controls in the meeting.

B. Committees of the Board of Directors

Committees are a means of improving Board effectiveness in areas where more focused, specialized and extensive discussions are required. Some of the Board functions are performed through specially constituted Board Committees consisting of Executive and Non-Executive / Independent Directors, which then report to the Board. The Board's Committees include Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration / Compensation Committee and Corporate Social Responsibility Committee.

All Committees have formally established terms of reference/ charter, subject to revision/amendment as and when required.

The Chairman of each Committee fulfills an important leadership role similar to that of the Chairman of the Board, particularly in creating an environment for effective contribution of each Committee member. While each Committee follows its charter, it also takes up for discussions, matters referred to it by the Board. The Company Secretary, in consultation with the Board Chairman and Committee Chairman, prepares the agenda for each meeting. The minutes of each Committee's meeting are submitted to the Board for information and appropriate action.

Nucleus Board Committees

a) Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Regulation 18 of SEBI (LODR) Regulations 2015, read with section 177 of the Companies Act 2013. A key element in the Corporate Governance process of any organization is its Audit Committee. Effective Audit Committees can greatly assist the Boards in discharge of their duties in respect of integrity of the Company's financial reporting. Indeed, it is essential that Boards, Management, Auditors, Internal Auditors and Audit Committees all work with a common purpose to ensure that the Company obtains the benefits of the Audit Committee in terms of better financial reporting and greater effectiveness of internal controls.

The Audit Committee at Nucleus was formed in August 2001. To efficiently carry out its functions, the Audit Committee has the following roles and responsibilities as per its charter:

Audit committee shall along with such matter as may be referred by Board, be responsible for the following:

With reference to the financial statements

- Examination of the financial statements and the auditors' report thereon,
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:-
  - ✓ Matters required to be included in the Director's Responsibility Statement to be included in the

Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013

  - ✓ Changes, if any, in accounting policies and practices and reasons for the same
  - ✓ Major accounting entries involving estimates based on the exercise of judgment by management
  - ✓ Significant adjustments made in the financial statements arising out of audit findings
  - ✓ Compliance with listing and other legal requirements relating to financial statements
  - ✓ Disclosure of any related party transactions
  - ✓ Qualifications in the draft audit report

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Review the financial statements, in particular, the investments made by the unlisted subsidiary company.

With reference to Auditors

- The recommendation for appointment, remuneration and terms of appointment of all Auditors of the Company including filling of casual vacancy,
- Reviewing and monitoring the Auditor's independence and performance and effectiveness of the Audit process,
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 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;
- Discussion with internal auditors of any significant findings and follow up there on;
- 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;
- 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;

With reference to related party transactions

- Approval or any subsequent modification of transactions of the company with Related Parties,

  The term "related party transactions" shall have the same meaning as provided in SEBI (LODR) Regulations, 2015 and also the provisions of Companies Act, 2013 read with relevant rules thereto.

Other references

- Scrutiny of Inter-Corporate Loans and Investments,
- Valuation of undertakings or assets of the company, wherever it is necessary,
- Evaluation of Internal Financial Controls and Risk Management Systems
- Monitoring the end use of funds raised through public offers and related matters.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
- 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;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Following information is required to be mandatory reviewed by Audit Committee

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

Additional responsibility of the Chairman of the Audit committee

- Direct access to the Chairperson of the audit committee under the vigil mechanism process.
- The Chairman of the Audit Committee shall be present

at Annual General Meeting to answer shareholder queries.

a) Powers of the Audit committee

- Audit committee has been provided with following powers:
    - o To investigate any activity within its terms of reference.
    - o To seek information from any employee.
    - o To obtain outside legal or other professional advice.
    - o To secure attendance of outsiders with relevant expertise, if it considers necessary.

(iii) Composition of the Audit Committee and Meetings Held during FY 2017-18

Mr. N. Subramaniam is Chairman of the Audit Committee. The Company Secretary of the Company is the Secretary of the Committee.

The Audit Committee met 8 times during the year. As per the statutory requirement, the maximum gap between two Audit Committee Meetings did not exceed the mandatory four months. (The maximum gap between two meetings was three months and six days).

The Composition of the Audit Committee as on March 31, 2018 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. N. Subramaniam	Committee Chairman, Non-Executive, Independent Director	8	8
Mr. S. M. Acharya	Non-Executive, Independent Director	8	8
Mr. Prithvi Haldea	Non-Executive, Independent Director	8	8
Mrs. Elaine Mathias	Non-Executive, Independent Director	8	8
Prof. Trilochan Sastry	Non-Executive, Independent Director	8	8

Table 6

The Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 8, 2017 to answer shareholders' queries.

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings of the Committee upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters, internal audit reports relating to internal control weaknesses as per the requirement of law, are reviewed by the Committee.

(iv) Separate Meetings of the Audit Committee Members with the Auditors

In line with the best Corporate Governance practices, meetings of the Audit Committee, independent of the Management, are scheduled every quarter to review the quarterly results. The main objective of such meetings is to allow the Statutory Auditor and the Internal Auditor to express any areas of concern with respect to any matter at the same time also raise issues of any disagreement with the Management.

b) Nomination and Remuneration / Compensation Committee

The Nomination and Remuneration/Compensation Committee of the Company is constituted in line with the provisions of Regulation 19 of SEBI (LODR) Regulations 2015, read with section 178 of the Companies Act 2013.

(I) Terms of Reference/Charter of the Nomination and Remuneration/Compensation Committee

Primary responsibility of the Committee is to identify and nominate suitable candidates for Board membership and as members of senior Management of the Company. The Committee also formulated policies relating to the remuneration of Directors, Key Managerial Personnel and other employees of the Company.

This Committee is responsible for:

- Recommending desirable changes in the Board composition, size and diversity, committees structures and processes and other aspects of the Board's functioning
- Formulating criteria for determining qualifications, positive attributes and independence of an Independent Director
- Conducting search and recommending new Board members in light of resignation of some current member/s or in case of a planned expansion of the Board
- Identifying persons who are qualified to become Directors and who may be appointed as senior management in accordance with the criteria laid down and recommend to the Board for their appointment
- Recommending to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other senior employees and while formulating such policy, to ensure that:

a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the desired persons

b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c) remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals

- Formulating criteria for evaluation of Independent Directors and the Board and carrying out evaluation of each Director's performance
- Ensuring that there is an appropriate induction programme in place for new Directors and members of senior management and reviewing its effectiveness
- Developing a succession plan for the Board and regularly reviewing the plan
- Reviewing succession plans for the senior management
- Reviewing and Formulate Employee Stock Option Plan (ESOP)
- Determine terms and conditions of ESOP plan, eligibility criteria, grant of options, vesting and exercise of options and such other adjustments in case of Corporate actions
- Review the design of and approve the Company's other benefit plans (including retirement, medical and other employee benefit and perquisite plans)
- Perform such functions as required by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('ESOP Regulations') and its amendments, if any
- Carrying out any other function as is mandated by the Board from time to time and / or is enforced by any statutory notification, amendment or modification, as may be applicable.

(ii) Composition of the Nomination and Remuneration/ Compensation Committee and Meetings Held during FY 2017-18

Mr. Prithvi Haldea is the Chairman of the Nomination and Remuneration/Compensation Committee. As of March 31, 2018, the Committee consisted of three members, all the members are Independent Directors. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company is the Secretary of the Committee.

The Composition of the Nomination and Remuneration/Compensation Committee as on March 31, 2018 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Independent Director	3	3
Mr. Janki Ballabh*	Independent Director,	3	2
Mrs. Elaine Mathias	Independent Director	3	3
Prof. Trilochan Sastry	Independent Director	3	2

Table 7

The Chairman of the Nomination and Remuneration/ Compensation Committee attended the previous year Annual General Meeting held on July 8, 2017.

`*Mr. Janki Ballabh ceased to be member of Nomination and Remuneration/Compensation Committee w.e.f. 31st October 2017 due to his retirement as a Director of the Company.

(iv) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company takes into consideration their role and responsibilities. The salient features of the policy are highlighted below:

- The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission to its Managing Director (an Executive Director).
- The Nomination and Remuneration / Compensation Committee decides the commission payable to the Managing Director and the Non-Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 2013 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fees for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 2013 and as prescribed in the Articles of Association of the Company.
- The Company reimburses expenditure reasonably incurred by the Directors in the performance of their duties as per the provisions of the applicable laws Companies Act 2013 and in conjunction with the rules and policies of the Company.
- The Nomination and Remuneration/ Compensation Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

c) Stakeholder Relationship Committee

The Stakeholders' Relationship Committee is constituted in line with the provisions of Regulation 20 of SEBI(LODR) Regulations read with section 178 of the Act. The

Stakeholder Relationship Committee has been constituted to assist the Board in safeguarding the interests of and redressing the grievances of the security holders of the Company.

(i) Terms of Reference/Charter of Stakeholders Relationship Committee

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

- To approve/ reject registration of transfer/ transmission/transposition of shares.
- To authorize issue of Duplicate Share Certificates and Share Certificates after Split / Consolidation / Rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit or worn out
- To monitor and review the performance and service standards of the Registrar and Share Transfer Agents of the Company and provide continuous guidance to improve the service levels.
- To monitor and review the mechanism for redressal of shareholders' / investors' grievances
- To authorise Managers/Officers/Signatories for signing Share Certificates;
- To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

  The Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the Board.

(ii) Composition of the Stakeholder Relationship Committee and Meetings Held during FY 2017-18

Mr. Prithvi Haldea is the Chairman of the Stakeholder Relationship Committee. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company is the Secretary of the Committee and also the Compliance officer of the Company.

The Composition of the Stakeholder Relationship Committee as on March 31, 2018 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Independent Director	3	3
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	3	3
Prof. Trilochan Sastry	Independent Director	3	3

Table 8

The Chairman of the Stakeholder Relationship Committee attended the previous year Annual General Meeting held on July 8, 2017.

(iii) Details of investor complaints/requests received and resolved during FY 2017-18 are as follows:

Sl. No.	Nature of Complaints	No. of Complaints/Requests		
		Received	Resolved	Pending at the year end
1	Non Receipt of Annual Report	9	9	0
2	Non Receipt of Dividend Warrant	24	24	0
3	Duplicate/ Revalidation of Dividend Warrant	12	12	0
4	Non Receipt of Securities	4	4	0
5	Issue of Duplicate Share Certificate	0	0	0
6	Non Receipt of Securities After Transfer	0	0	0
7	SEBI/Stock exchanges/Legal	0	0	0
TOTAL		**49**	**49**	**0**

Table 9

d) Corporate Social Responsibility (CSR) Committee

As per the Companies Act, 2013, all companies having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more during any financial year will be required to constitute a Corporate Social Responsibility (CSR) Committee of the Board. In accordance with the law, the Board of Directors constituted the CSR committee in their meeting held in FY 2013-14.

(i) Terms of Reference/Charter of the CSR Committee

The purpose of the Committee is to assist the Board in setting Company Corporate Social Responsibility policies and programs and assessing Company Corporate Social Responsibility performance.

The responsibilities of the Corporate Social Responsibility Committee are:

1. To formulate and recommend to the Board, a CSR policy for undertaking permissible CSR activities.
2. To identify and bring to the attention of the Board key Social Responsibility issues that may affect the business operations, brand image or reputation of the Company.
3. To recommend the amount of expenditure to be incurred on CSR activities.
4. To re-evaluate Social Responsibility, from time to time, in light of changes in public perception, industry best practices and evolving priorities and

needs in the communities where the Company does business

5. To provide oversight of Social Responsibility
6. To monitor and review the operation and effectiveness of Company's Corporate Social Responsibility policies and programs
7. To update Board at each regularly scheduled meeting and make relevant recommendations in relation to matters arising for consideration by the Committee
8. To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently
9. To make any amendments or modifications in CSR Policy as required by law or otherwise
10. Perform such functions as the Board may from time to time assign to it

The CSR Policy of the Company, as approved by the Board, is available on our website www.nucleussoftware.com.

(ii) Composition of the Corporate Social Responsibility Committee as on March 31, 2018 and details of attendance of the members in the meetings are as follows:

Prof. Trilochan Sastry is the Chairman of the Committee. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Corporate Social Responsibility Committee as on March 31, 2018 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Prof. Trilochan Sastry	Committee Chairman, Independent Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	1	1
Mr. S. M. Acharya	Independent Director	1	1
Mr. Prithvi Haldea	Independent Director	1	1

(e) Buyback Committee

The Board of Directors of the Company, in its meeting held on April 25, 2017, had constituted a Buyback Committee to administer the operational activities involved in the Buyback of Shares.

The Composition of the Buyback Committee and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Independent Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	2	2
Mr. R P Singh	Executive Director	2	2
Mr. Ashish Nanda	Chief Financial Officer	2	1

Table 12

The Company Secretary of the Company acted as Secretary to the Committee.

Post successful completion of the Buyback Offer, the Buyback Committee was dissolved by the Board of Directors at its meeting held on March 13, 2018.

C. Shareholder Information

a) Means of Communication

(i) Quarterly/Annual Results

- The Company releases Quarterly Report for each quarter (except fourth quarter) in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This ensures prompt information to the shareholders and also contributes in saving paper thus saving trees and making the planet greener.

  These reports contain audited financials of the parent Company along with the Auditors Report thereon; Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management's Discussion and Analysis".
- The Company communicates quarterly/annual financial results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- The Company sends an instant email alert of the quarterly/annual financial results, to all persons who get themselves registered on the Company's website.
- Earnings conference calls are conducted after announcement of quarterly/annual financial results wherein the Management updates the investor community on the progress made by the Company and also answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for public information.
- The Company publishes official news releases and they are also uploaded on the website www.nucleussoftware.com.

  The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all the stakeholders in their preferred medium.

(ii) Newspapers for publication of financial results

The Company's financial results are published in Business Standard, the leading national financial daily and in the Hindi edition of Business Standard for regional circulation.

(iii) Investor Section at Company's website

The investor section at our website www.nucleussoftware.com provides comprehensive information about the Company. Our goal is to enable shareholders and potential investors (as also media and researchers) to easily find or navigate pertinent information about us, including:

- Company Overview, Financials, Board of Directors, Stock Exchange filings, Shares, Corporate Governance, Corporate Social Responsibility, Awards, Investor contact, Investor related Frequently Asked Questions (FAQ) and various forms for shareholder assistance.
- The important events such as AGM etc. and official press releases of the Company are also updated on the Company's website regularly.
- Interested persons, who register on the Company's website, receive alerts and updates on financial events, financial results, press releases and annual and quarterly reports.

(iv) Interaction with Institutional investors, analysts etc.

- The Investor Relations team of the Company conducts regular meetings and conference calls of the Company Management with the institutional investors, analysts etc.
- Quarterly/annual financial results and press releases are sent to all institutional investors, analysts who are registered in the Company database, to keep them abreast of all significant developments.
- The investor presentations made to institutional investors or analysts are displayed on the Company's website.

(v) Annual Report

The Company's Annual Report containing, inter alia, Letter from the Chairman, Letter from Managing Director, Letter from the CEO, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance, Risk Management, Financial Highlights, Management Discussion and Analysis and other important information is circulated to all the members. The Annual Report of the Company is also available on the Company's website; both in a downloadable pdf format and an HTML online format, for ease of use.

(vi) Dedicated Email id for shareholders

investorrelations@nucleussoftware.com is the email id exclusively devoted for shareholders' queries.

(vii) Investor Relations - Our communication with the Investor Community

The Company values transparent relationship with the shareholders, prospective investors and the wider investment community. The Investor Relations (IR) team at Nucleus manages these relationships with high standards of clarity and transparency. It proactively interacts with the investors through meetings, investor conference calls, investor meets, conferences and mails. Dedicated Investors' page on corporate website of the Company provides an efficient medium of information to the investors. The IR team can be reached at ir@nucleussoftware.com.

(viii) NSE Electronic Application Processing System (NEAPS)

NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are filed electronically by the Company on NEAPS.

(ix) BSE Corporate Compliance & Listing Centre (the 'Listing Centre')

BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are also filed electronically by the Company on the Listing Centre.

(x) SEBI Complaints Redress System (SCORES)

The investor complaints are processed in a centralized web-based complaints redressal system. The salient features of this system are Centralized database of all complaints, online upload of Action Taken Reports by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

b) Corporate Identity Number (CIN)

Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L74899DL1989PLC034594 and the Company Registration Number is 55-034594. The Company is registered in the State of New Delhi.

c) Shareholder Education

Shareholders of the Company are provided with timely information on all Company related matters including recruitment/appointment of Directors and other important events through Press Releases.

In the Annual Report, a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included, with most of the relevant information about the Company, its history, promoters, employees, share transfers, dematerialisation etc. All such material information is also available on the Company's website under "FAQs".

It is our constant endeavor to provide efficient and prompt services to the shareholders. Shareholder satisfaction survey is conducted through a shareholder feedback form uploaded on the Investors section of the Company's website, for online filing. Responses received through this survey help us:

- o to assess the level of satisfaction among Nucleus shareholders and
- o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

d) General Body Meetings

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

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 16-17, July 8 2017, 11.30 a.m.	Sri Sathya Sai International Centre	Adoption of Annual Accounts for the year ended March 31, 2017. Declaration of Dividend on equity shares. Re-appointment of Mr. Vishnu R Dusad, as Director, who retires by rotation at this meeting and being eligible offers himself for re-appointment. Appointment of BSR & Associates, LLP, Chartered Accountants as the statutory auditors.	
FY 15-16, July 8 2016, 11.30 a.m.	Sri Sathya Sai International Centre	Adoption of Annual Accounts for the year ended March 31, 2016. Confirmation of payment of Interim Dividend Appointment of BSR & Associates, LLP, Chartered Accountants as the statutory auditors in place of retiring auditor. Re-appointment of Mr. R. P. Singh as Whole Time Director, who retires by rotation at this meeting and being eligible offers himself for re-appointment. Appointment of Mr. S. M. Acharya as an Independent Director	Re-appointment of Mr. Vishnu R Dusad as Managing Director and designate him as Chief Executive Officer and Managing director of the Company.
FY 14-15, July 8 2015, 11.30 a.m.	Sri Sathya Sai International Centre	Adoption of Annual Accounts for the year ended March 31, 2015. Declaration of Dividend on equity shares. Appointment of Deloitte Haskins & Sells, Chartered Accountants as the statutory auditors. Designate Managing Director as a "Director liable to retire by rotation" and consequential amendment in terms of his appointment Re-appointment of Mr. Vishnu R Dusad as Managing Director, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.	Adoption of new set of Articles of Association of the Company Pursuant to the Companies Act, 2013. Adoption of new Memorandum of Association of the Company.

Table 13

(ii) Detail of Attendance at the AGM held for FY 2016-17

AGM Date: July 8, 2017	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. R P Singh	Mr. Prithvi Haldea	Prof. Trilochan Sastry	Mr. N. Subramaniam	Ms. Elaine Mathias	Mr. S. M. Acharya	Ms. Ritika Dusad
	√	√	X	√	√	√	√	√	X

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2018.

e) Postal Ballot

During the year, the Company approached shareholders through Postal Ballot for approval of Buyback of Shares and Appointment of Ritika Dusad as a Director of the Company. The Company appointed Mr. Sanjay Grover, Company Secretary in whole time practice as a Scrutinizer for conducting the Postal Ballot and e-voting process in a fair and transparent manner.

The results of the Postal Ballot conducted during the year are as follows:

Date of Postal Ballot Notice: 25th April 2017

Date of Declaration of Results: 15th June 2017

	Name of Resolution	Type of Resolution	Votes cast in favour		Votes cast against		Date of Declaration of Results
			No. of votes	%	No. of votes	%	
1.	Approval of Buyback of Shares through Tender Offer Route	Special Resolution	35,37,371	99.99%	80	0.01%	June 15, 2017
2.	Appointment of Ritika Dusad as Director of the Company	Ordinary Resolution	35,37,145	99.99%	305	0.01%	June 15, 2017

Note : The above mentioned Resolution was passed with requisite majority.

Procedure for Postal Ballot

In Compliance with Section 108 and Section 110 of the Companies Act, 2013 read with the related rules, the Company provides electronic voting (e-voting) facility in addition to physical ballot, to all its members. For this purpose, the Company has engaged the services of Karvy Computershare Pvt. Ltd.

The Company dispatched the Postal Ballot notices and forms along with postage prepaid business reply envelopes to its members whose names appear on the register of members/ list of beneficiaries as on cut off date. The Postal Ballot notice is also sent in electronic form to those members whose email address are registered with depository participants. The Company also publishes a notice in the newspaper declaring the details of completion of dispatch and other requirements as mandated under the Act and applicable rules.

Voting rights are reckoned on the paid up value of the shares registered in the names of the members as on the cut–off date. Members who want to exercise their vote by physical Postal Ballot are requested to return the said form duly completed and signed, to Scrutinizer on or before close of the voting period. Those using the e-voting option are requested to vote before the close of business hours on the last date of e- voting.

The Scrutinizer completes his scrutiny and submits his report to Chairman or authorized Director, after scrutiny The consolidated results of the voting are announced by the Chairman/authorized Director. The results are also published in newspapers and also displayed on website of the Company www.nucleussoftware.com besides being communicated to stock exchanges. The date of declaration of results by the Company is deemed to be the date of passing the resolution.

Remote e-voting and ballot voting at the Annual General Meeting (AGM)

To allow the shareholders to vote on the resolutions proposed at the AGM, the Company has arranged for remote e- voting facility. The Company has engaged Karvy Computershare Pvt. Ltd. to provide e-voting facility to all the members. Members whose names appear on the register of members as on June 25, 2018 shall be eligible to participate in the e-voting.

The facility for voting through ballot will also be made available at the AGM and the members who have not already cast their vote by remote e-voting can exercise their votes at the AGM.

D. Disclosures

(a) Disclosure on materially significant related party transactions:

The Company has not entered into any material transaction with any of its related parties. Detailed information on related party transactions is enclosed in Annexure A to the Directors' Report.

(b) Compliances by the Company of Capital Market Guidelines

The Company has complied with all requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to the capital market during the past, including the preceding three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities relating to the above.

(c) 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 has a well established whistle blower policy as part of a vigil mechanism for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of Director(s) / employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

In accordance with the Companies Act 2013 and Rules made there under and SEBI (LODR) Regulations, 2015, the Board adopted a revised Whistle Blower Policy.

No complaint was received under the Policy, during the year. We affirm that :

- Provision is made for adequate safeguards to employees against their victimisation on reporting to the Ombudsperson and
- no personnel was denied access to the Audit Committee.

(d) 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', compliant with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act"). As per the policy, any employee may report his/her 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 who would further take a decision on the same and report to the Board. No complaint received under the policy during the year. We affirm that adequate access was provided to any complainant who wished to register a complaint under the policy.

(e) Code of Conduct

The Company has in place a Code of Conduct which helps to maintain high standards of ethics for the Company's employees. In terms of Code of Conduct, the Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on an annual basis.

The Company has obtained declaration from its Directors and Senior Management affirming their compliance to the Code of Conduct for the current year.

A copy of the Code of Conduct is made available on the website of the Company i.e. http://www.nucleussoftware.com/investors

(f) Prevention of Insider Trading

The Company has adopted a "Code of Conduct for prevention of Insider Trading " to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations 2015. The code also includes practices and procedures for fair disclosure of unpublished Price sensitive information. There is quarterly update placed before Board for any disclosures received under the Code.

(g) Risk Management and Internal Control Policies adopted by the Company

A report on Risk Management and Internal Control Policies adopted by the Company has been discussed later as a separate chapter in this Annual Report.

(h) Adherence to Accounting Standards

The Company follows the mandatory Accounting Standards prescribed by The Institute of Chartered Accountants of India and to the best of its knowledge; there are no deviations in the accounting treatment that require specific disclosure.

(i) Management Discussion and Analysis

As required by SEBI (LODR) Regulations 2015, the Management Discussion and Analysis is provided in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis for the consolidated financials in the Annual Report, which is also provided later in this Annual Report.

(j) Subsidiary Companies

The Company has Nine subsidiaries across the globe. The Company does not have any material non-listed Indian subsidiary companies. The Company has a policy for determining 'material subsidiaries' which is disclosed on its website

The following table provides a list of all these subsidiaries as on March 31, 2018.

Date of Incorporation/ acquisition	Subsidiaries	Location	Percentage of Shareholding
February 25, 1994	Nucleus Software Solutions Pte. Ltd.	Singapore	100%
August 5, 1997	Nucleus Software Inc.	US	100%
November 2, 2001	Nucleus Software Japan Kabushiki Kaisha	Japan	100%
May 6, 2004	VirStra i-Technology Services Limited	India	100%
February 2, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%

Date of Incorporation/ acquisition	Subsidiaries	Location	Percentage of Shareholding
February 3, 2014	Nucleus Software Australia Pty Limited	Australia	100%
Feb 10, 2015	Nucleus Software South Africa Pty. Ltd.	South Africa	100%
March 17, 2016 (Date of Acquisition)	Avon Mobility Solutions Pvt. Ltd.	India	96%

Table 14

(k) Unlisted Indian Subsidiary Companies

The Company has three Indian subsidiaries; Nucleus Software Ltd., Virstra i- Technology Services Ltd. and AVON Mobility Solutions Private Limited, all of these are unlisted Indian subsidiary companies. The investment of the Company in the subsidiaries does not exceed twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year. Also, the subsidiaries have not generated twenty per cent of the consolidated income of the Company during the previous financial year.

(i) Mr. Prithvi Haldea, Independent Director on the Board of Directors of the Company, is an Independent Director on the Board of Directors of Virstra i- Technology Services Ltd.

(ii) Mr. Prithvi Haldea and Prof. Trilochan Sastry, Independent Directors on the Board of Directors of the Company, are Directors on the Board of Directors of Nucleus Software Ltd.

(iii) Mr. N. Subramaniam, Independent Director on the Board of Directors of the Company, is an Independent Director on the Board of Directors of AVON Mobility Solutions Pvt. Ltd.

(iv) The Audit Committee of the Company reviews the financial statements, in particular, the investments made by Virstra i- Technology Services Ltd., Nucleus Software Ltd. and AVON Mobility Solutions Private Limited.

(v) The minutes of the Board meetings of VirStra i- Technology Services Ltd. Nucleus Software Ltd. and AVON Mobility Solutions Private Limited are placed at the Board meetings of the Company.

The management periodically brings to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.

The Company policy for determining 'material' subsidiaries' and on Related Party Transactions, as approved by the Board can be accessed on the Company website link : http://www.nucleussoftware.com/investors .

(l) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2015-16, 2016-17 and 2017-18 respectively: Nil

E. General Shareholder Information

• **Date of incorporation**	9th January, 1989
• **Registered Office**	33-35, Thyagraj Market, New Delhi-110 003 India
• **Corporate Office**	A-39, Sector 62 Noida, 201307 India
• **Date and time of Annual General Meeting**	July 2, 2018, 11.30 a.m.
• **Venue of Annual General Meeting**	PHD Chamber of Commerce and Industry, PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi-110016
• **Date of Book Closure for AGM**	June 26, 2018 to July 2, 2018 (both days inclusive)
Financial Calendar for the financial year 2018-19 (tentative and subject to change)	
Financial reporting for :	**Tentative dates**
First Quarter ending June 30, 2018	between July 15-31, 2018
Second Quarter ending September 30, 2018	between October 15-31, 2018
Third Quarter ending December 31, 2018	between January 15-31, 2019
Year ending March 31, 2019	between April 15- 30, 2019
• **Listing on Stock Exchanges**	**Scrip Symbol/Code**
National Stock Exchange of India Limited (NSE) w.e.f. December 19, 2002 #Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai-400051.	NUCLEUS
BSE Ltd. (BSE) w.e.f. November 6, 1995 Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai-400001	531209
• **International Securities Identification Number**	INE096B01018
• **Registrars of Company & Share Transfer Agents**	Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500032, India Tel: 040-23420815-18 Fax: 040-23420814 E-mail: mailmanager@karvy.com
• **Dividend Payment Date**	The final dividend, if declared, shall be paid/credited on or before August 1, 2018

The annual listing fees for 2018-19 have been paid to both the Stock Exchanges.

a) Market Price Data on NSE & BSE for the financial year 2017-18

Month	NSE					BSE				
	Open	High (₹)	Low (₹)	Close	Total Volume	Open	High (₹)	Low (₹)	Close	Total Volume
Apr-17	248.50	329.50	246.30	315.80	4,481,553	244.00	329.50	244.00	315.25	754,206
May-17	315.80	344.40	309.00	331.45	2,447,123	315.05	343.90	309.65	331.80	406,140
Jun-17	331.60	343.20	317.40	318.95	757,992	335.00	342.00	316.90	317.65	132,394
Jul-17	315.45	324.90	281.05	284.90	679,655	318.30	324.00	280.05	285.10	76,817
Aug-17	287.50	296.90	270.75	286.75	380,595	282.00	296.95	270.05	286.85	50,346
Sep-17	289.45	322.45	275.25	305.15	835,391	286.30	322.00	274.90	304.85	147,093
Oct-17	312.00	392.15	304.15	346.40	2,605,978	310.05	391.90	304.15	345.65	390,928
Nov-17	348.00	582.80	342.00	558.75	6,111,985	350.50	583.00	341.90	557.00	890,862
Dec-17	562.05	602.00	472.55	520.60	3,701,025	559.00	602.40	476.70	521.40	514,973
Jan-18	521.00	539.40	430.00	435.05	2,331,597	522.05	545.00	431.70	435.60	450,407
Feb-18	439.00	486.95	372.00	458.30	1,791,561	438.00	486.20	374.05	456.65	214,662
Mar-18	457.85	472.00	392.05	400.85	500,660	455.20	475.00	391.10	401.70	68,184
Total Shares traded during the year					**2,625,115**					**4,097,612**

Table15

Equity shares of the Company are traded in “Group B” category and are a constituent of the Small Cap Index on BSE Ltd.

b) 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 Stakeholders Relationship Committee is authorised to approve transfer of shares, which are received in physical form and the said Committee approves transfer of shares as and when required.

The Company obtains from a Company Secretary in practice, a half-yearly certificate of compliance with the share transfer formalities as required under Regulation 7(3) of SEBI (LODR) Regualtions, 2015 and files a copy of the certificate with the Stock Exchanges.

c) Reconciliation of share capital

The Company obtains from a Company Secretary in practice, a quarterly certificate of reconciliation of share capital audit with regard to the total admitted equity share capital with the National Securities Depository Limited (“NSDL”) and the Central Depository Services (India) Limited (“CDSL”) and the total issued and listed equity share capital under Regulation 55A of The Securities and Exchange Board of India (Depositories and Participants) Regulation, 1996. The audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

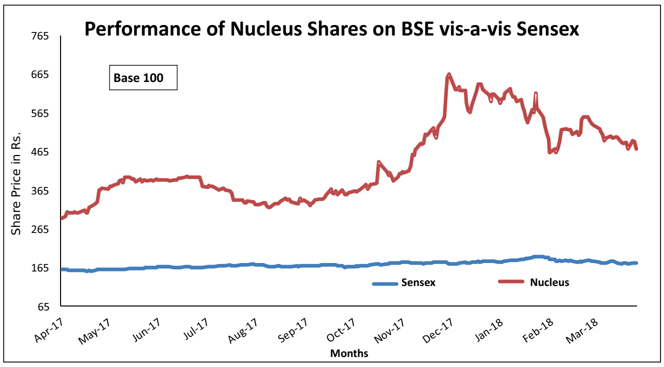
d) Dematerialization of Shares

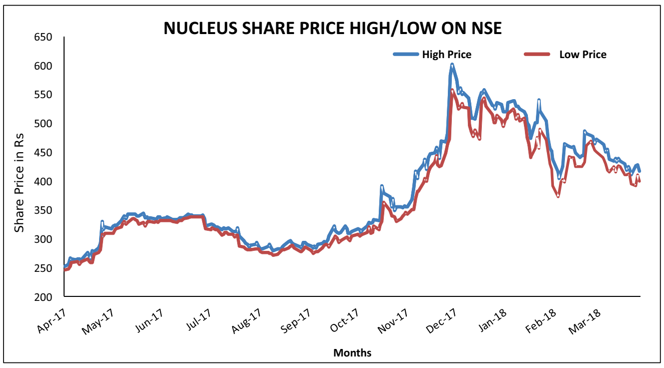
The Equity shares of the Company are under compulsory dematerialization (“Demat”) category and can be traded only in electronic form. The Company has dematerialized 28,960,841 shares (99.72 % of the paid up share capital) as at March 31, 2018.

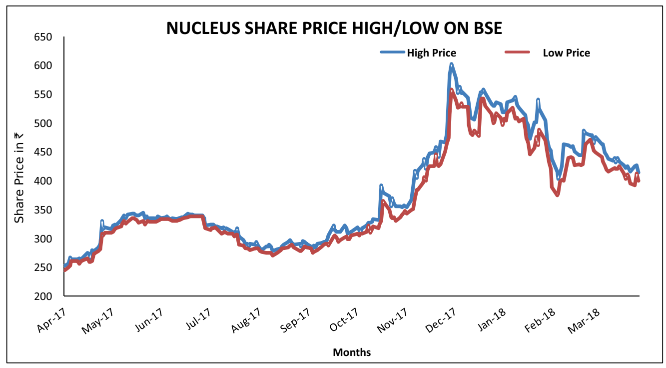
The procedure for converting the shares in dematerialized mode is as under:

- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company’s Registrar & Shares Transfer Agent.
- The Company’s Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.
- Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

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







Since the trading in the shares of the Company can be done only in electronic form, it is advisable that the shareholders who have the shares in physical form get their shares dematerialized.

e) Electronic Clearing Services (ECS)/National Electronic Clearing Services (NECS) facility

The divided remittances to shareholders happen predominantly through ECS / NECS as per the locations approved by RBI from time to time. If the shareholders are located at any of the ECS/NECS centers and have not registered their ECS/NECS, they may forward their ECS/NECS mandate to their depository participant if the shares are held in demat form, or to the Company/Registrars, if the shares are held in physical form, immediately.

f) Shareholding Pattern of the Company as at March 31, 2018

Category	As on March 31, 2018		
	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)
Promoter and Promoter Group	11	67.59	19,627,866
Individuals	14,124	17.75	5,155,102
Bodies Corporate	239	2.22	643,731
NRI's and Foreign Nationals	431	1.93	559,810
FII's	48	9.22	2,680,355
Mutual Funds	1	1.27	369,241
Banks and Financial Institutions	2	0.02	4,619
Total	**14,856**	**100.00**	**29,040,724**

Table 16

g) **Distribution of Shareholding**

Equity Shares Held		As on March 31, 2018				As on March 31, 2017			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1	100	9,821	66.11	378,952	1.30	12,000	63.32	522,302	1.61
101	200	1,599	10.76	267,052	0.92	2,266	11.96	390,072	1.20
201	500	1,666	11.21	572,878	1.97	2,216	11.69	799,097	2.47
501	1,000	901	6.06	668,293	2.30	1,240	6.54	956,178	2.95
1,001	5,000	694	4.67	1,499,997	5.17	999	5.27	2,129,408	6.58
5,001	10,000	76	0.52	508,099	1.75	125	0.66	883,592	2.73
10,001	and above	99	0.67	25,145,453	86.59	105	0.56	26,703,075	82.46
TOTAL		**14,856**	**100.00**	**29,040,724**	**100.00**	**18,951**	**100.00**	**32,383,724**	**100.00**

Note : During the year, the Company extinguished 3,343,000 equity shares consequent to the Buyback Offer in September 2017. Consequently, the paid-up share capital of the Company, as on March 31, 2018, is 29,040,724 equity shares of ₹ 10 each, as compared to 32,383,724 equity shares of ₹ 10 each as on March 31, 2017.

h) **Depository Receipts / Global Depository Receipts / Warrants**

As on March 31, 2018, 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 2017-18.

i) **Employee Stock Option Plans (ESOP)**

The ESOP 2015 has been formulated in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. ESOP 2015 contemplates dealing in/ acquisition of secondary shares through an Employee Welfare Trust (Trust) route.

The Company has got shareholders' approval vide postal ballot in Jan 2015, in respect of ESOP 2015 and grant of Stock Options to the eligible employees/ Directors of the Company and that of its Subsidiary Company(ies) as decided by the Nomination and Remuneration/ Compensation Committee from time to time. No Options have been granted under ESOP (2015) during the year.

j) **Investor Education and Protection Fund ("IEPF")**

As per Section 124(5) and 124(6) of the Act read with the IEPF Rules as amended, any dividend which remains unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the IEPF fund.

Also all shares in respect of which dividend has remained unpaid/unclaimed for seven consecutive years or more are required to be transferred to an IEPF Demat Account. The Company has sent notice to all the members whose Dividends are lying unpaid / unclaimed against their name and also those members whose dividends are lying unpaid/ unclaimed for seven consecutive years or more.

Members are requested to claim the same on or before the respective dates as mentioned in the reminder letters. In case the dividends are not claimed by the said date, necessary steps will be initiated by the Company to transfer such dividend and/or shares without further notice. No claim shall lie against the Company in respect of the shares so transferred to IEPF Demat Account. In the event of transfer of shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF Authority by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5.

Unclaimed dividends for the financial years, 2001-2002, 2002-03, 2003-04, 2004-05 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 have been transferred to the IEPF.

k) **Locations**

Nucleus services its clients through a network of domestic and international offices. At the year-end, Nucleus had wholly-owned subsidiaries in India, Japan, Netherlands, Singapore, South-Africa, U.S.A, Australia and branch offices in Mumbai and Chennai in India and Dubai (UAE) and London (UK) and USA.

Nucleus operates state-of-the-art Software Development Centers at Noida (U.P.). The Noida Centre is under the Software Technology Park Scheme of the Government of India.

Virstra i- Technology Services Limited, wholly owned subsidiary operates a Development Centre at Pune (Maharashtra).

Nucleus Software Limited (NSL), wholly owned subsidiary operates from a Special Economic Zone, Mahindra World City, Jaipur Ltd. (MWCJL).

AVON Mobility Solutions Pvt. Ltd., subsidiary is based in Chennai and has very good experience in logistics domain and expertise in developing mobile applications.

PARENT COMPANY

Nucleus Software Exports Ltd.

Registered Office	**Corporate Office**
33-35, Thyagraj Market New Delhi-110 003 India	A-39 Sector 62 Noida-201 307 India

SUBSIDIARIES

Nucleus Software Solutions Pte. Ltd.
300, Tampines Avenue-5#04-06,
Tampines Junction
Singapore-529653

Nucleus Software Japan Kabushiki Kaisha
Mitsubishi Building
2- 5-2 Marunouchi,
Chiyoda Ku
Tokyo 100-0005
Japan

Nucleus Software Inc.
505, Thornall State, Suite 401,
Edison, NJ 08837-2260
USA

Nucleus Software Netherlands B.V.
Cuserstraat 93, Floor 2nd & 3rd
Amsterdam 1081CN
Netherlands

VirStra i- Technology Services Limited
Marisoft 1, 6th Floor, Marigold Premises,
Vadgaon Sheri
Pune 411 014
India

Nucleus Software Ltd.
Plot No. IT- A - 017,
Mahindra World City (Jaipur) Ltd.
IT/ITES Special Economic Zone
Jaipur 302 037
India

Nucleus Software Australia Pty. Ltd.
Plaza Building, Australia Square, Level 12,
95 Bitt Street, Sydney, NSW - 2000
Australia

AVON Mobility Solutions Pvt. Ltd.
SKCL Triton Square, Unit #C3-C7, CIPET Road,
Thiru-Vi-Ka Industrial Estate, Guindy, Chennai - 32
India

Branch Offices in India

A. Mumbai
Wellington Business Park
405-408,4th Floor,
Near S.M Centre,
Marol Naka, Andheri Kurla Road
Andheri (East)
Mumbai 400 059

B. Chennai
SKCL Triton Square, Unit #C3-C7, CIPET Road,
Thiru-Vi-Ka Industrial Estate, Guindy, Chennai - 32

Branch Offices in Overseas Locations

A. London (UK)
Nucleus Software Exports Ltd.
4.01 288 Bishops Gate, London,
EC2M4QP, UK

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

C. USA
505, Thornall State, Suite 401,
Edison, NJ 08837-2260
USA

l) Investor Correspondence may be addressed to:

The Company Secretary
Nucleus Software Exports Ltd.,
33-35, Thyagraj Market
New Delhi-110003.
India
Tel: +91-(120)-4031400
Fax: +91-(120)-4031672
Email: investorrelations@nucleussoftware.com

m) Other General Shareholder Information

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

n) Auditor s' Certificate on Corporate Governance

As required by Schedule V of the SEBI (LODR) Regulations 2015, the Auditors' certificate on Corporate Governance is annexed to Director's Report as Annexure C.

o) CEO/CFO Certification

As required by SEBI (LODR) Regulations, 2015, the CEO/CFO certification is provided as Annexure A to the report on Corporate Governance, in this Annual Report.

p) Secretarial Audit

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed companies and they are required to annex the Secretarial Audit report with their Board Report in the Annual Report. We are pleased to inform that your Company, as a voluntary practice, has been getting Secretarial audit done for the past several years and also reporting it in the Annual Report.

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed PI & Associates, Company Secretaries to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report in the prescribed Form MR 3, is provided as Annexure F to the Directors'

Report. The Secretarial Audit Report is self explanatory and does not call for further explanation.

The Secretarial Auditor has made certain recommendations for adopting additional Best Practices, which are now being implemented.

q) Compliance with the Code of Conduct

All Directors and Senior Management personnel of the Company have affirmed compliance with the code for the financial year ended March 31, 2018. A declaration to this effect signed by the Managing Director has been published as Annexure B to this report on Corporate Governance.

r) Green Initiatives by the Ministry of Corporate Affairs, Government of India

The Company whole-heartedly supported the 'Green Initiative' of the Ministry of Corporate Affairs, Government of India enabling electronic delivery of documents to the shareholders at their e-mail addresses registered with the Depository participants/Registrar & Share Transfer Agent. This year also the Company is actively pursuing this initiative by sending Annual Reports in a soft copy form.

s) Commodity price risk or foreign exchange risk and hedging activities:

Please refer to Management Discussion and Analysis Report for the same.

F. Compliance with Non-Mandatory Requirements of Regulation 27 (1) of SEBI (LODR) Regulations, 2015

Regulation 27 (1) of SEBI of the Listing Agreement mandates us to obtain a certificate from either the statutory auditors or practicing Company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as Annexure C to the Directors' report.

The Company has complied with all mandatory requirements of Schedule II of SEBI (LODR) Regulations 2015. The Company has adopted following non-mandatory requirements as prescribed under:

a. Shareholder Rights

The Regulation states that a half-yearly declaration of financial performance including summary of the significant events in the last six months, may be sent to each household of shareholders.

- We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences, Company visits or during road-shows. We also leverage the Internet in communicating with our investor base.
- The announcement of quarterly/annual results is followed by:

o Media interactions, wherein business television channel in India telecasts discussions with our Managing Director.

o Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com for investors' information.

o The Company also sends results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).

o The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.

o Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on Corporate Governance etc. are also available on the Company website.

b. Modified opinion(s) in audit report

The Company is in the regime of unmodified audit opinion.

c. Separate posts of Chairman and CEO

The Company has separate persons as Chairman, Managing Director and CEO.

d. Reporting of Internal Auditor

The Internal auditor reports directly to the Audit Committee.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO REGULATION 17(8) OF SEBI(LODR) REGULATIONS, 2015

We, R P Singh, Chief Executive Officer (CEO) and Ashish Nanda, Chief Financial Officer (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 & Financial Year ended March 31, 2018 along with 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, 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 control 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, if any;
   b. There are no significant changes in accounting policies during the period; and
   c. There are no instances of 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.

	Sd/-	**Sd/-**
Place : Noida	**R P Singh**	**Ashish Nanda**
Date : May 3, 2018	**CEO**	**CFO**

Annexure B

DECLARATION BY CEO REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT

I, R P Singh, Chief Executive Officer (CEO) 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, 2018, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

	Sd/-
Place : Noida	**R P Singh**
Date : May 3, 2018	**CEO**

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forming Part of the Financial Statements for the year ended March 31, 2018

Management's discussion and analysis of the financial condition and results of operations include forward-looking statements based on certain assumptions and expectations of future events. The Company cannot assure that these assumptions and expectations are accurate. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to Management perceptions.

A. Industry Structure and Development

Recent forecasts for technology spending have shown growth – for example Gartner from 5.8 to 6.7% and Forrester from 3.9 to 5.1%. Part of this growth has been driven by increased investment to support digital initiatives. Global Digital spend is expected to increase from USD 180 Bn in 2017 to USD 310 Bn in 2020 growing over 20% YoY, as per Everest research. Digital technology is throwing up a new set of opportunities for the technology industry. Digital technologies are increasingly becoming all pervasive and are not only blurring the boundaries between business units (technology, finance, marketing, etc.) but also between companies; it is now no longer tech and non-tech companies. Many companies especially in the banking, automotive and manufacturing sector are re-positioning themselves as technology companies.

As per NASSCOM the Indian IT Industry is expected to add USD 14-16 billion in revenue in FY19 with Domestic Technology adoption to continue with double digit growth.

We are a product software company and making products is quite different from delivering services; it requires a distinctive mindset, capabilities and environment. Focus is shifting towards Fin-tech solutions for digital channels, mobility, artificial intelligence and analytics are rapidly emerging as core technologies. The growth of financial analytics solutions is helping the BFSI sector to manage risk better and take data driven decisions. SaaS is the preferred model of over 50% of Indian product companies and Cloud is growing at 43%, as per NASSCOM. This makes us hopeful of the future and we work towards building a great Product Company.

B. Company Background

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Market, New Delhi, India. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd. and BSE Ltd.

Nucleus Software is the leading provider of lending and transaction banking products to the global financial services industry. Its' software powers the operations of more than 150 customers in 50 countries, supporting retail banking, corporate banking, cash management, internet banking, automotive finance and other business areas.

Nucleus Software is known for its world-class expertise and innovation in lending and transaction banking technology. We have inter-alia, two flagship products, built on the latest technology:

- FinnOne™, 10 time winner - World's Best Selling Lending Solution.
- FinnAxia™, an integrated global transaction banking solution used by banks worldwide to offer efficient and Innovative global payments and receivables, liquidity management and business internet banking services.

During the year, we have continued to enhance our solutions to take advantage of market trends, such as increasing digitization of financial services. We have leveraged India Stack further to offer end to end digitization of Loan lifecycle.

We launched customer portal modules – eApply and eServe that offers host of services to end customer for applying and serving the loan.

We also launched ECM – Enterprise Content management solution which can be used to seamlessly store and retrieve documents, images, letters, customer communications etc.

As a part of ongoing development program, we also launched FinnAxia 5.0 including a newly launched Trade Finance Portal which would help corporate customers with a single, global view of their trade finance business. This will reduce the risk of fraud and will also enable the bank to make faster and more efficient financing decisions. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank's corporate customers. The solution also allows the corporates to define their own liquidity structures and visualize the prospective outcomes graphically. With a constant emphasis on ensuring compliance to regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms. With FinnAxia 5.0, corporate banks can capture new business opportunities, enable working capital management for their corporate customers and ensure compliance with new regulations in the transaction banking space.

During the year, PaySe™ payment solutions have been enhanced with the online mobile payment capability thus making PaySe an ideal payment solution for both the connected and non-connected world. The Government of India has launched a massive program to move the country from a cash based economy to a digital economy and PaySe will play an important role as it is primarily focusing on the rural and semi urban economy a segment which most wallet players tend to ignore.

PaySe has been rolled out in a couple of villages and have found favour with consumer to make payments for their daily purchases in the village and for LPG and PDS payments. In keeping with the UGC guidelines advising colleges and universities to move towards a less cash economy, Nucleus is focusing on the colleges and universities to make their campuses cashless by enabling digital payments for all financial transactions in the campus and extending the same to transactions around the campus.

Over the years, our committed professionals have provided solutions par excellence and with our deep expertise and global experience, we have created a global footprint of customers and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations. Today, in 50 countries, 150 of the world's most innovative organizations use our solutions to support millions of customers. Nucleus Software operates through integrated and well-networked subsidiaries in India, Japan, the Netherlands, Singapore, USA, Australia and South Africa. Since 1995 product development has been our strength and the Company has chosen to exclusively develop products and further add value through dedicated Research and Development initiatives.

Over the years we have gained deep experience working closely with IT leaders in the Banking and Financial Services industry. Headquartered in Delhi, India, the Company has nine subsidiaries, as described in table 1 below.

Date of Incorporation/ Acquisition	Name of Subsidiary Company	Location	Percentage of Shareholding
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 Ltd.	India	100%
February 3, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%
February 3, 2014	Nucleus Software Australia Pty. Ltd.	Australia	100%
February 10, 2015	Nucleus Software South Africa (Pty) Ltd.	South Africa	100%
March 17, 2016 (Date of Acquisition)	Avon Mobility Solutions Pvt. Ltd.	India	96%

Table 1

The Company has branch offices in Chennai and Mumbai in India and in London, UK, USA and Dubai. The Singapore subsidiary has a representative office in Jakarta in Indonesia and in Manila in the Philippines. These subsidiaries/branch offices help the Company in providing front-end support to customers and explore new opportunities.

C. The Way Forward

As Charles Darwin famously said, "It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change." India's IT-BPM industry is a practical testament of this theory. It has been leading the charge in adapting to change and disrupting itself so as to enable disruption for customers. Innovation and technological advancement are also inextricably linked with the very essence of banking. Today, the world's leading banks are investing heavily in digital banking technology, in which customers use mobile, web or digital platforms to use banking services. Artificial intelligence solutions such as bots, are being used in many areas, including providing online, interactive mortgage advice to consumers, assist customers in simple tasks such as making payments and many processes are now completely free of any human engagement. According to Gartner, customers will manage 85% of their relationship with the enterprise without interacting with a human by 2020. Chatbots are revolutionizing customer experience and can deliver everything a human can in terms of value to the customer — cross selling, personalised advice, and remembering preferences, at a fraction of the cost, and pretty much instantly.

The Company started its journey of developing world class IT products for customers in the banking and financial services space, where changing business requirements and growing complexity are driving rapid adoption of technology. We are taking our digital capabilities to the existing and new customers while also investing in disruptive innovation that will drive industrial productivity in the future. With implementations across 50 countries, FinnOne has been recognized as the world's best-selling lending 10 times by IBS Intelligence. In 2018, FinnOne Neo has been recognized as "Leader in the Lending Systems Category in the Indian Domestic Sales League Table 2018" and also secured "2nd position in the Lending Systems Category in the Global Sales League Table 2018" by IBS Intelligence. Building on our established track record as an innovator, Nucleus FinnOne Neo Cloud has helped many leading Non-Banking Financial Institutions (NBFCs) in India transform into digital businesses during the year. We have helped customers all over the world go-live and benefit from the advancements in technology. Financial institutions and banks rely on gathering, processing, analyzing, and providing information in order to meet the needs of customers. For three decades our mission has been to help our customers succeed by leveraging the latest technologies.

We believe that developing a customer-centric business model and to help our customers become more customer-centric, we have made it a priority to embed our solutions deeper into ourselves in the consumer's journey. This means thinking about financial services not as a separate activity, but as an enabling activity that should be seamlessly woven into a consumer's everyday life. As a leader in the financial technology space, we are always focused on product innovation with a passion for perfection and a relentless commitment to deliver best-in-class products to banks globally.

Some notable accolades won over the years are as follows:

- **"Best Lending Technology Implementation of the Year"** award at the BFSI Innovative Technology Awards 2018 for project Lending on cloud for Sai Point Finance with FinnOne Neo.
- Received an award **in Mid Corporate Segment-for Excellence in IT/ITES Sector**, at SME Business Excellence Awards, 2017 organized by Dun & Bradstreet Information Services India Pvt. Ltd (D&B).
- Annual Report for the Year Ended March 31, 2017 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked 7th amongst the World's Top 100 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).
- **bob Finance and FinnOne win The Banking Technology Award 2016**, bob Finance AG, a financial service company in Switzerland deployed Nucleus Software's FinnOne for offering an innovative and completely digitized loan service. This implementation won The Banking Technology Award 2016 - Highly Commended for Best Use of IT in Lending.

- Named as a **'Model Bank Vendor 2016'** Award by Celent for helping multiple clients achieve technology or implementation excellence.
- Recognized amongst the '**World's top 5 Mobile Banking Solution Providers'** by Forrester Research, Inc. in The Forrester Wave™: Mobile Banking Solutions, Q4 2015.
- Corporate LiveWire – FinTech Excellence Awards 2015 in the category "Excellence in Providing Banking Products"
- FinnOne™ **10 time winner - World's Best Selling Lending Solution** by IBS Publishing, UK.
- Annual Report for the Year Ended March 31, 2014 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked amongst the World's Top 50 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).
- 9th Social and Corporate Governance Awards in the category **"Best Overall Corporate Governance Compliance and Ethics Program** organised by World CSR Congress.
- Titanium Award at **"The Asset Triple A Corporate Awards 2014"** for Third Consecutive Year under the category Financial Performance, Corporate Governance and Investor Relations.
- "Asian CSR Leadership Awards 2014" in the category, "Best Corporate & Financial Reporting".
- **"The Asian Banker award – 2014"** for "Best Lending Platform Implementation Project" for introducing MARC, an innovative debt servicing solution that allows customers to make payment anytime, anywhere.
- The Company was inducted into the coveted **Hall of Fame** by the **Institute of Chartered Accountants of India**, in the category, Service sector (other than financial services) with turnover less than ₹ 500 crore, of the 'ICAI Awards for Excellence in Financial Reporting' in the year 2013.
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOneTM implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with **Model Bank Award by Celent** (March 2013).

D. Company Management

An active and well-informed Board is necessary to ensure the highest standards of Corporate Governance. At Nucleus, a well-qualified Board consisting of eight members manages the Company. During the Year, Mr. Janki Ballabh, retired from the Chairmanship of the Board w.e.f. Oct 31, 2017, due to attainment of retirement age. Mr. Ballabh had joined the Nucleus Software Board and served as Chairman of its Board since November 15, 2008. The Board members thanked Mr. Ballabh for his immense contribution and guidance in framing a strategic roadmap of the Company during his tenure.

The Board of Directors on the recommendation of the Nomination and Remuneration/Compensation Committee appointed Mr. S. M. Acharya, Independent Director as the Chairman of the Board w.e.f. November 1, 2017.

Also the Board of Directors on the recommendation of the Nomination and Remuneration/Compensation Committee appointed Mr. R P Singh, Whole time Director as the Chief Executive Officer of the Company w.e.f April 1, 2018 and re-designated Mr. Vishnu R Dusad, CEO and Managing Director as the Managing Director of the Company w.e.f April 1, 2018.

Five out of eight members of the Board are Non-Executive, Independent Directors and one member as Non-Executive Director. These Independent Directors provide valuable contribution in the deliberations and decisions of the Board with their diverse knowledge and expertise. As an effective Board, it develops and promotes the vision, culture and values of the Company and provides entrepreneurial leadership to the Company within a framework of prudent and effective controls.

Only a strong global team can drive excellent performance – especially in a challenging business environment. During the year, critical functions of the organisation were strengthened with assessment of Leadership bandwidth to build a strong team aligned to Nucleus fundamentals and culture. Particular emphasis was placed on attracting, developing and retaining talent, especially in emerging markets, through specifically designed programs. At the same time, the focus was on continuously improving and strengthening the leadership team and fostering a unique performance culture at Nucleus. For a global company, a diverse workforce that unites different cultural backgrounds and work experience is an important success factor. We continued recruiting people from across the globe and our endeavour is to smoothly manage and assimilate this diversity in work culture.

Total manpower numbers stood at 1,851 at the end of the year.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, supported through an effective distribution network of partnerships, alliances and acquisitions to achieve seamless and high quality delivery resulting in a high level of customer satisfaction.

E. OPPORTUNITIES AND THREATS

The rapid advance of technology has continued to disrupt industries including retail, travel and transportation. The impact is increasingly being felt in financial services. As if that weren't enough, continued rhetoric on Protectionism, Brexit and labor mobility issues and have created considerable uncertainty. We also withnessed delayed growth in US BFSI despite improving macro-economic indicators. Interestingly, these megatrends did nothing to slow down the steady march of digital and allied high-end technologies.

The global IT-BPM market stood at USD 1.3 trillion in 2017 (excl. hardware) showing a growth of 4.3% over 2016 and packaged software was the fastest growth segment with SaaS driving growth.

Geopolitical factors and the resultant headwinds have impacted the Indian IT-BPM industry as well. However, despite multiple headwinds, Industry continues to grow and establish itself as a Digital partner for the world. India's IT-BPM industry today stands at USD 167 billion market and employs around 4 million people. The industry is projected to add USD 14-16 in FY 2019. In FY2018, IT-BPM exports from India are expected to reach USD 126 billion, a 7.7% YoY growth. ER&D and product development continues to be the fastest growing segment at 12.8% driven by the demand for AECS-autonomous, electrification, connectivity and shared mobility.

The trend and the factors contributing to growth are similar to global markets, and encouragingly, at a faster rate. Increasing access to internet in both urban as well as rural areas, ambitions e-governance projects, continued focus on skill development and growing digital transactions are some of the indicators of rapid growth of the India's digital economy. The government has a strong focus on transforming the country into a cash-less economy. Various government incentives such as referral bonus scheme to promote the use of BHIM, zero service tax on railway tickets booked online and launch of Aadhaar-based mobile app are aimed at encouraging digital payments in the country.

As an international organization, we have a relentless focus on product development assimilating global best practices, which has led to lending and transaction banking product implementations across more than 50 countries for 150+ customers. Our domain knowledge and years of experience positions us well to enter new markets and expand market share in existing markets.

F. OUTLOOK

Your Company continues its journey as a preferred partner for banking and financial organizations worldwide, providing innovative and pioneering products, services and solutions globally. Continuing the relentless focus on customer success, Your Company launched a range of innovative solutions during the year.

'Digital Transformation' has become a central component for businesses across all industries. It entails leveraging digital tools and technologies like mobile, web or digital platforms to make life easier, bringing increased convenience, enhanced efficiency, improved affordability and better access to information, goods and services.

The banking and financial services sector has gone through unprecedented change in the last few years and the transformation is not yet complete. Overall, consumer behavior and smart device trends are steering banking technology advances in the direction of convenience. An increasing number of remote technologies allow you to interact with your bank right from the palm of your hand. And from your email inbox to visiting an actual branch, you can expect to encounter a whole new customer experience, perhaps even sooner than you think. While some leading banks are beginning to evaluate their success in terms of the percentage of their business coming from digital, the next step is "beyond digital". Challenges create opportunities and we are investing in the right technologies and enhancing our solution to help our customers turn opportunities into profits. We will continue to ensure that our solutions are ready to cater to these evolving needs, so that our customers can take advantage of the opportunities presented.

Software industry body National Association of Software and Services Companies (Nasscom) expects, India's IT-BPM sector total revenue to reach USD 200-225 billion by 2020 and between USD 350-400 billion by 2025. Digital technologies is throwing up a new set of opportunities for the technology industry and revenue from these is likely to have a 23 per cent share by 2020 and more than 38 per cent by 2025. Indian service providers face a significant opportunity as digital technologies are increasingly becoming all pervasive and continue to be embedded in an ever widening range of products and services.

G. RISKS AND CONCERNS

These are discussed in detail in the Risk Management chapter provided later in this Annual Report.

H. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are a set of policies, processes and procedures put in place to help achieve the strategic objectives of an organization. Good controls encourage operational efficiency and compliance with laws and regulations, as well as minimizing the chance of errors, theft and fraud. At the same time internal controls also enhance the reliability and accuracy of accounting data.

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. This has been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2018.

BSR and Associates, the statutory auditors of the Company, have audited the financial statements included in this annual report and have issued an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

The Board of Directors has also appointed Internal Auditors as recommended by the Audit Committee with a well-defined internal audit scope. The Internal Auditor reports to the Chairman of the Audit Committee and presents significant audit observations to the Audit Committee. Based on the report of the Internal Auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

The CEO/CFO certification provided elsewhere in this report also places responsibility on the CEO and CFO to continuously ensure adequacy of our internal control systems and procedures.

I. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The IT industry witnessed a challenge in retaining its talent in the last two years – from being the largest employer of software professionals to nurturing the most diverse workforce that drives & delivers excellence. However, the booming industry continues to present challenges in attracting and retaining the talent we need. The increased diversity of human capital has helped the organizations in this industry to be creative, knowledgeable as well as innovative.

Our Company's HR function focuses on creating an environment that stimulates the creation of knowledge while acting as a coach, counselor and facilitator. Consequently, strong emphasis has been placed on attracting, managing and retaining talent. As a strategic partner, the HR function launched numerous initiatives to ensure a high-performing and engaged workforce. The Company has built global talent pool over the years, by recruiting students from premier universities in India and through the need based hiring for other positions. Also we have taken many initiatives in the previous year to retain the best talent. We continuously review and improvise them for still better retention. We are happy to share that we launched various organization-wide HR initiatives to ensure high-performing and engaged workforce like frequent connect sessions with associates, Capability Strengthening Workshops, Critical Resource Retention Program aimed at motivating and retaining key talent to name a few, which helped in actively managing and constantly building the unique capabilities of our human assets.

With great focus to create an enviable workplace, the HR policies/processes framework are reviewed frequently to maintain consistency with the industry best practices and accelerate operational efficiencies for achieving high performance excellence.

J. FINANCIAL PERFORMANCE

The Company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017 (transition date being April 1, 2016) pursuant to notification issued by Ministry of Corporate Affairs dated February 16, 2015 guarding the Companies (Indian Accounting Standards) Rules, 2015. Accordingly, the financial results have been prepared in accordance with Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder. Consequently the results for the year ended March 31, 2017 have been restated to comply with Ind AS to make them comparable.

The financial statements are prepared in accordance with the Companies (Accounting Standards) Rules, 2015, notified under section 133 of the Act and other relevant provisions of the Act. The accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates new as well as revised accounting standards on an ongoing basis.

The Company has nine subsidiary companies, all of which are wholly-owned subsidiaries except Avon Mobility Solutions Pvt. Ltd., in which the company acquired 96% stake in the year FY15-16. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

i) Nucleus Software Exports Limited (Standalone) which excludes the performance of subsidiaries of the Company, discussed in this chapter and

ii) Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, and has been discussed in the later chapters of this report.

Standalone financial results are as below: *(₹ in crore)*

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue	Growth (%)
Revenue from Operations	**337.32**	***100.00***	**299.35**	***100.00***	**12.68**
Expenses					
a) Employee benefit expense	216.29	*64.12*	175.89	*58.76*	22.97
b) Operating and other expenses	78.33	*23.22*	87.91	*29.37*	(10.90)
c)Finance costs (Bank charges)	0.32	*0.09*	0.35	*0.12*	(8.57)
Total Expenses	**294.94**	***87.44***	**264.15**	***88.24***	**11.66**
Operating Profit (EBITDA)	**42.38**	***12.56***	**35.20**	***11.76***	**20.40**
Depreciation	6.47	1.92	10.26	3.43	(36.94)
Operating Profit after Interest and Depreciation	**35.91**	***10.65***	**24.94**	***8.33***	**43.99**
Other Income	41.77	12.38	31.82	10.63	31.27
Profit Before Tax	**77.68**	**23.03**	**56.76**	**18.96**	**36.86**
Taxation	12.08	*3.58*	4.98	*1.66*	142.57
Profit After Tax	**65.60**	***19.45***	**51.78**	***17.30***	**26.69**
Other Comprehensive Income	(2.83)	*(0.84)*	6.50	*2.17*	(143.54)
Total Comprehensive Income for the period	**62.77**	***18.61***	**58.28**	***19.47***	**7.70**

Management's Discussion and Analysis

Revenue from Operations

Our revenues from software development comprise of income from fixed price and time and material contracts. Revenue from fixed price contracts comprising of license, related customization and implementation is recognised in accordance with the output method based on percentage completion. Revenue from time and material contracts is recognised as the services are rendered. Revenue from annual technical service contracts is recognized on a pro rata basis over the period in which such services are rendered.

During the year, the revenue from operations is ₹ 337.32 crore, against ₹ 299.35 crore for the previous year.

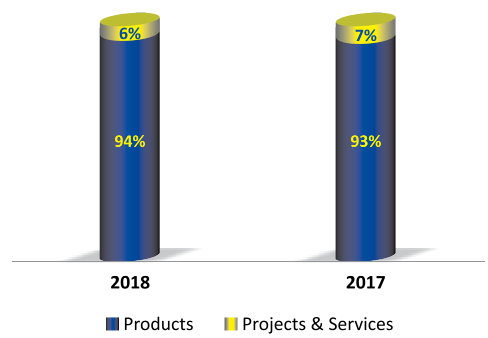
Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services. Categorized under revenue from "Products", it comprises of license fee, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ₹ 316.07 crore, 94% of the total revenue, against ₹ 278.41 crore, 93% of total revenue, in the previous year.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Software projects and services revenue for the year is ₹ 21.25 crore, 6% of the total revenue, against ₹ 20.94 crore, 7% of the total revenue, in the previous year.

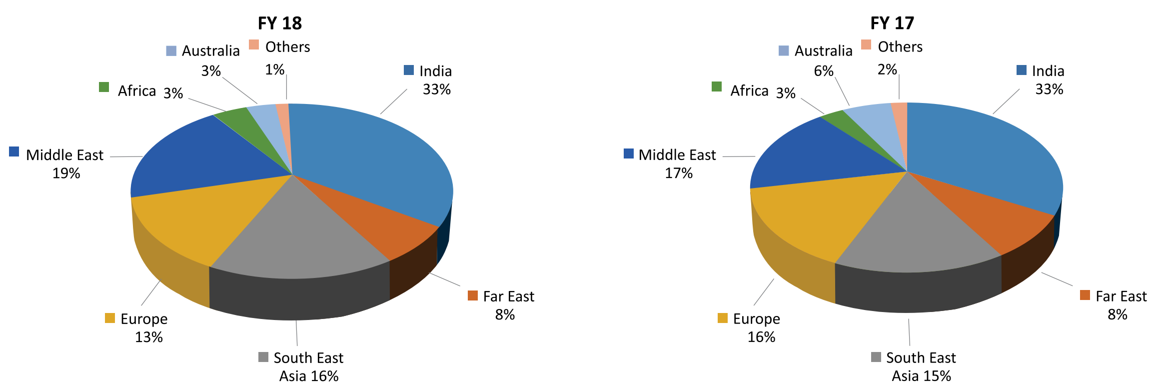
Revenue from Business Segments



Revenue from Various Geographies

Your Company is incorporated in India and caters to customers situated all across the globe and hence significant part of the revenue is derived from international sales. For the year 63% revenue was derived from overseas. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from various geographies



EXPENSES

Employee Benefit Expense

Employee benefit expense includes salaries paid to employees in India, with fixed, variable and incentives components; provision for gratuity and compensated absence, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 22.97 % to ₹ 216.29 crore, 64.12% of revenue against ₹ 175.89 crore, 58.76% of revenue in the previous year. The increase is primarily due to increase in employee compensation and increase in gratuity due to increase in maximum limit from ₹ 10 lacs to ₹ 20 lacs in current year.

(₹ in crore)

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue	Growth (%)
Salaries	197.27	*58.48*	162.03	*54.13*	21.75
Contribution to provident and other funds	9.96	*2.95*	8.53	*2.85*	16.76
Gratuity	5.14	*1.52*	2.11	*0.70*	143.60
Staff welfare	3.92	*1.16*	3.22	*1.08*	21.74
Total Employee Benefit Expenses	**216.29**	***64.12***	**175.89**	***58.76***	**22.97**
Revenue	***337.32***	***100.00***	***299.35***	***100.00***	***12.68***

Operating and Other Expenses

Operating and other expense primarily consist of expenses on travel to execute work at client site and for other related activities, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges, expenses on account of brand building activities, training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, contribution to CSR activities and others.

Operating and other expenses at ₹ 78.65 crore, 23.32% of revenue for the year, a decrease of 10.89 % against ₹ 88.26 crore, 29.48% of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2018	*% of Revenue*	2017	*% of Revenue*	Growth %
Outsourced Technical Service Expense	9.61	*2.85*	12.16	*4.06*	(20.97)
Cost of software purchased for delivery to clients	2.07	*0.61*	1.83	*0.61*	13.11
Travelling	13.40	*3.97*	11.01	*3.68*	21.71
Power and fuel	4.19	*1.24*	4.21	*1.41*	(0.48)
Rent	2.90	*0.86*	3.24	*1.08*	(10.49)
Rates & Taxes	0.99	*0.29*	0.40	*0.13*	147.50
Repair and maintenance	3.35	*0.99*	3.29	*1.10*	1.82
Legal and professional	4.36	*1.29*	6.59	*2.20*	(33.84)
Directors remuneration	1.16	*0.34*	1.09	*0.36*	6.42
Conveyance	1.71	*0.51*	1.51	*0.50*	13.25
Communication	1.68	*0.50*	1.56	*0.52*	7.69
Information technology expenses	*6.28*	*1.86*	4.56	*1.52*	37.72
Provision for doubtful debts/advances/other current assets	0.42	*0.12*	(0.28)	*(0.09)*	250.00
Commission to channel partners	1.17	*0.35*	0.38	*0.13*	207.89
Training and recruitment	3.43	*1.02*	2.83	*0.95*	21.20
Conference, exhibition and seminar	1.52	*0.45*	1.52	*0.51*	0.00
Advertisement, business development and promotion	1.36	*0.40*	0.82	*0.27*	65.85
Insurance	0.41	*0.12*	0.53	*0.18*	(22.64)
Finance Cost (Bank Charges)	0.32	*0.09*	*0.35*	*0.12*	(8.57)
Sales & marketing fee	12.92	*3.83*	17.14	*5.73*	(24.62)
Provision for doubtful Loans	-	-	7.32	*2.45*	(100.00)
Miscellaneous expenses	4.29	1.27	5.10	1.70	(15.88)
Contribution to CSR activities	1.11	0.33	1.10	0.37	0.91
Total Operating and Other Expenses	***78.65***	***23.32***	***88.26***	***29.48***	***(10.89)***
Revenue	***337.32***	***100.00***	***299.35***	***100.00***	***12.68***

Finance cost includes bank charges and fee for issuance of bank guarantees. It is ₹ 0.32 crore against ₹ 0.35 crore in the previous financial year.

The decrease in Operating and other expense for FY 2018 from FY 2017 are primarily due to decrease in Sales & Marketing fee and Provision for doubtful loans.

The Company had set up Nucleus Software Foundation, a trust for the purpose of undertaking CSR activities of the Company. During the year, the Company contributed ₹ 1.11 crore towards CSR activities to the trust. The details of CSR initiatives undertaken by the trust has been provided in a separate section in the Annual Report.

Operating Profit (EBITDA)

Operating Profit of ₹ 42.38 crore, 12.56% of revenue against ₹ 35.20 crore, 11.76% of revenue in the previous year.

Depreciation

Depreciation on fixed assets is ₹ 6.47 crore, 1.92% of revenue for the year against ₹ 10.26 crore, 3.43% of revenue in the previous year.

Other Income

Other Income represents income received in the form of dividends from subsidiaries and current investments, interest on fixed deposits and bonds and capital gains on the sale of current investments.

Management's Discussion and Analysis

(₹ in crore)

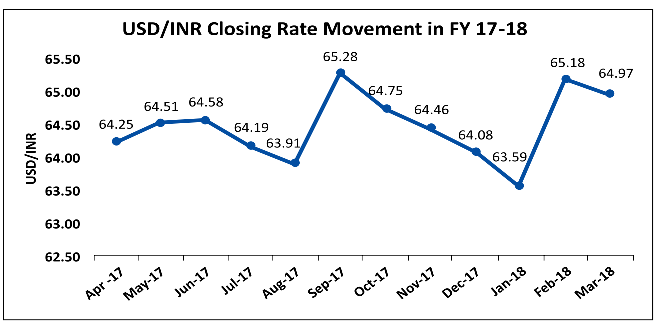
For the Year Ended March 31,	2018	2017
Dividend on investment in Mutual fund units	9.02	9.00
Interest income on financial assets-carried at amortised cost	17.68	22.27
Dividend from Subsidiary	13.89	-
Net Gain / (Loss) on foreign currency	0.09	(0.17)
Profit on sale of assets/ investments	0.38	0.60
Others	0.71	0.12
Total	**41.77**	**31.82**

Other income for the year is ₹ 41.77 crore against ₹ 31.82 crore for the previous year.

The Company received an Interim dividend of ₹ 5.00 crore from the Indian subsidiary (VirStra-i Technology Services Ltd) and ₹ 4.37 crore from Singapore subsidiary of the Company and ₹ 4.52 crore from USA subsidiary. These dividends from subsidiaries do not form part of income on consolidation of parent company and subsidiaries.

Foreign Exchange Gain/ (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/ payables. During the year, the Company had a foreign exchange gain of ₹ 0.09 crore against a loss of ₹ 0.17 crore for the previous year. We conduct major portion of our business transactions in currencies other than the Indian Rupee. Eighty percent of our revenue is denominated in foreign currency, predominantly the US Dollar, while majority of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. The exchange rate movement during the year is depicted in the below mentioned chart.



Source: Mecklai Financial

The Indian Rupee varied from a high of 63.25 to the Dollar in January 2018 to a low of ₹ 65.89 in September 2017 and overall gained 0.2% against the US Dollar on a March end to March end comparison.

Taxation

Current tax represents the provision for Indian income tax on the profits of the Company as calculated in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods, in accordance with accounting standards. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date.

(₹ in crore)

For the Year Ended March 31,	2018	2017
- Current Tax Expense	11.97	9.10
- Deferred Tax Credit (net)	0.11	(4.12)
Total	**12.08**	**4.98**

Total effective tax for the year is 15.55% of Profit Before Tax, in comparison to 8.77% of Profit Before Tax for the previous year. Expenditure of the Company's R & D centre in Noida which is duly recognized by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted tax deduction in accordance with section 35(2 AB) of the Income Tax Act, 1961. Effective tax rate was higher during the year due to dividend income from foreign subsidiaries and also on account of reduction in weighted tax deductions as per the new norms of Income Tax for the R&D spend by the Company.

Profit After Tax

Our profit after tax for the year is ₹ 65.60 crore, 19.45% of revenue against ₹ 51.78 crore, 17.30% of revenue, during the previous year.

Other Comprehensive Income (OCI)

Other comprehensive income represents

a) Equity instruments through OCI – this is primarily on account of fair valuation of investment for which the Company has made an irrevocable option to present the same in the OCI. For the year it is ₹ (1.96) crore, against ₹ 5.96 crore in the previous year.

b) Remeasurements of the defined benefit plans – consist mainly of remeasurements gain/losses on our defined benefit plans. For the year it is ₹ 0.47 crore, against ₹ (0.58) crore in the previous year.

c) Effective portion of gain (loss) on hedging instruments of effective cash flow hedges, net – when a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative is recognised in OCI. For the year it is ₹ (1.34) crore, against ₹ 1.12 crore in the previous year.

Total other comprehensive income for the year is ₹ (2.83) crore, against ₹ 6.50 crore in the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2018 is 29,040,724 equity shares of ₹ 10 each as compared to 32,383,724 equity shares of ₹ 10 each as on March 31, 2017. During the year, the Company did a Buyback of 3,343,000 (Thirty Three Lakhs Forty Three Thousand) equity shares of the face value of ₹10/- each fully paid up at a price of ₹ 350/- (Rupees Three Hundred and Fifty Only) aggregating to ₹ 117.00 crore.

Retained Earnings

During the year, Company earned net profit of ₹ 65.60 crore. Your Directors have proposed a final dividend of ₹ 8 per share. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting. In the current year, the Company paid a total dividend of ₹ 16.19 crore as final dividend for FY16-17 in July 2017 and utilised ₹ 32.54 Crores for Buyback of equity shares.

Other Equity

Movement in the components of other equity is as below:

(₹ in crore)

Particulars	Opening Balance as on April 1, 2017	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2018
Capital Reserve	0.89	-	0.89
Securities Premium	2.19	(2.19)	-
General Reserve	82.27	(82.27)	-
Capital Redemption reserve	-	3.34	3.34
Retained Earnings	361.89	16.38	378.27
Other Comprehensive Income			
Hedging Reserve	*1.36*	*(1.34)*	*0.02*
Remeasurement of net defined benefit plans	*(0.58)*	*0.47*	*(0.11)*
Equity instrument through other comprehensive income	*10.35*	*(1.96)*	*8.39*
Total	**458.37**	**(67.57)**	**390.80**

Property, plant and equipment and Intangible assets

As at March 31, 2018, Net carrying Amount of Property, Plant and Equipment and Intangible assets is ₹ 30.56 crore against ₹ 29.80 crore as on March 31, 2017.

(₹ in crore)

As at March 31,	2018	2017	% Inc/Dec
Gross Carrying Amount			
Freehold land	0.34	0.34	-
Leasehold land	5.60	5.60	-
Building	16.27	16.02	1.56
Office and other equipment	2.64	2.25	17.33
Computers	12.42	8.10	53.33
Vehicles	2.47	2.12	16.51
Furniture and fixtures	0.92	0.04	2,200
Software	6.38	5.59	14.13
Total	**47.04**	**40.06**	**17.42**
Less; accumulated depreciation	16.48	10.26	60.62
Net Carrying Amount	**30.56**	**29.80**	**2.54**

There are fresh additions of ₹ 7.48 crore during the year including ₹ 4.32 crore of computer hardware and ₹ 0.79 crore of software purchases.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

Investments

Investments of the Company can be categorized as per the following:

i) **Non-current investments** totaling ₹ 261.73 crore as on March 31, 2018 against ₹ 222.88 crore as on March 31, 2017.

a. **Investment In subsidiaries** -The investment of the Company in the Equity Share capital of its subsidiaries stood at ₹ 17.77 crore and preference shares stood ₹ 2.65 crore.

(₹ in crore)

Name of Subsidiary Company, Location	As at March 31, 2018	2017
Nucleus Software Solutions Pte. Ltd. Singapore.	1.63	1.63
Nucleus Software Inc., USA.	1.63	1.63
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA.	(1.63)	(1.63)
Nucleus Software Japan Kabushiki Kaisha, Japan.	0.41	0.41
VirStra i-Technology Services Ltd., India.	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands.	4.89	4.89
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands.	(4.89)	(4.89)
Nucleus Software Limited, India.	11.94	11.94
Nucleus Software Australia Pty. Limited, Australia.	0.55	0.55
Nucleus Software South Africa (Pty.) Limited, South Africa.	0.32	0.32
Avon Mobility Solutions Pvt Ltd., India.	1.92	1.92
Avon Mobility Solutions Pvt Ltd., India. (Preference Shares)	2.65	2.35

b. **Investment in equity shares** of a listed company at FVOCI - ₹ 8.64 crore.

c. **Investment in tax free bonds at amortised cost** - ₹ 87.13 crore.

d. **Investment in preference shares at amortised cost**- ₹ 46.90 crore.

e. **Investment in fixed maturity plans of mutual funds at amortised cost** – ₹ 59.75 crore.

f. **Investment in mutual funds at Fair value through profit or loss (FVTPL)** – ₹ 38.89 crore.

ii) Current Investments and Bank Balances

As of March 31, 2018 current investments and bank balances stood at ₹ 177.76 crore as against ₹ 257.85 crore as on March 31, 2017.

(₹ In crore)

As at March 31,	2018	2017
Current Investments	131.96	224.37
Balances with Bank		
In Current Accounts	14.91	9.71
In Fixed Deposit Account	30.89	23.77
Total	**177.76**	**257.85**

Current Investments of ₹ 131.96 crore as on 31st March 2018, as per below table.

(₹ in crore)

Name of the Mutual Fund Scheme	Value of units as at March 31, 2018
Investment in Mutual funds at Fair value through profit or loss (FVTPL)	
Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment	5.40
Baroda Pioneer Treasury Advantage- DDR - Direct	16.71
Birla Sunlife Enhanced Arbitrage- MDR - Direct	8.32
Birla Sunlife Foating Rate Fund-STP- DDR - Direct	0.84
Birla Sunlife Floating Rate Fund- DDR - Direct	1.29
Birla Sunlife Cash Plus Fund- DDR - Direct	6.11
HDFC Arbitrage Fund - Normal DR- Direct	10.26
HDFC Floating Rate - Short term plan- Wholesale – Direct - Daily Dividend-Reinvestment option.	3.63
ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option	0.28
ICICI Prudential Flexible Income Plan - DDR - Direct	0.36
IDFC Arbitrage Fund Direct Plan- Monthly DR-Direct	6.70
Invesco India Liquid Fund - DDR-Direct	1.69
Kotak Equity Arbitrage Fund- Fortnightly DR-Direct	30.95
L&T Liquid Fund -Direct –DDR	5.62
Reliance Arbitrage Advantage Fund-Monthly DR-Direct	10.95
Reliance Medium Term Fund - Daily Dividend -Reinvestment option-Direct	0.01
Investment in Fixed maturity plan at Amortised cost	
HDFC FMP 1128D March 2015(1) Direct Growth	6.37
ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	6.36
Investment in Preference Shares at Amortised cost	
9% L&T Finance Holdings Limited -Preference Shares 2018	10.09
Total	**131.96**
HDFC FMP 370D June 2014 (2) Series 31 – Growth Option	1.00
ICICI Prudential FMP Series 74 -369 Days Plan T Growth	10.00
Reliance Fixed Horizon Fund- XXVI- Series 31-Growth Option	5.00
UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth	1.00
Total	**219.79**

Operating Cash Flow

Our net cash flow from operating activities before working capital changes is ₹ 44.50 crore for the financial year, against ₹ 43.36 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 67.92 crore against ₹ 80.86 crore in the previous year.

To summarise the Company’s liquidity position, given below are a few ratios:

As at March 31,	2018	2017
Operating cash flow as % of revenue	20.14%	27.01%
Days of sale receivable	77	72
Cash and Equivalents as % of assets	30.06%	42.43%
Cash and Equivalents as % of revenue	52.70%	86.14%
Current investments as % of assets	22.32%	36.92%
Current investments as % of revenue	39.12%	74.95%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2018 are ₹ 70.80 crore against ₹ 59.05 crore on March 31, 2017. The age profile of the debtors (net of provision) is given below:

As at March 31,	2018	2017
Less than three months	77.38%	76.81%
Between 3 and 6 months	5.37%	7.09%
More than 6 months	17.25%	16.10%

Loans and Other Financial Assets

Loans and Other Financial assets have been classified into Non Current and Current based on their period of realization.

((₹ in crore)

As at March 31,	2018	2017
Non – Current		
Staff Loans	0.09	0.13
Security deposits	1.32	1.35
Long-term bank deposits	8.50	2.15
Total	**9.91**	**3.63**
Current		
Staff Loans	0.29	0.33
Security deposits	-	0.02
Mark-to-market gain on forward contracts	0.03	1.36
Expenses recoverable from customers	0.26	0.41
Total	**0.58**	**2.12**
Total Loans and Other Financial Assets	**10.49**	**5.75**

Outstanding amounts from wholly owned subsidiaries at the end of FY 2018 and FY 2017 are as below:

(₹ In crore)

As at March 31,	2018	2017
Long Term		
Nucleus Software Limited, India	7.32	7.32
Less: Provision for doubtful loan	(7.32)	(7.32)
	-	-

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 1.32 crore as on March 31, 2018 against ₹ 1.37 crore as on March 31, 2017. Long term bank deposits amounting to ₹ 8.50 crore as on March 31, 2018 include deposits held with bank for maturity more than 12 months from balance sheet date under lien with banks and are restricted from being settled for more than 12 months from the balance sheet date.

Other Assets

Other Assets represents income tax asset, Employee advances, Service income accrued but not due, Balances with Government authorities, Supplier and capital advances, prepaid and deferred expenses. Other assets have been classified into Non Current and Current based on their period of realization.

(₹ in crore)

Other Assets

As at March 31,	**2018**	**2017**
Non - Current		
Advance Tax	13.40	9.89
Employee Advances	0.38	0.38
Capital Advances	0.07	0.09
Prepaid Expenses	0.01	0.01
Deferred Expenses	0.06	0.03
Total	**13.92**	**10.40**
Current		
Service income accrued but not due	9.22	6.19
Employee Advances	0.37	0.51
Prepaid Expenses	3.40	2.53
Balances with Government authorities	0.33	0.46
Supplier advances	3.06	2.18
Deferred Expenses	0.03	0.03
Total	**16.41**	**11.90**
Total Other Assets	**30.33**	**22.30**

Current Liabilities

Current liabilities represent trade payables, short-term provisions, other financial liabilities and other current liabilities. As on March 31, 2018 the Current liabilities are ₹ 165.70 crore (₹ 112.03 crore as on March 31, 2017).

(₹ In crore)

As at March 31,	**2018**	**2017**
Financial liabilities		
Trade Payables	51.04	28.93
Unpaid dividends	0.24	0.29
Payable for purchase of fixed assets	0.01	0.13
Other current liabilities		
Advances from customers/Advance Billing	60.45	32.30
Deferred Revenue	43.54	42.64
Payable to Gratuity Trust	3.72	2.11
Statutory dues	4.99	3.87
Short term provisions		
Compensated absences	1.71	1.54
Income tax	-	0.22
Total	**165.70**	**112.03**

Trade payables represent the amount payable for providing goods and services and are ₹ 51.04 crore as on March 31, 2018 against ₹ 28.93 crore as on March 31, 2017.

Advances from customers/Advance Billing as on March 31, 2018 is ₹ 60.45 crore against ₹ 32.30 crore as on March 31, 2017. These consist of advance payments received from customers, for which related costs have not been yet incurred or product license delivery is at later date. Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2018 it is ₹ 43.54 crore against ₹ 42.64 crore as on March 31, 2017.

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, GST, etc. As on March 31, 2018 it is ₹ 4.99 crore against ₹ 3.87 crore as on March 31, 2017.

Short term provisions for leave encashment and taxes are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2018 are ₹ 1.71 crore against ₹ 1.54 crore as on March 31, 2017.

Non-Current Liabilities

Non-Current Liabilities as on March 31, 2018 were ₹ 5.81 crore against ₹ 4.91 crore as on March 31, 2017. The break-up of non-current liabilities at the year-end is given below:

(₹ in crore)

As at March 31,	2018	*2017*
Financial liabilities		
Annual incentive payable	0.91	0.42
Long-term Provisions		
Compensated absences	4.90	4.49
Total	**5.81**	**4.91**

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for Leave encashment represents provisions made by the Company based on actuarial valuation.

AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Nucleus Software Exports Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'standalone Ind AS financial statements')

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

e believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March 2018, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we enclose in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143 (3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act;

(e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B";

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 2.33 to the standalone Ind AS financial statements;

ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone financial statements for the period ended 31 March 2017 have been disclosed.

***For* B S R & Associates LLP**
Chartered Accountants
Firm Registration No.: 116231W/W-100024

Sd/-
Rakesh Dewan
Partner
Membership No.: 092212

Place: Gurugram
Date: 03 May 2018

Annexure A referred to in our Independent Auditors' Report to the members of Nucleus Software Exports Limited on the standalone Ind AS financial statements for the year ended 31 March 2018.

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified each year. In accordance with this programme, all the fixed assets were physically verified during the year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, the discrepancies observed on physical verification were not material and have been properly dealt with in the books of account.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.

(ii) The Company is in the business of rendering services and as such does not hold any inventory. Therefore, the provisions of paragraph 3 (ii) of the Order are not applicable to the Company.

(iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of paragraph 3 (iii) of the Order are not applicable to the Company.

(iv) According to information and explanations given to us and based on audit procedures performed, there are no loans, investments, guarantees and securities provided by the Company as specified under section 185 and 186 of the Companies Act, 2013. Therefore, the provisions of paragraph 3 (iv) of the Order are not applicable to the Company.

(v) As per the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under.

(vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Therefore, the provisions of paragraph 3(vi) of the Order are not applicable to the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income- tax, Sales tax, Service tax, tax, Duty of customs, Duty of excise, Value added tax, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no disputed dues in respect of Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax and Cess which have not been deposited with the appropriate authorities. The following dues of Income tax have not been deposited with the appropriate authorities on account of disputes:

Name of the statute	Nature of dues	Forum where the dispute is pending	Amount in ₹ Lacs	Year to which the amount relates
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals) [CIT (Appeals)]	11 (11)*	AY 2015-16
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals) [CIT (Appeals)]	1 (1)*	AY 2014-15

* The amount represent the payment made under protest or adjustment against refund

viii) In our opinion, and according to the information and explanations given to us, there are no loans or borrowing from a financial institution, bank, government or dues to debenture holders during the year. Therefore, the provisions of paragraph 3 (viii) of the Order are not applicable to the Company.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. The Company has not taken any term loans during the year.

(x) According to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no transactions with the related parties which are not in compliance with Section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the standalone financial statements, as required, by the applicable accounting standards.

(xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment, private placement of shares and fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to information and explanations given to us and based on audit procedures performed, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

***For* B S R & Associates LLP**
Chartered Accountants
Firm Registration No.:
116231W/W-100024

Sd/-
Rakesh Dewan
Partner
Membership No.: 092212

Place: Gurugram
Date: 03 May 2018

Annexure B to the Independent Auditor's Report of even date on the standalone Ind AS financial statements of Nucleus Software Exports Limited for the year ended 31 March 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to standalone Ind AS financial statements of Nucleus Software Exports Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone Ind AS financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone Ind AS financial statements included obtaining an understanding of internal financial controls with reference to standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to standalone Ind AS financial statements.

Meaning of Internal Financial Controls with reference to standalone Ind AS financial statements

A company's internal financial control with reference to standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Ind AS financial statements

Because of the inherent limitations of internal financial controls with reference to standalone Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to standalone Ind AS financial statements and such internal financial controls with reference to standalone Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal control criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the ICAI.

***For* B S R & Associates LLP**
Chartered Accountants
Firm Registration No.:
116231W/W-100024

Sd/-
Rakesh Dewan
Partner
Membership No.: 092212

Place: Gurugram
Date: 03 May 2018

BALANCE SHEET AS AT 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	As at 31 March, 2018	As at 31 March, 2017	As at 1 April, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	2.1	2,932	2,798	3,081
Intangible assets under development		-	32	110
Intangible assets	2.1	124	182	461
Financial assets				
Investments	2.2	26,173	22,288	14,964
Trade receivables	2.3	272	565	792
Loans	2.4	9	13	688
Others	2.5	982	350	1,276
Deferred tax assets (net)	2.6	969	975	575
Income tax asset	2.7	1,340	989	936
Other non-current assets	2.8	52	51	29
		32,853	**28,243**	**22,912**
Current assets				
Financial assets				
Investments	2.9	13,196	22,437	11,874
Trade receivables	2.10	6,807	5,340	7,811
Cash and cash equivalents	2.11	1,861	1,094	400
Other bank balances	2.12	2,719	2,254	9,792
Loans	2.13	29	33	104
Others	2.14	29	179	474
Other current assets	2.15	1,641	1,190	1,448
		26,282	**32,527**	**31,903**
Total assets		**59,135**	**60,770**	**54,815**
EQUITY & LIABILITIES				
Equity				
Equity share capital	2.16	2,904	3,239	3,239
Other equity	2.17	39,080	45,837	40,009
		41,984	**49,076**	**43,248**
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Other financial liabilities	2.18	91	42	-
Provisions	2.19	490	449	382
Other non-current liabilities	2.20	-	-	320
		581	**491**	**702**
Current liabilities				
Financial liabilities				
Trade payables	2.21	5,104	2,893	2,845
Other financial liabilities	2.22	25	42	57
Provisions	2.23	171	154	139
Income tax liabilities	2.24	-	22	144
Other current liabilities	2.25	11,270	8,092	7,680
		16,570	**11,203**	**10,865**
Total equity and liabilities		**59,135**	**60,770**	**54,815**
See accompanying notes forming part of the financial statements	1 & 2			

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated)

		Notes Ref.	For the year ended 31 March 2018	For the year ended 31 March 2017
1.	**REVENUE FROM OPERATIONS**			
	Income from software product and services	2.26	33,732	29,935
2.	**OTHER INCOME**	2.27	4,177	3,182
3.	**TOTAL INCOME (1+2)**		**37,909**	**33,117**
4.	**EXPENSES**			
	a. Employee benefit expenses	2.28	21,629	17,589
	b. Operating and other expenses	2.29	7,833	8,791
	c. Finance cost	2.30	32	35
	d. Depreciation and amortisation expense	2.1	647	1,026
	TOTAL EXPENSES		**30,141**	**27,441**
5.	**PROFIT BEFORE TAX (3-4)**		**7,768**	**5,676**
6.	**INCOME TAX EXPENSE**			
	a. Net current tax expense		1,197	910
	b. Deferred tax (credit) /charge	2.6	11	(412)
	NET TAX EXPENSE		**1,208**	**498**
7.	**PROFIT FOR THE YEAR (5-6)**		**6,560**	**5,178**
8.	**OTHER COMPREHENSIVE INCOME**			
(A)	(i) Items that will not be reclassified to profit or loss			
	a) Remeasurements of the defined benefit plans, net		47	(58)
	b) Equity instruments through other comprehensive income, net		(196)	596
(B)	(i) Items that will be reclassified subsequently to profit or loss			
	a) Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges(net of tax)		(134)	112
	TOTAL OTHER COMPREHENSIVE INCOME		**(283)**	**650**
9.	**TOTAL COMPREHENSIVE INCOME (7+8)**		**6,277**	**5,828**
10.	**EARNINGS PER EQUITY SHARE**			
	Equity shares of Rupees 10 each			
	a. Basic (₹)		21.47	15.99
	b. Diluted (₹)		21.47	15.99
	Number of shares used in computing earnings per share			
	a. Basic		30,561,102	32,383,724
	b. Diluted		30,561,102	32,383,724
	See accompanying notes forming part of the financial statements	**1 & 2**		

In terms of our report attached
For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

(Amount in ₹ Lacs unless otherwise stated)

Balance as of 1 April 2017	Changes in equity share capital during the period	Balance as on 31 March, 2018
3,239	335 *	2,904

* (Change in equity share capital rounded off to ₹335 lacs hence this is not equivalent to addition to capital redemption reserve of ₹ 334 lacs)

Balance as of 1 April 2016	Changes in equity share capital during the year	Balance as on 31 March 2017
3,239	-	3,239

B. Other Equity

	Reserves and Surplus					Items of OCI			Total
	Capital reserve	Securities premium	Capital Redemption reserve	General reserve	Retained earnings	Hedging reserve	Equity instrument through other comprehensive income	Remeasure-ments of the defined benefit plans	
Balance as of 1 April 2017	**89**	**219**	**-**	**8,227**	**36,189**	**136**	**1,035**	**(58)**	**45,837**
Profit for the period	-	-		-	6,560	-	-	-	6,560
Dividend on equity shares	-	-		-	(1,619)	-	-	-	(1,619)
Corporate dividend tax	-	-		-	(49)	-	-	-	(49)
Effective gain/(loss) on hedging instruments	-	-		-	-	(134)	-	-	(134)
Equity Instruments through Other Comprehensive Income (net of tax)	-	-		-	-	-	(196)	-	(196)
Remeasurements of the defined benefit plans								47	47
Addition for buy-back of equity shares (see note 2.16 vi)			334						334
Ùtilised for buy back of equity shares (see note 2.16 vi)	-	(219)		(8,227)	(3,254)				(11,700)
Balance as of 31 March,2018	**89**	**-**	**334**	**-**	**37,827**	**2**	**839**	**(11)**	**39,080**

STATEMENT OF CHANGES IN EQUITY

	Reserves and Surplus					Items of OCI			Total
	Capital reserve	Securities premium	Capital Redemption reserve	General reserve	Retained earnings	Hedging reserve	Equity instrument through other comprehensive income	Remeasure-ments of the defined benefit plans	
Balance as of 1 April 2016	89	219	-	8,227	31,011	24	439	-	40,009
Profit for the year	-	-		-	5,178	-	-	-	5,178
Effective gain on hedging instruments	-	-		-	-	112	-	-	112
Equity Instrument through Other Comprehensive Income (net of tax)	-	-		-	-	-	596	-	596
Remeasurements of the defined benefit plans	-	-		-	-	-	-	(58)	(58)
Balance as of 31 March 2017	**89**	**219**	**-**	**8,227**	**36,189**	**136**	**1,035**	**(58)**	**45,837**

In terms of our report attached
For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Place : Gurugram
Date : May 03, 2018

For and on behalf of the Board of Directors

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : May 03, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated)

		For the year ended 31 March, 2018	For the year ended 31 March, 2017
A.	**Cash flow from operating activities**		
	Net profit before tax	7,768	5,676
	Adjustment for:		
	Depreciation and amortisation expense	647	1,027
	Exchange gain / loss on translation of foreign currency accounts (net)	14	(111)
	Dividend received from current, non trade investments	(777)	(875)
	Dividend received from non-current, non trade investment	(125)	(284)
	Dividend received from subsidiary companies	(1,389)	-
	Interest on fixed deposits and others	(1,695)	(1,601)
	MTM gain / (loss) on mutual funds	(39)	(121)
	Profit on sale of fixed assets (net)	4	(35)
	Provision for doubtful loans	-	732
	Provisions written back	-	(72)
	Provision for doubtful debts / advances	42	-
	Operating profit before working capital changes	**4,450**	**4,336**
	Adjustment for (increase) / decrease in operating assets		
	Trade receivables	(978)	2,390
	Loans	8	(57)
	Other assets	(659)	1,946
	Adjustment for increase / (decrease) in operating liabilities		
	Trade payables	2,211	338
	Provisions	58	83
	Other liabilities	3,271	75
		8,361	9,111
	Income taxes paid (net)	(1,569)	(1,025)
	Net cash from / (used in) operating activities (A)	**6,792**	**8,086**
B.	**Cash flow from investing activities**		
	Expenditure on property, plant and equipment net of sale proceeds, including changes in capital creditors	(707)	(353)
	Payments to acquire mutual funds, tax free bonds and preference shares	(37,772)	(40,270)
	Proceeds on sale of mutual funds, tax free bonds,debentures and preference shares	43,327	23,519
	Investment in subsidiary	(30)	(235)
	Bank balance not considered as cash and cash equivalents - placed	(2,481)	(959)
	Bank balance not considered as cash and cash equivalents - matured	1,287	7,831
	Interest on fixed deposits and others received	1,458	1,952
	Dividend received from non trade investments	777	875
	Dividend on long term trade investment	125	284
	Dividend from subsidiary company	1,389	-
	Net cash from / (used in) investing activities (B)	**7,373**	**(7,356)**
C.	**Cash flow from financing activities**		
	Dividend paid (including corporate dividend tax)	(1,669)	-
	Buyback of equity shares	(11,701)	-
	Net cash from / (used in) in financing activities (C)	**(13,370)**	**-**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	**795**	**730**
	Opening cash and cash equivalents	1,094	400
	Exchange difference on translation of foreign currency bank accounts	(28)	(36)
	Cash inflow on acquisition of subsidiary		
	Closing cash and cash equivalents	**1,861**	**1,094**
	Supplementary information		
	Restricted cash	42	44
	Notes:		
	i. Figures in brackets indicate cash outflow.		
	See accompanying notes forming part of the financial statements	1 & 2	

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

Notes forming part of the financial statements

Note 1:

1.1 Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January, 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2018, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange.

The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, South Africa, Australia. The Company has wholly and partly owned subsidiaries in India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

1.2. Significant accounting policies

i. Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2006 notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The financial statements up to and for the year ended 31 March 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2015, notified under section 133 of the Act and other relevant provisions of the Act.

As these are the Company`s first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position and financial performance of the Company is provided in Note no. 2.45 and 2.46.

The Financial statements were approved for issue by the Board of Directors on May 03, 2018.

b) Functional and Presentation currency

The financial statements are presented in Indian Rupees (INR), which is also the Company`s functional currency. All amounts have been rounded-off to the nearest lacs unless otherwise indicated. Further at some places '-'are also put up to values below INR 50,000 to make financials in round off to Rupees in lacs.

c) Basis of measurement

The financial statements have been prepared on the historical basis except for the following items:

Items	Measurement Basis
Certain financial assets and liabilities (including derivative instruments)	Fair Value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease classification – Note 2.32
- Estimates of expected contract costs to be incurred to complete contracts- Note 2.26

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent period financial statements is included in the following notes:

- Estimation of current tax expense and payable – Note 2.7 and Note 2.24
- Estimated useful life of property, plant and equipment and Intangible assets – Note 1.2 (iv) and (v)
- Estimation of defined benefit obligations-– Note 2.39
- Impairment of trade receivables- Note 2.3 and Note 2.10

e) Measurement of fair values

The Company`s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a treasury team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The treasury team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

ii. Revenue Recognition

Revenue from software development services comprises income from time and material and fixed price contracts.

Revenue from time and material contracts is recognised as the services are rendered.

Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates.

Revenue from sale of licenses, where no customisation is required, is recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax, value added tax and Goods and service tax (GST).

Service income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.

iii. Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Dividend income is recognised in profit or loss on the date on which the Company`s right to receive payment is established.

Interest income or expense is recognised using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset ; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit- impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iv. Property, Plant and equipment

Property, Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, any directly attributable expenditure on making the asset ready for its intended use. Property, plant and equipment under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

Depreciation on property, Plant and equipment, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The management's estimates of the useful lives of the various property, plant and equipment are as follows:

Asset category	Mangement estimate of useful life (in years)	Useful life as per Schedule II(in years)
Tangible asset		
Building*	30	30
Plant and machinery (including office equipment)*	5	15
Computers- end user devices such laptops, desktops etc.	3	3
Computers- servers and networking equipment*	4	6
Vehicles*	5	10
Furniture and fixtures*	5	10
Temporary wooden structures (included in Building)	3	3

*Based on technical evaluation, the useful lives as given above represent the period over which the management believes to use these assets; hence these lives are different from the useful lives prescribed under Part C of schedule II of the Companies Act, 2013.

Transition to Ind AS

On transition to Ind AS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment. Refer Note 2.45

v. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

The management's estimates of the useful lives of the Software are 3 years.

Transition to Ind AS

On transition to Ind AS, the company has elected to continue with the carrying value of all of its Intangible assets recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets- Refer Note 2.45.

vi. Financial instruments

a) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair value through other comprehensive income (FVOCI)-equity investment; or
- Fair value through profit and loss (FVTPL)

Financial asset are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment`s fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivatives financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 1.2(vii)(e) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e) Derivative financial instruments and hedge accounting

The company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

The amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non financial item, it is included in the non financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

vii. Impairment

a) Impairment of financial instruments

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets are carried at amortised cost A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

b) Impairment of non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

viii. Provisions (other than for employee benefits)

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Expected future operating losses are not provided for.

Post Sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

ix. Foreign Currency

a) Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- qualifying cash flow hedges to the extent that the hedges are effective.

b) Foreign operations

The assets and liabilities of foreign branches are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

x. Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

xi. Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date. Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits. Deferred tax is not recognized for:-

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be real.

Minimum Alternative Tax ('MAT') expense under the provisions of the Income-tax Act, 1961 is recognised as an asset when it is probable that future economic benefit associated with it in the form of adjustment of future income tax liability, will flow to the Company and the asset can be measured reliably. MAT credit entitlement is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates. MAT credit entitlement is reviewed at each reporting date and is written down to reflect the amount that is reasonably certain to be set off in future years against the future income tax liability. MAT Credit Entitlement has been presented as Deferred Tax in Balance Sheet.

xii. Employee benefits

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

Employee stock option based compensation

The grant date fair value of equity settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

xiii. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non –cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

xiv. Leases

a) Determining whether an arrangement contains a lease

At inception of arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other considerations required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an assets and a liability are recognised at an amount equal to be fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

b) Lease Payments

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term unless such payments are structured to increase in line with expected general inflation to compensate for the lessor`s expected inflation increases.

xv. Research and development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalized. The amount capitalized comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Property, Plant and equipment utilized for research and development are capitalized and depreciated in accordance with the policies stated for property plant and equipment.

xvi. Recent accounting pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The Company does not expect the impact of the adoption of the new standard to be material on its retained earnings and to its net income on an ongoing basis.

2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2018

2.1 Property, plant and equipment

(Amount in ₹ Lacs unless otherwise stated)

PARTICULARS	GROSS CARRYING AMOUNT				ACCUMULATED DEPRECIATION				NET CARRYING AMOUNT	
	As at 1 April, 2017	Additions	Deductions / adjustments	As at 31 March, 2018	As at 1 April, 2017	Depreciation for the period	Deductions / adjustments	As at 31 March, 2018	As at 31 March, 2018	As at 31 March, 2017
Tangible assets										
Freehold land	34	-	-	34	-	-	-	-	34	34
	(34)	-	-	(34)	-	-	-	-	(34)	(34)
Leasehold land	560	-	-	560	8	8	-	16	544	552
	(560)	-	-	(560)	-	(8)	-	(8)	(552)	(560)
Buildings	1,602	25	-	1,627	86	91	-	177	1,450	1,516
	(1,580)	(22)	-	(1,602)	-	(86)	-	(86)	(1,516)	(1,580)
Plant and equipment	162	27	-	189	116	24	-	140	49	47
	(89)	(73)	-	(162)	-	(116)	-	(116)	(47)	(89)
Office equipment	62	13	-	75	13	16	-	29	46	49
	(29)	(33)	-	(62)	-	(13)	-	(13)	(49)	(29)
Computer equipment	810	432	-	1,242	371	304	-	675	567	439
	(659)	(152)	(1)	(810)	-	(371)	-	(371)	(439)	(659)
Vehicles	212	84	49	247	53	57	25	85	162	159
	(126)	(96)	(10)	(212)	-	(53)	-	(53)	(159)	(126)
Furniture and fixtures	4	88	-	92	2	10	-	12	80	2
	(4)	-	-	(4)	-	(2)	-	(2)	(2)	(4)
	3,446	**669**	**49**	**4,066**	**649**	**510**	**25**	**1,134**	**2,932**	**2,798**
	(3,081)	(376)	(11)	(3,446)	**-**	(649)	-	(649)	(2,798)	(3,081)
Intangible assets										
Software	559	79	-	638	377	137	-	514	124	182
	(461)	(98)	(0)	(559)	**-**	(377)	-	(377)	(182)	(461)
Total	**4,005**	**748**	**49**	**4,704**	**1,026**	**647**	**25**	**1,648**	**3,056**	**2,980**
	(3,542)	(474)	(11)	(4,005)		(1,026)	-	(1,026)	(2,980)	(3,542)

Note:

(i) Figures in bracket pertains to previous year ended 31 March 2017/ 1 April, 2016.

(ii) As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

Details of Gross Block of asset and accumulated depreciation as on 31 March 2016 are as under

Tangible assets	**Gross Block as on 31 March 2016**	**Accumulated depreciation as on 31 March 2016**	**Deemed Cost as on 1 April 2016**
Freehold land	34	-	34
Leasehold land	664	104	560
Leasehold improvements	71	71	-
Buildings	2,415	835	1,580
Plant and equipment	1,217	1,128	89
Office equipment	318	289	29
Computer equipment	3,318	2,659	659
Vehicles	230	104	126
Furniture and fixtures	364	360	4
	8,631	**5,550**	**3,081**
Intangible assets			
Software	**3,194**	**2,733**	**461**

2.2 A. NON-CURRENT INVESTMENTS

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Investments in equity shares of subsidiaries (unquoted)				
Equity shares at cost				
a.	625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore	163	163	163
b.	1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA	163	163	163
	Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(163)	(163)	(163)
c.	200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha	41	41	41
d.	1,000,000 (1,000,000) equity shares of ₹ 10 each, fully paid up, in VirStra i-Technology Services Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100	100	100
e.	7,500 (7,500) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands	489	489	489
	Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(489)	(489)	(489)
f.	10,000,000 (10,000,000) equity shares of ₹ 10 each, fully paid up, in Nucleus Software Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	1,194	1,194	1,194
g.	100,000 (100,000) equity shares 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia	55	55	55
h.	10 (10) equity shares of ZAR 61,200 each fully paid up, in Nucleus Software South Africa (Pty.) Limited, South Africa	32	32	32
i.	10,666 (10,666) equity shares of ₹ 10 each, fully paid up in Avon Mobility Solutions Private Limited (see note 2.45)	192	192	192
		1,777	**1,777**	**1,777**
Investment in equity instruments (Quoted)				
Equity shares at FVOCI				
250,000 (250,000) equity shares of ₹ 10 each, fully paid up, in Ujjivan Financial Services Limited		**864**	**1,060**	**513**
Investments in preference shares of subsidiaries (unquoted)				
Preference shares at Fair value through profit or loss (FVTPL)				
2,650,000 (Nil) 11% Preference shares of ₹ 10 each fully paid up in Avon Mobility Solutions Private Limited.		**265**	**235**	**-**
Investment in Preference Shares (quoted)				
a.	8.15% L&T Preference Shares- 2020	1,395	1,396	991
b.	16.46% IL&FS - Preference Shares 2022	541	501	501
c.	17.38% IL&FS - Preference Shares 2021	100	109	-
d.	8.33% Tata Capital Ltd Preference Shares 2022	116	117	-
e.	9.00% L&T Finance Holdings Limited -Preference Shares 2018	-	1,021	-
f.	7.50% Tata Capital Preference Shares 2020	1,500	1,500	-
g.	8.33% Tata Capital Preference Shares 2021	504	505	-

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
h.	8.20% Tata Motors Finance Ltd CCPS 2020	534	-	-
Investment in bonds (quoted)				
Bonds securities at Amortised cost				
a.	7.18% Indian Railway Finance Corporation Limited Tax free bonds 2023	965	952	939
b.	8.23% Indian Railway Finance Corporation Limited Tax free bonds 2024	540	540	539
c.	8.09% Power Finance Corporation Tax Free Bonds 2021	480	482	485
d.	7.51% Power Finance Corporation Tax Free Bonds 2021	519	520	521
e.	8.00% Indian Railway Finance Corporation Limited Tax free bonds 2022	2,126	2,138	2,149
f.	8.01% India Infrastructure Finance Company Limited Tax Free Bonds 2023	1,031	1,031	1,031
g.	7.11% Power Finance Corporation Tax Free Bonds 2025	53	53	53
h.	7.21% India Infrastructure Finance Company Limited Tax Free Bonds 2022	516	516	517
i.	7.55% Indian Railway Finance Corporation Limited Tax Free Bonds 2021	310	311	311
j.	8.20% Power Finance Corporation Tax Free Bonds 2022	64	65	65
k.	7.28% Indian Railway Finance Corporation Limited Tax free bonds 2030	47	47	46
l.	7.49% Indian Renewable Energy Development Agency Limited (IREDA) Tax Free Bonds 2031	121	121	121
m.	7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds2031	142	142	142
n.	8.50% National Highways Authority of India (NHAI) Tax Free Bonds 2029	109	109	110
o.	7.39% National Highways Authority of India (NHAI) Tax Free Bonds 2031	160	160	155
p.	7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax free bonds 2031	131	131	128
q.	7.21% Power Finance Corporation (PFC) Tax Free Bonds 2022	515	515	504
r.	7.35% Indian Railway Finance Corporation Tax Free Bonds 2031	122	122	118
s.	7.35% National Bank for Agriculture and Rural Development (NABARD) Tax Free Bonds 2031	201	201	201
t.	8.35% National Highways Authority of India (NHAI) Tax Free Bonds 2023	562	-	-
Investment in debentures (quoted)				
Debentures securities at Amortised cost				
a.	IIFL Wealth Finance Limited			
	500((Nil) Unsecured redeemable, non-convertible debentures of ₹ 100,000 each fully paid up	-	514	-
Investment in mutual funds (quoted)				
Fixed maturity plan at Amortised cost				
a.	HDFC FMP 1128D March 2015(1) Direct Growth series 33	-	588	543
b.	ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	-	587	542
c.	HDFC FMP 370D September 2014 (2) Series 31 – Growth Option	-	-	115

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
d.	ICICI Prudential FMP Series 74 -369 Days Plan T Direct Plan Cumulative	-	-	1,156
e.	Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Plan	-	-	576
f.	HDFC FMP 1169D February 2017 (1) - Series 37	541	505	-
g.	HDFC FMP 1150D February 2017 (1)	324	302	-
h.	UTI Fixed Term Income Fund-Series XIX-VIII Direct Growth Plan	-	-	115
i.	Birla Sun Life Fixed Term Plan-Series OT (1117 days)	524	-	-
j.	ICICI Prudential Fixed Maturity Plan - Series 81 - 1163 Days Plan Q	1,046	-	-
k.	ICICI Prudential FMP - Series 82 - 1225 Days Plan B	509	-	-
l.	UTI Fixed Term Income Fund Series XXVIII - IV (1204 Days) - Direct Plan- Growth Option	509	-	-
m.	Reliance Fixed Horizon Fund XXXV (1227 days) - Direct Plan- Growth Option	504	-	-
n.	Birla Sun Life Fixed Term Plan-Series OY (1218 days)	509	-	-
0	ICICI Prudential FMP - Series 82 - 1203 Days Plan K	504	-	-
p.	Reliance Fixed B2 - Direct Plan- Growth Option	503	-	-
q.	UTI Fixed Term Income Fund Series XXVIII -XIV (1147 days) - Direct Plan- Growth Option	501	-	-
Investment in mutual funds (Unquoted)				
Mutual funds at Fair value through profit or loss (FVTPL)				
a.	Birla Sun Life ST Opp Direct	-	1,084	-
b.	Reliance Corp Bond-Direct-QDR	-	1,162	-
c.	Axis ST Direct- Weekly Dividend	656	628	-
d.	UTI ST Income-IP-Monthly Dividend	314	302	-
e.	HDFC Medium Term Opp–Direct	248	239	-
f.	DSP BlackRock Banking & PSU Debt Fund - Growth- Direct	507	-	-
g.	ICICI Prudential Income Opportunities Fund - Growth- Direct	506	-	-
h.	IDFC Corporate Bond Fund - Growth- Direct	641	-	-
i.	L&T Short Term Opportunities Fund - Growth- Direct	509	-	-
j.	Reliance FRF - ST - Growth- Direct	508	-	-
		23,267	19,216	12,674
Aggregate amount of non-current investments		**26,173**	**22,288**	**14,964**
Aggregate book value of quoted investments		18,734	16,860	13,186
Aggregate market value of quoted investments		20,595	16,561	12,666
Aggregate value of unquoted investments		5,931	5,427	2,290
Agreegate amount of impairment in value of investments		652	652	652

B. Equity shares designated as at fair value through other comprehensive income

As at 1 April 2016, the Company designated the investments shown below as equity shares at FVOCI because these equity shares represent investments that company intends to hold for long- term for strategic purpose

	Fair value as at 31 March 2018	Dividend income recognised during year ended 31 March, 2018	Fair value as at 31 March 2017	Fair value as at 1 April 2016
Investment in Ujjivan Financial Services Limited	864	2	1,060	513

No strategic investments were disposed off during 17-18 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.3	**NON - CURRENT TRADE RECEIVABLES**			
	(Unsecured)			
	TRADE RECEIVABLES			
	- Considered good	272	565	792
		272	**565**	**792**
2.4	**LONG-TERM LOANS**			
	(Unsecured considered good unless otherwise stated)			
	a. Loans and advances to employees			
	- Staff Loans	9	13	20
	b. Loan to subsidiary (considered doubtful)	732	732	668
		741	745	688
	Less: Provision for doubtful loan to subsidiary	(732)	(732)	-
		9	**13**	**688**
2.5	**OTHER NON-CURRENT FINANCIAL ASSETS**			
	(Unsecured considered good unless otherwise stated)			
	Security deposits	132	135	130
	Long-term bank deposits	850	215	1,146
		982	**350**	**1,276**

Note:

[Long term bank deposits include deposits held with bank for maturity more than 12 months from balance sheet date ₹ 17 Lacs (31 March 2017 ₹ 11 lacs and 1 April 2016 ₹ 27 lacs) under lien with banks and are restricted from being settled for more than 12 months from the balance sheet date.]

2.6 DEFERRED TAX ASSETS (NET)

A. Amounts recognised in profit or loss

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
Current tax	1,197	910
Deferred tax	11	(412)
Net tax expense	**1,208**	**498**

B. Income tax recognised in other comprehensive income

	Before tax	Tax expense / (benefit)	Net of tax
Remeasurements of net defined benefit plans	41	(6)	47
Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges(net of tax)	(133)	1	(134)
Income tax recognised in other comprehensive income	**(92)**	**(5)**	**(87)**

C. Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Particulars	Percentage	For the year ended 31 March, 2018	Percentage	For the year ended 31 March, 2017
Profit before tax		**7,768**		**5,676**
Domestic tax rate	34.61%	2,688	34.61%	1,964
Effect of exempt non-operating income	(11.31%)	(878)	(11.26%)	(639)
Effect of non- deductible expenses	0.9%	68	0.97%	55
Additional deduction on research and development expenses	(5.90%)	(459)	(13.41%)	(761)
Taxes on income at different rates	(3.39%)	(263)	(1.52%)	(86)
Tax pertaining to prior years	0.6%	43	(0.89%)	(50)
Branch tax	0.2%	15	0.00%	15
Change in tax rate	(0.08%)	(6)	0.00%	-
Effective tax	15.55%	1,208	8.77%	498

D. Movement in temporary differences

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Balance as at 1 April 2017	Recognised [(Credited)/ Charge] in profit or loss during the year	Recognised [(Credited)/ Charge] in OCI during the year	Balance as at 31 March, 2018	Balance as at 1 April 2016
(i)	**Deferred tax assets**					
	Provisions- compensated absences, gratuity and other employee benefits	293	(85)	(6)	384	225
	Provision for doubtful trade receivables / Loans and service income accrued but not due	459	50	-	409	218
	MAT credit entitlement	320	15	-	305	381
	Trade receivables, security deposit and loans at amortised cost	71	23		48	124
		1,143	**3**	**(6)**	**1,146**	**948**
(ii)	**Deferred tax liabilities**					
	Property, plant and equipment	148	(55)	-	93	260
	Forward contracts	(48)	48	1	1	-
	Investments	68	15	-	83	113
		168	**8**	**1**	**177**	**373**
(iii)	**Net deferred tax asset**	**975**	**11**	**(5)**	**969**	**575**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.7	**INCOME TAX ASSETS (NET)**			
	Balances with government authorities			
	- Advance tax [net of provision of ₹ 2,933 lacs (previous year ₹ 3,316 lacs and as on 1 April, 2016 ₹ 3,199 lacs)]	1,340	989	936
		1,340	**989**	**936**

Notes forming part of the financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars		As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.8	**OTHER NON- CURRENT ASSETS**				
	(Unsecured considered good unless otherwise stated)				
	a.	Employee advances	38	38	-
	b.	Capital advances	21	9	6
		Less : Provision for doubtful advances	(14)	-	-
			7	9	6
	c.	Prepaid expenses	1	1	20
	d.	Deferred rent	6	1	1
	e.	Deferred payroll	-	2	2
			52	**51**	**29**

(Amount in ₹ Lacs unless otherwise stated)

	Name	As at 31 March, 2018	As at 31 March, 2017	As at 1 April, 2016
2.9	**Current investments**			
	Investment in mutual funds			
	-Investment in Mutual Funds (Unquoted)			
	Mutual funds at Fair value through profit or loss (FVTPL)			
	Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment	540	432	-
	Baroda Pioneer Treasury Advantage Fund - Plan B Daily Dividend- Re-investment	1,672	-	-
	Aditya Birla Sunlife Enhanced Arbitrage Fund -Dividend-Direct Plan-Reinvestment	832	201	-
	Birla Sunlife Floating Rate Fund-STP- DDR - Direct	-	-	-
	Aditya Birla Sunlife Floating Rate-Long Term-Daily Dividend-Direct Plan-Reinvestment	84	889	-
	Aditya Birla Sunlife Saving Fund -Daily Dividend-Direct-Reinvestment	129	1,054	1,661
	Birla Sunlife Saving Fund -Daily Dividend-Direct-Reinvestment	-	-	-
	Aditya Birla Sunlife Cash Plus- Daily Dividend-Direct-Reinvestment	611	-	-
	DSP BlackRock Ultra Short Term Fund - DDR - Direct	-	662	303
	HDFC Arbitrage Fund - Wholesale Plan-Normal-Dividend-Direct Plan	1,027	967	707
	HDFC Floating Rate Income Fund - Short term Plan-Wholesale Option - Direct-DDR	363	590	556
	ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option	28	26	-
	ICICI Prudential Flexible Income Plan - Direct Plan-DDR	36	741	700
	ICICI Prudential Money Market Fund-Dividend-Daily Reinvestment	-	-	-
	ICICI Prudential Ultra Short Term Plan- Direct Plan- Daily Dividend-Reinvestment option	-	960	528
	IDFC Arbitrage Fund Direct Plan- Monthly DR- Direct	670	629	556
	IDFC Banking Debt Fund Regular Plan- Dividend	-	-	248
	IDFC Money Manager Fund - Investment Plan-Daily Dividend-(Direct Plan)	-	2,166	-
	IDFC Ultra Short Term Fund - Daily Dividend - (Direct Plan)	-	402	-
	Invesco Ultra Short Fund Direct Plan- DDR- Direct	-	697	-

(Amount in ₹ Lacs unless otherwise stated)

Name	As at 31 March, 2018	As at 31 March, 2017	As at 1 April, 2016
Invesco India Liquid Fund - DDR-Direct	169	-	-
Kotak Equity Arbitrage Fund- Fortnightly DR- Direct	3,095	2,902	-
Kotak Equity Arbitrage Fund- Monthly DR- Direct	-	-	752
Kotak Floater Short Term Fund-Direct Plan-Daily Dividend-Reinvestment Option	-	-	1,401
L&T Ultra Short Direct Plan-Daily Dividend-Reinvestment Option	-	360	-
L&T Liquid Fund Direct Plan -DDR Plan	562	-	-
LIC Saving Plus Fund - DDR - Direct	-	1,510	-
Mahindra Liquid Fund-Direct -Daily Dividend-Reinvestment	-	506	-
Reliance Arbitrage Advantage Fund-Direct Monthly Dividend Plan	1,095	1,025	456
Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option	-	-	-
Reliance Medium Term Fund-Direct Plan Daily Dividend Plan	1	534	1,553
SBI Ultra Short Term Debt Fund - DDR - Direct	-	-	-
Sundaram Ultra Short Term Fund - DDR - Direct	-	261	-
Tata ultra short - DDR - Direct	-	-	-
UTI Money market Fund-Institutional Plan- Direct Plan- Daily Dividend-Reinvestment	-	-	-
UTI-Treasury Advantage Fund - Institutional Plan - DDR - Direct	-	1,426	-
Uti-Floating Rate Fund-STP - Direct Daily Dividend Plan Reinvestment	-	1,371	474
SBI Ultra Short Term Debt Fund - DDR - Direct	-	-	50
Sundaram Ultra Short Term Fund - DDR - Direct	-	-	449
-Fixed Maturity Plans/Interval Plans (quoted)			
Fixed maturity plan at Amortised cost			
Reliance Fixed Horizon Fund XXX – Series 9-Direct-Div Payout	-	-	375
UTI FIIF-QIP-III-Direct-Div Payout	-	-	503
HDFC FMP 370D June 2014 (2) Series 31 – Growth Option	-	125	-
ICICI Prudential FMP Series 72 -368 Days Plan A Growth	-	-	602
ICICI Prudential FMP Series 74 -369 Days Plan T Growth	-	1,252	-
Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option	-	624	-
UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth	-	125	-
HDFC FMP 1128D March 2015(1) Direct Growth	637	-	-
ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	636	-	-
Investment in Preference Shares (quoted)			
9% L&T Finance Holdings Limited -Preference Shares 2018	1,009	-	-
Aggregate amount of investment	**13,196**	**22,437**	**11,874**
Aggregate book value of quoted investments	2,282	2,127	1,480
Aggregate market value of quoted investments	2,277	2,144	1,486
Aggregate value of unquoted investments	10,914	20,310	10,394

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.10	**CURRENT TRADE RECEIVABLES**			
	(Unsecured)			
	Trade receivables			
	- Considered good	6,613	5,061	7,507
	- Considered doubtful	228	343	366
		6,841	5,404	7,873
	Less: Allowances for doubtful debts-trade receivables	(228)	(343)	(366)
		6,613	5,061	7,507
	Due from subsidiaries - considered good (see note 2.36)	194	279	304
	Total	**6,807**	**5,340**	**7,811**
2.11	**Cash and cash equivalents**			
a.	Cash on hand	1	1	-
b.	Remittance in transit	86	-	-
b.	Cheques on hand	-	-	3
c.	Balances with scheduled banks:			
	- in current accounts	50	201	175
	- in EEFC accounts	1,291	703	136
d.	Balance with non scheduled banks in current accounts:			
	- Citibank, United Kingdom	16	9	10
	- Citibank, United Arab Emirates	17	22	14
	- Citibank, USA	30	35	10
e.	Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	370	123	52
	Total - Cash and cash equivalents	**1,861**	**1,094**	**400**
2.12	**OTHER BANK BALANCES**			
a.	Balances with scheduled banks in earmarked accounts:			
	- unclaimed dividend accounts	24	29	43
b.	Balances with scheduled banks in deposit accounts			
	- Maturity with in 12 months	2,695	2,225	9,749
	Total - Other bank balances	**2,719**	**2,254**	**9,792**

Note:

[Balance with scheduled banks in deposit accounts include ₹ 42 lacs (31 March 2017 ₹ 44 lacs and 1 April, 2016 ₹ 48 lacs) which are under lien and restricted from being settled with in 12 months from the balance sheet date.]

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.13	**SHORT-TERM LOANS**			
	(Unsecured considered good unless otherwise stated)			
	Loans and advances to employees			
	- Staff Loans	29	33	104
		29	**33**	**104**
2.14	**OTHER CURRENT FINANCIAL ASSETS**			
	(Unsecured considered good unless otherwise stated)			
a.	Security deposit	-	2	10
b.	Mark-to-market gain on forward contracts	3	136	-

Notes forming part of the financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
c.	Expenses recoverable from customers	26	41	26
d.	Application money for Mutual fund and Preference shares (considered good)	-	-	425
e.	Others	-	-	13
		29	**179**	**474**
2.15	**OTHER CURRENT ASSETS**			
	(Unsecured considered good unless otherwise stated)			
a.	Service income accrued but not due			
	- Considered good	922	619	761
	- Considered doubtful	214	253	285
		1,136	872	1,046
	Less : Provision for service income accrued but not due	(214)	(253)	(285)
		922	619	761
b.	Employee advances	37	51	25
c.	Prepaid expenses	340	253	337
d.	Balances with government authorities			
	-GST/ VAT credit receivable	33	46	81
e.	Others			
	- Supplier advances			
	- Considered good	306	218	238
	- Considered doubtful	-	4	5
		306	222	243
	Less : Provision for doubtful advances	-	4	5
		306	218	238
f.	Deferred payroll	3	3	3
g.	Deferred rent	-	-	3
		1,641	**1,190**	**1,448**
2.16	**SHARE CAPITAL**			
a.	**Authorised**			
	Equity shares			
	40,000,000 (40,000,000) equity shares of ₹ 10 each	**4,000**	**4,000**	**4,000**
b.	**Issued, Subscribed and Paid-Up**			
	Issued			
	32,386,524 (32,386,524) equity shares of ₹ 10 each			
	Subscribed and Paid-Up			
	29,040,724 (32,383,724) equity shares of ₹ 10 each, fully paid up	2,904	3,239	3,239
	(Includes: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below)			
		2,904	**3,239**	**3,239**

Refer notes (i) to (vi) below :-

(i) **Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period :-**

Particulars	Opening balance		Allotted under Employee Stock Option Plans / Extinguishment of shares under buy back (see note 2.16 vi)		Closing balance
a. For the period ended 31 March, 2018					
- Number of shares	32,383,724		(3,343,000)		29,040,724
- Amount (In Rupees)	323,837,240		(33,430,000)		290,407,240
b. For the year ended 31 March, 2017					
- Number of shares	32,383,724		-		32,383,724
- Amount (In Rupees)	323,837,240		-		323,837,240

(ii) The Company has one class of equity shares having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend is paid on the approval of the shareholders in the Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	30.99%	9,000,000	27.79%
Nucleus Software Engineers Private Limited	2,385,882	8.22%	2,385,882	7.37%
Madhu Dusad	3,066,248	10.56%	3,066,248	9.47%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund	884,399	3.05%	2,200,000	6.79%
Vishnu R Dusad	1,603,492	5.52%	1,603,492	4.95%

(iv) **Details of forfeited share**

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	(Number)	(₹)	(Number)	(₹)
Equity shares with voting rights	2,800	15,000	2,800	15,000

(v) **Employees Stock Option Plan (“ESOP”)**

a. Employee Stock Option Scheme and SEBI (Share Based Employee Benefits) Regulations, 2014, is effective for regulation of all schemes by the Company for the benefits for its employees dealing in shares, directly or indirectly from October 28, 2014. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.

b. The Company currently has one ESOP scheme- ESOP Scheme - 2015 (instituted in 2015) which was duly approved by the Board of Directors and Shareholders. The ESOP Scheme 2015 provides for 500,000 options to eligible employees. As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust. The scheme is administered by the Compensation Committee comprising three members, the majority of whom are independent directors.

c. There are no options granted, forfeited and exercised during the period under ESOP Scheme 2015.

(vi) The Board of Directors of the Company, at its meeting held on April 25, 2017 had approved a proposal to buy-back not exceeding ₹ 11,779 lacs at maximum price of ₹ 350 per equity share.

The Shareholders of the Company approved the scheme of Buyback of 33,43,000 (Thirty Three Lakhs Forty Three Thousand) equity shares of the face value of ₹10/- each fully paid up at a price of ₹ 350/- (Rupees Three Hundred and Fifty Only) (the “Buyback Price”) payable in cash aggregating upto ₹ 11,701/-lacs (Rupees Eleven thousands Seven Hundred One lacs) through Postal Ballot on June 15, 2017 . The Company made the Public Announcement of the same which was published on June 19, 2017.

Further pursuant to Shareholders’ approval vide Postal Ballot in June 2017, the Buy Back Committee of Board of Directors on 16th June 2017 approved the Buyback of 33,43,000 of fully paid up Equity Shares of face value of ₹ 10/ each of the Company at price of ₹ 350/- per Equity share, payable in cash for an aggregate consideration not exceeding ₹ 11,701 lacs . The settlement of the Buyback was done on 8th September, 2017 and 33,43,000 Equity shares bought back were extinguished on 14th September, 2017.

Capital Redemption Reserve was created to the extent of share capital extinguished ₹ 334 lacs. An amount of ₹ 3,254 lacs from Retained Earnings was used to offset the excess of buy-back cost of ₹ 11,701 lacs over par value of shares after adjusting the balance lying in Security Premium of ₹ 219 lacs and General Reserve of ₹ 8,227 lacs.

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.17	**OTHER EQUITY**			
a.	Capital reserve	89	89	89
b.	Securities premium account	-	219	219
c.	Capital Redemption reserve	334	-	-
d.	General reserve	-	8,227	8,227
e.	Retained Earnings	37,827	36,189	31,011
f.	Other comprehensive Income	830	1,113	463
	Total	**39,080**	**45,837**	**40,009**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
a.	**Capital reserve**		
	Opening balance	89	89
	Closing balance	**89**	**89**
b.	**Securities premium account**		
	Opening balance	219	219
	Ùtilised for buy back of equity shares (see note 2.16 vi)	(219)	-
	Closing balance	**-**	**219**
c.	**Capital Redemption reserve**		
	Opening Balance	-	-
	Addition during the period (see note 2.16 vi)	334	
	Closing balance	**334**	**-**
d.	**General reserve**		
	Opening balance	8,227	8,227
	Ùtilised for buy back of equity shares (see note 2.16 vi)	(8,227)	
	Closing balance	**-**	**8,227**
e.	**Retained Earnings**		
	Opening balance	36,189	31,011
	Ùtilised for buy back of equity shares (see note 2.16 vi)	(3,254)	-
	Add: Profit for the period	6,560	5,178
	- Final dividend on equity shares [see note (i) below]	(1,619)	-
	-Corporate Dividend tax	(49)	-
	Closing balance	**37,827**	**36,189**
f.	**Other comprehensive Income**		
	Equity instrument through other comprehensive income		
	Opening balance	1,035	439
	Add: Equity Instruments through Other Comprehensive Income (net of tax)	(196)	596
	Closing balance	839	1,035
	Hedging reserve, net [see note 2.31]		
	Opening balance	136	24
	Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(134)	112
	Closing balance	2	136
	Remeasurement of net defined benefit plans, net		
	Opening balance	(58)	-
	Add: Remeasurement of net defined benefit plans	47	(58)
	Closing balance	(11)	(58)
		830	**1,113**
		39,080	**45,837**

Note :

(i) The Board of Directors recommended a Final Dividend of ₹ 5 per share (on equity share of par value of ₹ 10 each) for the year ended March 31, 2017. The payment was approved in the Annual General Meeting held on 8th July 2017.

(ii) The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of ₹ 8 per share (on equity share of par value of ₹ 10 each) for the year ended March 31, 2018. The payment is subject of approval of shareholders at the ensuing Annual General Meeting. The final dividend declared in the previous year was ₹ 5/- per equity share.

Nature and purpose of other reserves

Capital reserve

The company had transferred forfeited ESOP application money to Capital reserve in accordance with the provision of the Companies Act, 1956.The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

Hedging reserve

This comprises as the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

General reserve

The Company transferred certain percentage of retained earnings to general reserve as per the provisions for dividend distribution under the Companies Act, 2013.

Equity instrument through other comprehensive income

The Group has designated its investments in certain equity instruments at fair value through other comprehensive income. These changes are accumulated within the FVOCI equity investments within the equity. The group transfers amounts therefrom to retained earnings when the relevant equity securities are derecognised.

Remeasurement of net defined benefit plans

Remeasurement of net defined benefit plans (asset) comprises actuarial gain and losses and return on plan assets (excluding interest income)

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.18	**OTHER NON- CURRENT FINANCIAL LIABILITIES**			
	Annual incentive payable	91	42	-
		91	**42**	**-**
2.19	**NON-CURRENT PROVISIONS**			
	Provision for employee benefits			
	- Provision for compensated absences	490	449	382
		490	**449**	**382**
2.20	**OTHER NON- CURRENT LIABILITIES**			
	Advance from customers / Advance billings	-	-	320
		-	**-**	**320**
2.21	**TRADE PAYABLES**			
	a. Trade Payables (see note below)	4,700	2,615	2,219
	b. Due to subsidiaries (see note 2.36)	404	278	626
		5,104	**2,893**	**2,845**

The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.22	**OTHER CURRENT FINANCIAL LIABILITIES**			
	a. Unpaid dividends	24	29	44
	b. Payable for purchase of fixed assets	1	13	13
		25	**42**	**57**

Notes forming part of the financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.23	**CURRENT PROVISIONS**			
	Provision for employee benefits			
	- Provision for compensated absences	171	154	139
		171	**154**	**139**
2.24	**INCOME TAX LIABILITIES**			
	Provision for tax [net of advance tax of ₹ Nil (previous year ₹ Nil and as on 1st April, 2016 ₹ 637 lacs)]	-	22	144
		-	**22**	**144**
2.25	**OTHER CURRENT LIABILITIES**			
	a. Advance from customers / Advance billings	6,045	3,230	3,589
	b. Deferred revenue	4,354	4,264	3,671
	c. Other payables - statutory liabilities	499	387	310
	d. Payable to gratuity trust (see note 2.39)	372	211	110
		11,270	**8,092**	**7,680**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
2.26	**INCOME FROM SOFTWARE PRODUCTS AND SERVICES**		
	a. Software development services and products		
	- Domestic	12,607	9,966
	- Overseas	21,125	19,969
		33,732	**29,935**
2.27	**OTHER INCOME**		
	a. Interest income on financial assets- carried at amortised cost :		
	- Deposits with banks	289	706
	- Loan to subsidiary	-	63
	- Tax free bonds	619	601
	- Debentures	33	14
	- Non- current trade receivable	67	89
	- Fixed maturity plan	331	311
	- preference shares	423	252
	- others	7	8
	b. Interest income on Income tax refund	62	183
	c. Dividend income from		
	- Current, non trade investments	777	864
	- Non-current, non trade investment	125	36
	- Subsidiary companies (see note 2.30)	1,389	-
	d. Net gain / (loss) on sale of investments		
	- Long term trade investment		-
	-Current, non trade investments	(2)	25
	e. MTM gain or (loss) on mutual funds	39	-
	f. - Gain / (Loss) on exchange fluctuation	9	(17)
	g. Other non-operating income		
	- Net profit on sale of fixed assets/discarded assets	-	35
	- Miscellaneous income	9	12
		4,177	**3,182**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
2.28	**EMPLOYEE BENEFIT EXPENSE**		
	a. Salaries and wages	19,727	16,203
	b. Contribution to provident and other funds	996	853
	c. Gratuity expense	514	211
	d. Staff welfare expenses	392	322
		21,629	**17,589**
2.29	**OPERATING AND OTHER EXPENSES**		
	a. Outsourced technical service expense	961	1,216
	b. Cost of software purchased for delivery to clients	207	183
	c. Power and fuel	419	421
	d. Rent (see note 2.32)	290	324
	e. Repair and maintenance		
	- Buildings	41	44
	- Others	294	285
	f. Insurance	41	53
	g. Rates and taxes	99	40
	h. Travel expenses		
	- Foreign	983	879
	- Domestic	357	222
	i. Advertisement, business development and promotion	136	82
	j. Legal and professional (see note 2.34)	436	659
	k. Directors remuneration	116	109
	l. Conveyance	171	151
	m. Communication	168	156
	n. Training and recruitment	343	283
	o. Net loss on sale of fixed assets/discarded assets	4	-
	p. Adjustment to the carrying amount of investments	-	48
	q. Conference, exhibition and seminar	152	152
	r. Information technology expenses	628	456
	s. Provision for doubtful debts/advances/other current assets	42	(28)
	t. Provision for doubtful Loans	-	732
	t. Commission to channel partners	117	38
	u. Expenditure on corporate social responsibility (see note 2.42)	111	110
	v. Sales and marketing fee	1,292	1,714
	w. Miscellaneous expenses	425	462
		7,833	**8,791**
	Directors Remuneration includes :		
	Non Executive Directors		
	a. Commission	71	55
	b. Sitting fees	45	54
		116	**109**
2.30	**FINANCE COST**		
	Bank Charges	32	35
		32	**35**

Notes forming part of the financial statements

2.31 Financial Instruments

a) **Financial Instruments by category**

The carrying value and fair value of financial instruments by categories of 31 March 2018 were as follows:

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	1,861	-	-	1,861	1,861
Other bank balances (2.12)	2,719	-	-	2,719	2,719
Investments (2.2 and 2.9)					
Equity Instruments (Other than subsidiaries)	-	-	864	864	864
Tax free bonds	8,713	-	-	8,713	9,094
Mutual funds (other than FMPs)	-	14,803	-	14,803	14,803
Fixed maturity plans (FMPs)	7,248	-	-	7,248	7,231
Debentures	-	-	-	-	-
Preference shares	5,699	265	-	5,964	5,948
Trade receivables (2.3 and 2.10)	7,080	-	-	7,080	7,080
Loans (2.4 and 2.13)	38	-	-	38	38
Other financial assets (2.5 and 2.14)	1,010	-	-	1,010	1,010
	34,368	**15,068**	**864**	**50,300**	**50,648**
Liabilities:					
Trade payables (2.21)	5,104	-	-	5,104	5,104
Other financial liabilities (2.18 and 2.22)	116	-	-	116	116
	5,220	**-**	**-**	**5,220**	**5,220**

The carrying value and fair value of financial instruments by categories of 31 March 2017 were as follows:

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	1,094	-	-	1,094	1,094
Other bank balances (2.12)	2,254	-	-	2,254	2,254
Investments (2.2 and 2.9)					
Equity Instruments (Other than subsidiaries)	-	-	1,060	1,060	1,060
Tax free bonds	8,155	-	-	8,155	8,201
Mutual funds (other than FMPs)	-	23,725	-	23,725	23,725
Fixed maturity plans (FMPs)	4,110	-	-	4,110	4,137
Debentures	514	-	-	514	500
Preference shares	5,149	235		5,384	4,808
Trade receivables (2.3 and 2.10)	5,905	-	-	5,905	5,905
Loans (2.4 and 2.13)	46	-	-	46	46
Other financial assets (2.5 and 2.14)	530	-	-	530	530
	27,756	**23,960**	**1,060**	**52,776**	**52,260**
Liabilities:					
Trade payables (2.21)	2,893	-	-	2,893	2,893
Other financial liabilities (2.18 and 2.22)	84	-	-	84	84
	2,977	**-**	**-**	**2,977**	**2,977**

The carrying value and fair value of financial instruments by categories of 1 April 2016 were as follows:

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	400	-	-	400	400
Other bank balances (2.12)	9,792	-	-	9,792	9,792
Investments (2.2 and 2.9)					
Equity Instruments (Other than subsidiaries)	-	-	513	513	513
Tax free bonds	8,134	-	-	8,134	8,109
Mutual funds (other than FMPs)	-	10,394	-	10,394	10,394
Fixed maturity plans (FMPs)	4,527	-	-	4,527	4,551
Preference shares	1,492	-	-	1,492	1,491
Trade receivables (2.3 and 2.10)	8,604	-	-	8,604	8,604
Loans (2.4 and 2.13)	791	-	-	791	791
Other financial assets (2.5 and 2.14)	1,750	-	-	1,750	1,750
	35,490	**10,394**	**513**	**46,397**	**46,395**
Liabilities:					
Trade payables (2.21)	2,845	-	-	2,845	2,845
Other financial liabilities (2.18 and 2.22)	57	-	-	57	57
	2,902	**-**	**-**	**2,902**	**2,902**

The carrying amount of current trade receivables, short term loan, current security deposit, trade payables, current financial liabilities and cash and cash equivalent are considered to be same as their fair values, due to their short-term nature.

The fair value of Non-current trade receivables, long term loan, Non -current security deposit and non-current financial liabilities were calculated based on cashflows discounted using a transition date lending rate as there is no material change in the lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusions of unobservable inputs including counterparty credit risk.

b) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

a) the use of quoted market prices or dealer quotes for similar instruments.

b) for forward exchange contracts, the fair value is determined using quoted forward exchange rates at the reporting date.

c) the fair value of remaining financial instruments is determined using discounted cash flows method.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As of 31 March 2018	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	14,803	14,803	-	-
Fixed maturity plans (2.2 and 2.9)	7,231	7,231	-	-

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As of 31 March 2018	Level 1	Level 2	Level 3
Tax free bonds (2.2 and 2.9)	9,094	9,094	-	-
Debentures (2.2 and 2.9)	-	-	-	-
Preference shares (2.2)	5,948	5,683	-	265
Equity Instruments (Other than subsidiaries)	864	864	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	3	-	3	-
Application money for Mutual fund (2.14)	-	-	-	-
Non - Current Financial Assets- Trade receivables (2.3)	272	-	-	272
Non - Current Financial Assets- Loans to employees (2.4)	9	-	-	9
Non - Current Financial Assets- Security deposits (2.5)	132	-	-	132
Financial liabilities				
Other Non-current financial liabilties (2.18)	91	-	-	91

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

Particulars	As of 31 March 2017	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	23,725	23,725	-	-
Fixed maturity plans (2.2 and 2.9)	4,137	4,137	-	-
Tax free bonds (2.2 and 2.9)	8,201	8,201	-	-
Debentures (2.2 and 2.9)	500	500	-	-
Preference shares (2.2)	4,808	4,573		235
Equity Instruments (Other than subsidiaries)	1,060	1,060	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	136	-	136	-
Non - Current Financial Assets- Trade receivables (2.3)	565	-	-	565
Non - Current Financial Assets- Loans to employees (2.4)	13	-	-	13
Non - Current Financial Assets- Security deposits (2.5)	135	-	-	135
Financial liabilities				
Other Non-current financial liabilties (2.18)	42	-	-	42

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 1 April 2016:

Particulars	As of 1 April 2016	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	10,394	10,394	-	-
Fixed maturity plans (2.2 and 2.9)	4,551	4,551	-	-
Tax free bonds (2.2 and 2.9)	8,109	8,109	-	
Equity Instruments (Other than subsidiaries)	513	-	-	513
Preference shares (2.2)	1,491	1,491	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	-	-	-	-
Application money for Mutual fund and preference shares (2.14)	425	-	-	-
Non - Current Financial Assets- Trade receivables (2.3)	792	-	-	792
Non - Current Financial Assets- Loans to employees (2.4)	20	-	-	20
Non - Current Financial Assets- Security deposits (2.5)	130	-	-	130

c) Financial risk management

The Company's activities expose it to a variety of financial risks arising from financial instruments

- Market risk,

- Credit risk and

- Liquidity risk

Risk Management Committee (RMC) is responsible for identification and review of risks and mitigation plans. The Committee meets on a quarterly basis for identification and prioritization of risks. RMC conducts risk survey with the senior and middle level management of the Company to identify risks and rate them appropriately. Top risks are identified and remaining are categorized as other risks. The RMC then places updates to the Board on a quarterly basis, on key risks facing the Company, along with their mitigation plans.

i) Market risk

a) Hedge accounting

The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. . The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

The Company's risk management policy is to hedge 40 to 55% of its estimated foreign currency exposure in respect of forecast sales over the following 12 months at any point in time. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

(Amount in Lacs unless otherwise stated)

Currency	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Receivable						
USD	53	3,433	51	3,292	59	3,913
EURO	1	78	2	137	3	218
MYR	11	182	7	97	2	29
SGD	-	16	1	43	1	29
JPY	184	113	318	186	342	202
ZAR	19	102	7	30	59	265
AED	6	105	4	66	11	194
CHF	-	4	-	2	-	2
GBP	5	438	-	-	2	164
AUD	-	22	2	108	3	129
NGN						

(Amount in Lacs unless otherwise stated)

Currency	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Payable						
USD	93	6,044	58	3,733	104	6,868
EUR	2	132	2	122	3	203
MYR	9	156	8	124	6	104
GBP	1	104	-	29	1	87
SGD	4	187	-	-	5	228
CHF	-	7	-	2	-	12
AED	2	41	2	44	3	59
ZAR	63	349	59	288	48	217
JPY	159	98	82	47	305	180
SEK	-	-	-	-	1	5
AUD	7	358	9	447	7	377
NGN	-	-	8	2	-	-
SAR	-	4	-	1	-	-

For the year ended 31 March 2018 and 31 March 2017 10% depreciation / appreciation in the exchange rate between the Indian rupee and Foreign currencies, would have affected the Company's incremental profit by ₹ 299 lacs, ₹ 879 lacs respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Price risk

(a) Exposure

The Company's exposure to equity securities and mutual funds price risk arises from investments held by the Company and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

(b) Sensitivity

The sensitivity of profit or loss in respect of investments in mutual funds and equity instruments (other than subsidiaries) at the end of the reporting period for +/- 2% change in price and net asset value is presented below:

	Impact on profit before tax			Impact on other components of equity		
	31 March 2018	31 March 2017	1 April 2016	30 June 2017	31 March 2017	1 April 2016
Increase 2%						
Mutual funds	296	474	208		-	-
Equity instruments (other than subsidiaries)	-	-	-	17	21	10
Decrease 2%						
Mutual funds	(296)	(474)	(208)	-	-	-
Equity instruments (other than subsidiaries)		-	-	(17)	(21)	(10)

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Forward contracts

Forward contract outstanding	Buy/Sell	As at 31 March 2018	Equivalent amount in ₹ 31 March 2018	As at 31 March 2017	Equivalent amount in ₹ 31 March 2017	As at 1 April 2016	Equivalent amount in ₹ 1 April 2016
In USD (Amount in USD lacs)	Sell	65	4,204	42	2,691	59	3,893

The foreign exchange forward contracts mature within six months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the Balance sheet date

Particulars	As at 31 March 2018	Equivalent amount in ₹ 31 March 2018	As at 31 March 2017	Equivalent amount in ₹ 31 March 2017	As at 1 April 2016	Equivalent amount in ₹ 1 April 2016
Not later than one month	14	913	7	454	13	878
Later than one month and not later than three months	21	1,336	16	1,005	38	2,485
Later than three months and not later than one year	30	1,955	19	1,232	8	530

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following table provides the reconciliation of cash flow hedge reserve for the year ended 31 March 2017:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Balance at the beginning of the period	136	24
Gain / (Loss) recognised in other comprehensive income during the period, net of taxes	(134)	112
Amount reclassified to revenue during the period	-	-
Tax impact on above	-	-
Balance at the end of the period	2	136

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table provides quantitative information about offsetting of derivative financial assets

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Gross amount of recognized financial asset	3	136	-
Amount set off	-	-	-
Net amount presented in balance sheet	3	136	-

ii) Credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counter party fails to make contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 7,080 lacs ₹ 5,905 lacs and ₹ 8,604 lacs as of 31 March 2018, 31 March 2017 and 1 April 2016, respectively and unbilled revenue amounting to ₹ 922 lacs,₹ 619 lacs and ₹ 761 lacs as of 31 March 2018, 31 March 2017 and 1 April 2016, respectively. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as Company's historical experience for customers.

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:

Particulars	**Year ended 31 March 2018**	**Year ended 31 March 2017**
	(in %)	(in %)
Revenue from top customer	12.67	15.96
Revenue from top five customers	29.54	37.6

Credit risk exposure

The reversal for lifetime expected credit loss on customer balances for the year ended 31 March 2018 is ₹ 37 lacs and for the year ended 31 March 2017 was ₹ 23 lacs. The reversal for lifetime expected credit loss on customer balances for the year ended 1 April 2016 was ₹ 84 lacs.

	Year ended 31 March 2018	**Year ended 31 March 2017**
Balance at the beginning	343	366
Impairment loss recognised/reversed	(37)	(23)
Amounts written off	(78)	-
Translation differences		-
Balance at the end	228	343

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in mutual fund units, quoted bonds issued by government, preference shares and non convertible debentures.

a) Expected credit loss for loans, security deposits and Investments

As at 31 March 2018 **(Amount in ₹ Lacs unless otherwise** stated)

Particulars		**Asset group**	**Estimated gross carrying amount at default**	**Expected probability of default**	**Expected credit loss**	**Carrying amount net of impairment provision**
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recogntion	Investment at amortised cost	19,378	0%	-	19,378
		Loans to employee	9	0%	-	9
		Security deposits	132	0%	-	132
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit -impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit -impaired	Loans to subsidiaries	732	100%	(732)	-

As at 31 March 2017

Particulars		Asset group	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recogntion	Investment at amortised cost	15,801	0%	-	15,801
		Loans to employee	13	0%	-	13
		Security deposits	135	0%	-	135
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit -impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit -impaired	Loans to subsidiaries	732	100%	(732)	-

a) Expected credit loss for trade receivables under simplified approach

As at 31 March 2018

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	4,651	1,440	380	129	276	431	7,307
Expected credit losses (Loss allowance provision)					27	201	228
Carrying amount of trade receivables (net of impairment)	4,651	1,440	380	129	249	230	7,080

As at 31 March 2017

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	4,026	1,395	418	67	88	253	6,248
Expected credit losses (Loss allowance provision)					76	267	343
Carrying amount of trade receivables (net of impairment)	4,026	1,395	418	67	11	(13)	5,905

iii) Liquidity risk

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of 31 March 2018, the Company had a working capital of ₹ 9,712 lacs including cash and cash equivalent of ₹ 1,861 lacs and current investment of ₹ 13,196 lacs (31 March 2017 ₹ 21,324 lacs including cash and cash equivalents of ₹ 1,094 lacs and current investments of ₹ 22,437 lacs).

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018:

Particulars	**Less than 1 year**	**1-2 years**	**Total**
Trade payables	5,104		5,104
Other financial liabilities	25	91	116

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017:

Particulars	**Less than 1 year**	**1-2 years**	**Total**
Trade payables	2,893	-	2,893
Other financial liabilities	42	42	84

The table below provides details regarding the contractual maturities of significant financial liabilities as of 1 April 2016:

Particulars	**Less than 1 year**	**1-2 years**	**Total**
Trade payables	2,845	-	2,845
Other financial liabilities	57	-	57

d) Capital Management

The Company's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- maintain an appropriate capital structure

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management in deployment of funds and sourcing by leveraging opportunities in domestic and international financial markets so as to maintain investors, creditors & markets' confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital, using a medium term view of three to five years, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Company is not subject to externally imposed capital requirements.

The Company monitors capital using gearing ratio which is adjusted net debt divided by total equity. Adjusted net debt comprises of long term and short term liabilities less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

	As at 31 March 2018	**As at 31 March 2017**	**As at 1 April 2016**
Total Liabilities	17,151	11,694	11,567
Less: Cash and cash equivalnets	1,861	1,094	400
Adjusted debt	**15,290**	**10,600**	**11,167**
Total equity	**41,984**	**49,076**	**43,248**
Adjusted net debt to equity ratio	**0.36**	**0.22**	**0.26**

(i) Risk management

For the purpose of the Company`s capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company`s capital management is to maximise the shareholder value.

The Company manages it capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, raise debts or issue new shares.

ii) **Dividends**

Particulars	31 March 2018	31 March 2017
(i) Equity Shares		
Final dividend for the year ended 31 March 2017 of ₹ 5 (31 March 2016 of ₹ Nil) Per fully paid up	1,619	-
(ii) Dividends not recognised at the end of reporting period	2,323	1,619

The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of ₹ 8 per share (on equity share of par value of ₹ 10 each) for the year ended 31 March 2018. The payment is subject to approval of shareholders at the ensuing Annual General Meeting. The final dividend declared in the previous year was ₹ 5/- per equity share.

2.32 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March 2018 is ₹ 290 lacs (previous year ended 31 March 2017 is ₹ 324 lacs)

2.33 Contingent liabilities and Commitments (to the extent not provided for)

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
a. **Contingent liabilities**			
Claims against the Company not acknowledged as debts	69	69	69
b. **Capital Commitments**			
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	30	32	32
c. **Other Commitments**			
The Company is committed to provide financial support to its subsidiary companies, as and when required.			

a. The Company does not have any pending litigation which would impact its financial position.

b. The Company did not have any long-term contracts including derivative contracts for which there were any material forseeable losses.

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
2.34	**Auditors Remuneration (excluding service tax and goods and service tax)**		
a.	As auditors - statutory audit, including quarterly audits	47	47
b.	For other services	5	3
c.	Reimbursement of expenses	5	6
		57	**56**
2.35	**Earnings per share**		
a.	Profit after taxation available to equity shareholders (Rupees)	6,560	5,178
b.	Weighted average number of equity shares used in calculating basic earnings per share (Numbers)	30,561,102	32,383,724
c.	Effect of dilutive issue of shares	-	-
d.	Weighted average number of equity shares used in calculating diluted earnings per share (Numbers)	30,561,102	32,383,724
e.	Basic earnings per share (Rupees)	21.47	15.99
f.	Diluted earnings per share (Rupees)	21.47	15.99

2.36 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Subsidiary Companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra i-Technology Services Limited, India
- Nucleus Software Limited, India
- Nucleus Software Australia Pty. Ltd., Australia
- Nucleus Software South Africa Pty. Limited, South Africa (incorporated on 10 February, 2015)
- Avon Mobility Solutions Private Limited (acquired on 17 March 2016)

b. Other related parties:

Key managerial personnel:

- Vishnu R Dusad (Managing Director and Chief Executive Officer)
- Ravi Pratap Singh (Whole time Director)
- Ashish Nanda (Chief Financial officer)
- Poonam Bhasin (Company Secretary)
- Nucleus Software Foundation (see note 2.42)
- Avon Solutions & Logistics Pvt Ltd

2.36 RELATED PARTY TRANSACTIONS

Transactions with related parties

(Amount in ₹ Lacs unless otherwise stated)

Particulars	**Year ended 31 March 2018**	**Year ended 31 March 2017**
a. Software development services and products		
- Nucleus Software Japan Kabushiki Kaisha, Japan	586	453
- Nucleus Software Solutions Pte Ltd, Singapore	957	1,068
- Nucleus Software Inc., USA	15	92
- Nucleus Software Netherlands B.V., Netherlands	1	49
	1,559	**1,662**
b. Other income		
Dividend income		
- VirStra i -Technology Services Limited, India	500	-
- Nucleus Software Solutions Pte Ltd, Singapore	437	-
- Nucleus Software Inc., USA	452	-
	1,389	**-**

Transactions with related parties

a. Salary and other benefits to Key managerial personnel		
Short-term employee benefits	370	274
Contribution to provident and other funds	20	15
	390	**289**
b. Cost of software purchased for delivery to clients		
- Nucleus Software Solutions Pte Ltd, Singapore	26	28

c.	**Outsourced technical service expense**		
	- Nucleus Software Japan Kabushiki Kaisha, Japan	-	61
	- Nucleus Software Australia Pty Ltd.	329	472
		329	**533**
d.	**Expenditure on Corporate Social Responsibility**		
	Nucleus Software Foundation (see note 2.42)	111	110
e.	**Lease rent paid**		
	- Nucleus Software Limited, India	109	109
f.	**Reimbursement of expenses from**		
	- Nucleus Software Solutions Pte Ltd, Singapore	22	40
	- Nucleus Software Japan Kabushiki Kaisha, Japan	534	562
	- Nucleus Software Inc., USA	2	0
	- Nucleus Software Netherlands B.V., Netherlands	1	0
	- VirStra i-Technology Services Limited, India	1	2
	- Avon Mobility Solutions Private Limited, India	0	-
	- Nucleus Software South Africa Pty Ltd, South Africa	0	1
	- Nucleus Software Australia Pty Ltd., Australia	3	15
		563	**620**
g.	**Reimbursement of expenses to**		
	- Nucleus Software Solutions Pte Ltd, Singapore	-	1
	- Nucleus Software Japan Kabushiki Kaisha, Japan	-	3
		-	**4**
h.	**Sales & marketing fee**		
	- Nucleus Software Japan Kabushiki Kaisha, Japan	391	425
	- Nucleus Software Solutions Pte Ltd, Singapore	691	854
	- Nucleus Software Inc., USA	-	55
	- Nucleus Software Australia Pty Ltd.	122	198
	- Nucleus Software South Africa Pty Ltd	89	181
		1,293	**1,713**
	- Avon Mobility Solutions Private Limited		
i.	**Communication Expenses**		
	- Avon Solutions & Logistics Pvt Ltd	23	3
j.	**Investment in Preference Shares**		
	- Avon Mobility Solutions Private Limited	30	235
k.	**Salary to Ms Kritika Dusad (Relative of Key Managerial personnel)**	25	-

Outstanding balances as at year end

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March, 2017	As at 1 April, 2016
a.	**Trade receivables**			
	- Nucleus Software Solutions Pte Ltd, Singapore	81	94	99
	- Nucleus Software Japan Kabushiki Kaisha, Japan	113	185	162
	- Nucleus Software Inc., USA	-	-	40
	- VirStra i -Technology Services Limited, India	-	-	3
	- Nucleus Software Limited, India	-	-	2
	- Nucleus Software Australia Pty Ltd., Australia	-	-	(2)
		194	**279**	**304**

Notes forming part of the financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March, 2017	As at 1 April, 2016
b.	**Trade payables**			
	- Nucleus Software Solutions Pte Ltd, Singapore	179	(7)	248
	- Nucleus Software Japan Kabushiki Kaisha, Japan	98	125	164
	- Nucleus Software Australia Pty Ltd., Australia	119	116	133
	- Nucleus Software Limited, India	8	9	-
	- Nucleus Software South Africa Pty Ltd, South Africa	-	35	33
	- Nucleus Software Inc., USA	-	-	48
		404	**278**	**626**
c.	**Loans to subsidiaries**			
	- Nucleus Software Limited, India	**732**	**732**	**668**
d.	**Provision for doubtful loan**			
	- Nucleus Software Limited, India	**732**	**732**	-
e.	**Deferred revenue**			
	- Nucleus Software Inc., USA	-	15	52
	- Nucleus Software Netherlands B.V., Netherlands	-	1	13
		-	**16**	**65**
f.	**Investments in subsidiary companies (net of provision) (see note 2.2)**	**1,777**	**1,777**	**1,777**
g.	**Investments in preference shares of subsidiary companies**			
	- Avon Mobility Solutions Private Limited	**265**	**235**	**-**
h.	**Advance/Prepayment to subsidiaries**			
	- Nucleus Software Solutions Pte Ltd, Singapore	**-**	**20**	**21**

2.37 Research and development expenditure

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended31 March 2018	Year ended31 March 2017
Expenditure on research and development as per Ind AS 38		
Revenue Expenditure	2,913	2,326

The Company had been accorded initial recognition for the in-house Research and Development (R&D) unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which was valid till 31 March, 2015. The Company has further received renewal of recognition for its R&D center for three years starting from 1 April, 2015.

2.38 Segment reporting – Basis of preparation

a. Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Ind AS 108.The segmentation is based on the Geographies (reportable business segment) in which the Company operates and internal reporting systems. The geographical segmentation is based on the nature and type of services rendered. Based on the “management approach” as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the company`s performance and allocates resources based on an analysis of various performance indicators by business segments and geographical segments.

b. Composition of reportable segments

The Company operates in seven main geographical segments: India, Far East, South East Asia, Europe, Middle East, Africa and Australia which individually contribute 10% or more of the Company’s revenue and segment assets.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

The geographical segmentation is based on the nature and type of services rendered. Accordingly, geographical Segmentation has been classified under Products and Software Projects and Services. Products revenue includes Income from sale of licenses and all other related customization, implementation, time and material contracts, fixed price contracts and annual technical service for these licenses. Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company.

Information in respect of business segment

The profit and loss for reportable business segment is set out below:

a. For the year ended 31 March, 2018

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Revenue from operations	12,607	2,811	5,241	4,211	6,211	1,105	1,072	474	33,732
Expenses	6,207	1,247	5,014	3,058	3,802	451	679	337	20,795
Segment result	6,400	1,564	227	1,153	2,409	654	393	137	12,937
Unallocated corporate expenditure									9,346
Operating profit before taxation									3,591
Other income									4,177
Profit before taxation									7,768
Tax Expense									
Net current tax expense									1,197
Net deferred tax credit									11
									1,208
Profit for the Year									**6,560**

b. For the year ended 31 March, 2017

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Revenue from operations	9,966	2,498	4,387	4,611	5,209	911	1,745	608	29,935
Expenses	6,417	1,232	3,765	3,258	2,775	446	970	467	19,330
Segment result	3,549	1,266	622	1,353	2,434	465	775	141	10,605
Unallocated corporate expenditure									8,111
Operating profit before taxation									2,494
Other income									3,182
Profit before taxation									5,676
Tax Expense									
Net current tax expense									910
Net deferred tax credit									(412)
									498
Profit for the Year									**5,178**

Notes forming part of the financial statements

Revenue from a top customer, who is contributing more than 10% of total revenue, is presented segment wise as follows:

For the year ended 31 March, 2018

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Revenue from operations	-	-	-	4,057	-	-	-	217	4,274
For the year ended 31 March, 2017									
Revenue from operations	-	-	-	4,437	-	-	-	341	4,778

Assets and liabilities of reportable business segments are as follows:

a. As at 31 March, 2018

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Segment assets	4,148	553	1,123	527	1,242	881	22	70	8,566
Unallocated corporate assets									50,569
Total assets									**59,135**
Segment liabilities	5,999	541	4,413	951	2,676	1,270	414	22	16,286
Unallocated corporate liabilities									865
Total liabilities									**17,151**
									41,984

b. As at 31 March, 2017

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Segment assets	3,373	481	777	761	1,119	296	118	230	7,155
Unallocated corporate assets									53,615
Total assets									**60,770**
Segment liabilities	4,567	440	1,954	756	2,128	720	509	151	11,225
Unallocated corporate liabilities									469
Total liabilities									**11,694**
Capital employed									**49,076**

A listing of capital expenditure, depreciation and other non-cash expenditure of the reportable primary segment are set out below:

b. **For the year ended 31 March, 2018**

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Capital expenditure									717
(Unallocated)									
Total capital expenditure									**717**
Depreciation expenditure									647
(Unallocated)									
Total depreciation									**647**
Segment non-cash expense other than depreciation	29	-	1	-	6	6	-	-	42
Total non cash expenditure other than depreciation	**29**	**0**	**1**	**0**	**6**	**6**	**-**	**-**	**42**

For the year ended 31 March, 2017									
Description	**India**	**Far East**	**South East Asia**	**Europe**	**Middle East**	**Africa**	**Australia**	**Others**	**Total**
Capital expenditure									398
Total capital expenditure									**398**
Depreciation expenditure									1,026
Total depreciation									**1,026**
Segment non-cash expense other than depreciation	718		(4)		17	42			773
Total non cash expenditure other than depreciation	**718**	**0**	**(4)**	**0**	**17**	**42**	**-**	**-**	**773**

Information in respect of secondary segment

Information for business segments

(Amount in ₹ Lacs unless otherwise stated)

	Description	Products	Software projects and services	Total
a.	**For the year ended 31 March, 2018**			
	Revenue	31,607	2,125	33,732
	Carrying amount of segment assets	8,027	540	8,566
b.	**For the year ended 31 March, 2017**			
	Revenue	27,841	2,094	29,935
	Carrying amount of segment assets	6,654	501	7,155

Note : The carrying amount of segment assets has been allocated proportionately in ratio of revenue in the related secondary segment.

2.39 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 917 lacs for the year ended 31 March, 2018 (Year ended 31 March, 2017 ₹ 809 lacs), have been recognized as an expense in respect of Company's contribution for Provident Fund and ₹ 6 lacs (Year ended 31 March, 2017 ₹ 4 lacs) for Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of ₹ 20 lacs in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and compensated absence has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Company had made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2018 :

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March, 2018	As at 31 March, 2017
a.	**Change in defined benefit obligations (DBO) during the year**		
	Obligation at beginning of the year	1,655	1,410
	Current service cost	227	210
	Past service cost	274	-
	Interest on defined benefit obligation	103	95
	Remeasurement due to:	-	-
	Actuarial loss/(gain) arising from change in financial assumptions	(52)	50
	Actuarial loss/(gain) arising from change in demographic assumptions	-	-
	Actuarial loss/(gain) arising on account of experience changes	29	7
	Benefits paid	(81)	(117)
	Obligation at year end	**2,155**	**1,655**
b.	**Change in plan assets**		
	Plan Assets at year beginning, at fair value	1,444	1,300
	Expected return on asset plan	96	94
	Contributions by employer	311	163
	Remeasurement due to :	-	-
	Actuarial return on plan assets less interest on plan assets	13	4
	Benefits paid	(81)	(117)
	Plan assets at year end, at fair value	**1,783**	**1,444**
c.	**Net asset / (liability) recognised in the Balance Sheet**		
	Present value of defined benefit obligation	2,155	1,655
	Fair value of plan assets	1,783	1,444
	Funded status- Surplus/ (Deficit)	372	211
	Unrecognised past service costs	-	-
	Net liability recognised in the Balance Sheet	**372**	**211**
d.	**Expected employer's contribution next year**		
		200	200
e.	**Expense recognised in Profit or Loss**		
	Current service cost	227	210
	Past service cost	274	-
	Interest cost	13	1
	Net gratuity cost	**514**	**211**
f.	**Remeasurements income recognised in other comprehensive income:**		
	Actuarial (gain) loss on defined benefit obligation	(23)	57
	Return on plan assets excluding interest income	(13)	(4)
		(36)	**53**

g. **Economic assumptions :**

	Actuarial assumptions for gratuity and long-term compensated absences	
	As at 31 March, 2018	**As at 31 March, 2017**
Discount rate	7.40%	6.90%
Salary escalation rate	8.00%	8.00%
Expected return on plan assets	8.00%	8.00%

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March, 2018	As at 31 March, 2017

Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Expected return on plan assets:

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc.

h. Demographic assumptions

Retirement age	58 years	58 years
Mortality table	IALM Mortality (2006-08)	IALM Mortality (2006-08)

Assumptions regarding future mortality have been based on published statistics and mortality table.

i. Withdrawal rates

Ages - Withdrawal Rate (%)
21-50 years - 20%
51-54 years - 2%
55-57 years - 1%

j. Category of asset

Insurer Managed Funds	1,783	

The company does not invest directly in any property occupied by the company nor in financial security issued by the company.

k Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding and other assumptions constant,would have affected the defined benefit obligation by the amount shown below:

Particulars :	Year ended 31 March 2018		Year ended 31 March 2017	
	Increase	Decrease	Increase	Decrease
Increase/(Decrease) in obligation with 0.5% movement in discount rate	(50)	53	(39)	41
Increase/(Decrease) in obligation with 0.5% movement in future rate of increase in compensation levels	42	(41)	29	(29)

2.40 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Income from software services and products	33,732	29,935
Software development expenses	22,649	18,721
Gross Profit	**11,083**	**11,214**
Selling and marketing expenses	3,342	3,754
General and administration expenses	3,503	3,940
Operating profit before depreciation	**4,238**	**3,520**
Depreciation and amortisation expense	647	1,026
Operating profit after depreciation	**3,591**	**2,494**
Other income	4,177	3,182
Profit before tax	**7,768**	**5,676**
Tax expense:		
Net current tax expense	1,197	910
Deferred tax (credit) /charge	11	(412)
	1,208	**498**
Profit for the period	**6,560**	**5,178**

2.41 TRANSFER PRICING

The Company has established a comprehensive system of maintenance of information and documents as required by transfer pricing legislation under section 92D for its international transactions and specified domestic transactions. The Company will further update above information and records and expects these to be in existence latest by due date of the filing of return, as required under law. The management is of the opinion that all above transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

2.42 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Gross amount required to be spent by Company during the year ended 31 March, 2018 / 31 March, 2017 :	111	110
Amount spent during the year on purposes other than Construction/acquisition of any asset	111	110
Details of related party transactions:		
Nucleus Software Foundation (See note 2.36)	111	110

2.43 On March 17, 2016, the Company has acquired 96% stake in Avon Mobility Solutions Pvt. Ltd. ('Avon'), a Mobile Technology Solutions provider for a purchase consideration of ₹ 192 lacs . The Company has also taken over Avon's net liabilities aggregating to ₹ 125 lacs. Further, the Company has an option to acquire the remaining 4% shares of Avon as per terms and conditions of share purchase agreement executed with the shareholders of Avon. The Company has further subscribed during the year ended March 31 2018, 300,000 (previous year 31 March 2017, 2,350,000) 11% redeemable preference shares of face value of ₹ 10 per share, for a minimum tenor of 5 years and maximum tenor of 20 years.

2.44 Disclosure under schedule III of Companies Act, 2013 for transaction in Specified Bank Notes (SBN's) and other denomination notes during the period 08 November, 2016 to 30 December,2016 :

(Amount in ₹)

Information pursuant to G.S.R. 308(E) dated 30 March 2017	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	90,500	33,739	124,239
(+) Permitted receipts	18000 *	255,690	273,690
(-) Permitted payments	-	197,529	197,529
(-) Amount deposited in Banks	108,500	-	108,500
Closing cash in hand as on 30.12.2016	-	91,900	91,900

* Imprest in hand with employees.

Note: For the purpose of this disclosure, the term "Specified Bank Notes" shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E) dated 8 November 2016.

2.45 First-time adoption of Ind-AS

These standalone financial statements of Nucleus Software Exports Limited for the year ended 31 March 2018 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard , with 1 April, 2016 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1 have been applied in preparing the standalone financial statements for the year ended 31 March 2018 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet , Statement of Profit and Loss, is set out in note 2.46.

Exemptions availed and exceptions applied on first time adoption of Ind-AS 101

In preparing these financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions:

A Optional exemptions availed

1 Property plant and equipment and intangible assets

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

2 Designation of previously recognised financial instruments

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in equity instrument in other comprehensive income. Ind AS 101 allows such designation of previously recognised financial assets, as 'fair value through other comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly , the company has designated its investments in certain equity instruments at fair value through other comprehensive income on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

3 Investment in Subsidiaries

As per Ind AS 101, when an entity prepare seperate financial statements , Ind AS 27 requires it to account for its investments in subsidiaries either:

(a) at cost or
(b) in accordance with Ind AS 109.

The Company has chosen to avail the option to measure the investment in subsidiaries at cost.

4 Share- Based payment transactions

The Company can apply Ind AS 102 Share- based payment to equity instruments that vested before date of transition to Ind ASs. However, if an entity elects to apply Ind AS 102 to such equity instruments, it may do so only if it has disclosed publicly the fair value of those equity instruments. The Company has chosen not to apply Ind AS 102 to equity instruments that vested before date of transition.

B Mandatory exceptions

1 Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements,as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- fair valuation of financial instruments carried at FVTPL and/ or FVOCI.
- Impairment of financial assets based on the expected credit loss model.
- Determination of the discounted value for financial instruments carried at amortised cost.

2 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

3 Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 April

2016 are reflected as hedges in the Company's results under Ind AS. The Company had designated various hedging relationships as cash flow hedges under the previous GAAP. On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the Company continues to apply hedge accounting on and after the date of transition to Ind AS.

2.46 Reconciliations

a) Reconciliation of Total Equity

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	As at 31 March 2017	As at 1 April 2016
Equity as reported under Previous GAAP		**47,343**	**42,449**
Impact of Ind AS opening adjustment		**799**	**-**
Gain/(loss) arising on recognition of investments at amortised cost			
Investments in tax free bonds at amortised cost -Interest income IRFCL bond	1.1 a)	13	-
Investments in tax free bonds at amortised cost - Interest income and amortised expense	1.1 a)	2	4
Investment in FMPs/ Interval plan at amortised cost	1.1 b)	300	453
Profit on sale of long term investment-FMP	1.1 b)	(143)	-
Investments in preference shares at amortised cost	1.1 c)	13	1
Investment in NCDs-IIFL	1.1 g)	14	-
		199	**458**
Gain on discounting of long term financial assets and liabilities, net			
Discounting of Long term trade receivable	1.2	89	(223)
Interest on Investment in NSL	1.3 a)	63	164
NSL loan provision reversal	1.3 a)	69	-
Measurement of Staff loans at amortised cost	1.3 b)	1	1
Movement in deposits at amortised cost	1.4	-	(1)
Discounting of long term annual pay incentive	1.7	12	-
		234	**(59)**
Gain/(Loss) arising on fair value accounting of investments			
Investments in Mutual funds at Fair value through PL	1.1 f)	(11)	6
		(11)	**6**
Equity instruments through other comprehensive income - net change in fair value			
Investments in equity instrumemts at fair value through OCI	1.1 d)	547	488
		547	**488**
Deferred tax on above adjustments			
Tax effects of above adjustments	1.5	(35)	(94)
		(35)	**(94)**
Equity in accordance with Ind AS		**49,076**	**43,248**
Movement in equity		**1,733**	**799**

Notes forming part of the financial statements

b) **Reconciliation of total comprehensive income**

(Amount in ₹ Lacs unless otherwise stated)

Particulars	**Note**		**For the year ended 31 March 2017**
Profit as per Previous GAAP (A)			**4,782**
Gain/(loss) arising on recognition of investments at amortised cost			
Investments in tax free bonds at amortised cost -Interest income IRFCL bond	1.1 a)		13
Investments in tax free bonds at amortised cost - Interest income and amortised expense	1.1 a)		2
Investment in FMPs/ Interval plan at amortised cost	1.1 b)		300
Profit on sale of long term investment-FMP	1.1 b)		(143)
Investments in preference shares at amortised cost	1.1 c)		13
Investment in NCDs-IIFL	1.1 g)		14
			199
Gain on discounting of long term financial assets and liabilities, net			
Discounting of Long term trade receivable	1.2		89
Interest on Investment in NSL	1.3 a)		63
NSL loan provision reversal	1.3 a)		69
Measurement of Staff loans at amortised cost	1.3 b)		1
Movement in deposits at amortised cost			-
Discounting of long term annual pay incentive	1.7		12
			234
Gain/(Loss) arising on fair value accounting of investments			
Investments in Mutual funds at Fair value through PL	1.1 f)		(11)
			(11)
Actuarial valuation of defined benefit plans reclassified in other comprehensive income	1.8		58
			58
Deferred tax on above adjustment			
Tax effects of above adjustments	1.5		(84)
			(84)
Net Profit for the year as per Ind AS			**5,178**
Other Comprehensive Income (OCI),net of taxes	1.6		
Investments in equity instrumemts at fair value through OCI			547
Effective portion of gain (loss) on hedging instruments of effective cash flow hedges,net			112
Actuarial gain or loss reclassified from OCI			(58)
Deferred Tax adjustment on above entries	1.5		49
Other Comprehensive Income (OCI),net of taxes			**650**
Total Comprehensive Income as per Ind AS			**5,828**

c) **Equity reconciliations**

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 1, 2016			March 31, 2017		
		Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS	Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS
ASSETS							
Non-current assets							
Property, plant and equipment		3,081	-	3,081	2,798	-	2,798
Capital work in progress		110	-	110	32	-	32
Intangible assets		461	-	461	182	-	182
Financial assets		-					
Investments	**1.1 and 1.3 a)**	13,930	1,034	14,964	20,865	1,423	22,288
Trade receivables	**1.2**	1,015	(223)	792	680	(115)	565
Loans	**1.3**	825	(137)	688	17	(4)	13
Other financial assets	**1.4**	1,281	(5)	1,276	352	(2)	350
Deferred tax asset (net)	**1.5**	565	10	575	1,002	(27)	975
Income tax asset		936	-	936	989	-	989
Other non-current assets	**1.3 and 1.4**	26	3	29	47	4	51
Current Assets							
Financial assets							
Investments	**1.1**	11,763	111	11,874	21,979	458	22,437
Trade receivables	**1.2**	7,811	-	7,811	5,359	(19)	5,340
Cash and cash equivalents		400	-	400	1,094	-	1,094
Other bank balances		9,792	-	9,792	2,254	-	2,254
Loans		104	-	104	33	-	33
Other financial assets		474	-	474	179	-	179
Other current assets	**1.3 and 1.4**	1,442	6	1,448	1,187	3	1,190
Total Assets		**54,016**	**799**	**54,815**	**59,049**	**1,721**	**60,770**
EQUITY & LIABILITIES							
EQUITY							
Equity Share capital		3,239	-	3,239	3,239	-	3,239
Other equity	**1.6**	39,210	799	40,009	44,104	1,733	45,837
LIABILITIES							
Non-current liabilities							
Financial liabilities							
Other financial liabilities	**1.7**	-	-	-	54	(12)	42
Provisions		382	-	382	449	-	449
Other non-current liabilities		320	-	320	-	-	-
Current liabilities		-					
Financial liabilities		-					
Trade payables		2,845	-	2,845	2,893	-	2,893
Other financial liabilities		57	-	57	42	-	42
Provisions		139	-	139	154	-	154
Income tax liabilities (net)		144	-	144	22	-	22
Other current liabilities		7,680	-	7,680	8,092	-	8,092
TOTAL EQUITY AND LIABILITIES		**54,016**	**799**	**54,815**	**59,049**	**1,721**	**60,770**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note

Explanation for reconciliation of equity as at 1 April 2016 and 31 March 2017 and Profit and Loss for the year ended 31 March 2017 as previously reported under IGAAP to Ind AS

1.1 Investments

a) Tax free bonds

Tax free bonds are carried at amortised cost under Ind AS . Premium paid for acquisition of tax free bonds shall be added to the Investment value and thereafter investment will be measured at amortised cost under Ind AS. However under Previous GAAP, premium on tax free bond was recorded seperatly and amortised over the life of an Investment. As a result of this change, profit for the year ended 31 March 2017 increased ₹ 15 lacs and retained earning as at 1 April 2016 increased by ₹ 4 lacs .

b) Fixed Maturity Plans (FMPs)

Under Previous GAAP, Investments in FMPs were classified as long-term investments or current investments based on the intended holding period and realisability.Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at amortised cost.This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹ 157 lacs respectively and increase in retained earning as at 1 April 2016 by ₹ 453 lacs.

c) Preference Shares

Cumulative Preference shares are carried at amortised cost under Ind AS. Under Previous GAAP, Investments in Preference shares were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹ 13 lacs respectively and increase in retained earning as at 1 April 2016 by ₹ 1 lacs.

d) Investment in Equity instruments other than subsidiaries

Under Previous GAAP, the company accounted for long term investments in equity shares of Ujjivan Financial Services Limited as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind-AS, the company has designated this investments as FVTOCI investments. Ind-AS requires FVTOCI investments to be measured at fair value.

At the date of transition to Ind-AS, difference between the instruments fair value and Previous GAAP carrying amount has been recognised as a separate component of equity, in the FVTOCI reserve.This increased other reserves by ₹ 547 lacs as at 31 March 2017 (1 April 2016 - ₹ 488 lacs) and profit and other comprehensive income for the year ended 31 March 2017 increased by ₹ 547 lacs.

e) Investment in Subsidiaries

The Company has the option to measure the investment in subsidiaries at either cost or in accordance with Ind AS 109.The Company has chosen to avail the option to measure the investment in subsidiaries at cost. There is no impact on the total equity or profit and loss as a result of this adjustment.

f) Investment in Mutual funds

Under Previous GAAP, Investments in Mutual funds were classified as long-term investments or current investments based on the intended holding period and realisability.Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at Fair value through profit or loss.This change has resulted in an decrease in profit for the the year ended 31 March 2017 by ₹ 11 lacs and increase in retained earning as at 1 April 2016 by ₹ 6 lacs.

g) Investment in Non convertible debentures

Investments in Non Convertible debentures were classified as long-term investments or current investments based on the intended holding period and realisability.Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at amortised cost.This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹14 lacs.

1.2 Long term trade receivables

Under Ind AS, Long term receivable should be reduced to the extent of the present value of money and interest income should be recognised over the period of receivable.Adjustments reflect the separation of financing component from the long term receivables. This adjustments increase the profit for the year ended 31 March 2017 by ₹ 89 lacs and reduced the retained earning as at 1 April 2016 by ₹ 223 lacs.

1.3 Long term Loans

Under Previous GAAP, employee loans and other long term advances to be settled in cash or another financial asset are recorded at cost.

However, under Ind AS, certain assets covered under Ind AS 32 meet the definition of financial assets which include employee loans and long term advances to subsidiaries are classified at amortized cost, further these financial assets have been given at nil interest rate , therefore, these have been discounted to present value.

a) Interest free Loans to subsidiaries

As loan given to Nucleus software Limited, 100% subsidiary at nil interest rate , the same should be accounted at amortized cost using prevalent market rate of interest by applying effective interest rate method. Further during the year ended 31 March 2017, under previous GAAP, the Company had made full provision against the loan but in accordance with Ind AS, provision reversed to the extent of excess provision over amorised cost as at 31 March 2017. An amount of ₹ 194 lacs,net of taxes has been recognised as deemed investment and included in value of investment in Nucleus Software Limited.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 132 lacs and increased the retained earning as at 1 April 2016 by ₹ 164 lacs.

b) Interest free Loans to employees

Loan to employees are also given at nil interest rates , the same should be accounted at amortized cost using prevalent market rate of interest by applying effective interest rate method.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 1 lacs and increased the retained earning as at 1 April 2016 by ₹ 1 lacs.

1.4 Other Financial assets

Under Previous GAAP, Security deposit are recorded at cost. However under Ind AS, security deposits are classified at amortised cost. Therefore, adjustment has been made for the impact of discounting of interest free security deposit given for the rented premises.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ Nil and reduced the retained earning as at 1 April 2016 by ₹ 1 lacs.

1.5 Deferred tax

Deferred Tax adjustment on transitional entries under Ind - AS has been made in accordance with Ind-AS. This has reduced profit for the year ended 31 March 2017 by ₹ 84 lacs and other comprehensive income by ₹ 49 lacs and and retained earning as at 1 April 2016 by ₹ 94 lacs . The Previous GAAP require deferred tax accounting using the income statement approach, which focusses on differences between taxable profit and accounting profits for the period. Ind-AS 12 : Income Taxes requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind-AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Previous GAAP.

1.6 Other Equity

Adjustment to retained earnings and OCI have been made in accordance with Ind-AS, for the above mentioned line items

Under Previous GAAP, the Company has not presented other comprehensive income (OCI) separately. Items that have been reclassified from statement of profit and loss to other compreshensive income includes remeasurement of defined benefit plans and fair value gain/loss on FVOCI equity instruments. Hence, Previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS

1.7 Non -current Financial liabilities

Under Previous GAAP, annual incentive payables and creditors are recorded at cost.

However, under Ind AS, liabilities in which the Company has a contractual obligation to deliver cash are classified as financial liabilities. Thus in case of annual incentive being long term in nature, the financial liabilities have been discounted to present value and carried at amortised cost. Consequential impact of the same have been taken to employe benefit expenses.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 12 lacs.

Notes forming part of the financial statements

1.8 Remeasurements of the defined benefit plans

Under Ind AS, remeaurements, i.e., actuarial gains and losses and the return on plan assets, excluding amount included in the net interest expense on the net defined liability are recognised in other comprehensive income instead of profit or loss. Under Previous GAAP, these remeasurements were forming part of the profit or loss for the year. However, this has no impact on the total comprehensive income and total equity as on 31 March 2017 and 1 April 2016.

2.47 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification/ disclosure.

In terms of our report attached
For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Place : Gurugram
Date : May 03, 2018

For and on behalf of the Board of Directors

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : May 03, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF CONSOLIDATED OPERATIONS OF NUCLEUS SOFTWARE EXPORTS LTD. AND SUBSIDIARY COMPANIES

Forming Part of the Consolidated Financial Statements for the year ended March 31, 2018

Management’s Discussion and Analysis of Financial Condition and Results of Consolidated Operations of Nucleus Software Exports Ltd. and Subsidiary Companies

Management’s discussion and analysis of financial condition and results of operations include forward-looking statements based on certain assumptions and expectations of future events. The Company cannot assure that these assumptions and expectations are accurate. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to the Management perceptions.

The Company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017 (transition date being April 1, 2016) pursuant to notification issued by Ministry of Corporate Affairs dated February 16, 2015 notifying the Companies (Indian Accounting Standards) Rules, 2015. Accordingly, the financial results have been prepared in accordance with Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder. Consequently the results for the year ended March 31, 2017 have been restated to comply with Ind AS to make them comparable.

The consolidated financial statements are prepared in accordance with the Companies (Accounting Standards) Rules, 2015, notified under Section 133 of the Act and other relevant provisions of the Act. Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

Nucleus Software Exports Limited (Consolidated) includes the parent Company, Nucleus Software Exports Ltd. (the Company) and its subsidiaries and branches worldwide, collectively referred to as Group.

Overview

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Market, New Delhi, India. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd. and BSE Ltd. Nucleus Software is the leading provider of mission critical lending and transaction banking products to the global financial services industry. Its software powers the operations of more than 150 customers in 50 countries, supporting retail banking, corporate banking, cash management, internet banking, automotive finance and other business areas.

Nucleus Software is known for its world-class expertise and innovation in lending and transaction banking technology. We have inter-alia, two flagship products, built on the latest technology:

- FinnOne™, 10 time winner - World’s Best Selling Lending Solution.
- FinnAxia™, an integrated global transaction banking solution used by banks worldwide to offer efficient and Innovative global payments and receivables, liquidity management and business internet banking services.

During the Year, we have continued to enhance our solutions to take advantage of market trends, such as increasing digitization of financial services. We have leveraged India Stack further to offer end to end digitization of Loan lifecycle.

We launched customer portal modules – eApply and eServe that offers host of services to end customer for applying and serving the loan.

We also launched ECM – Enterprise Content management solution which can be used to seamlessly store and retrieve documents, images, letters, customer communications etc.

As a part of ongoing development program, we also launched FinnAxia 5.0 including a newly launched Trade Finance Portal which would help corporate customers with a single, global view of their trade finance business. This will reduce the risk of fraud and will also enable the bank to make faster and more efficient financing decisions. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank’s corporate customers. The solution also allows the corporates to define their own liquidity structures and visualize the prospective outcomes graphically. With a constant emphasis on ensuring compliance to regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms. With FinnAxia 5.0, corporate banks can capture new business opportunities, enable working capital management for their corporate customers and ensure compliance with new regulations in the transaction banking space.

During the year, PaySe™ payment solutions have been enhanced with the online mobile payment capability thus making PaySe an ideal payment solution for both the connected and non-connected world. The Government of India has launched a massive program to move the country from a cash based economy to a digital economy and PaySe will play an important role as it is primarily focusing on the rural and semi urban economy a segment which most wallet players tend to ignore.

PaySe has been rolled out in a couple of villages and have found favour with consumer to make payments for their daily purchases in the village and for LPG and PDS payments. In keeping with the UGC guidelines advising colleges and universities to move towards a less cash economy, Nucleus is focusing on the colleges and universities to make their campuses cashless by enabling digital payments for all financial transactions in the campus and extending the same to transactions around the campus.

Over the years, our committed professionals have provided par excellence and with our deep expertise and global experience, we have created a global footprint of customers and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction.

Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA, Australia and South Africa. Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated Research and Development initiatives.

Strengths

The Group’s business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Group’s focus on product development is to build products on latest architecture & technology stack, with products that have advanced feature & functionalities to support growing need of business. We are performing today to deliver top-tier performance, while investing to ensure that our performance levels can be sustained in the long term. We have stepped up our investments in brand building, R&D, sales and our people. All of this coupled with differentiated products' help us drive sales and ultimately bring in customer satisfaction. The definitive goal is to touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations.

Building on our strong product innovation and R&D capabilities, we executed strategic initiatives for new products, sales and market development and people to help drive transformation and continue the momentum of growth. This endeavor demonstrates our passion for perfection and relentless commitment to deliver world class products to our customers. In this journey, we have been honoured and feel grateful for having received various accolades, listed elsewhere in this the annual report.

A brief on the functionality of our products is given below:

FinnOne™ NEO, is the next-generation lending solution built on an advanced technology platform, designed to shape the future of lending across Retail, Corporate and Islamic sectors. The multi-channel solution helps digitize the complete loan lifecycle end to end, from initial contact with customers and helping make better credit decisions faster to comprehensive loan servicing and sophisticated delinquency management. FinnOne Neo has been designed to meet the challenges of delivering agile and efficient solutions while reducing the cost of operations.

FinnOne Neo supports both cloud and on-premise deployments. It can be deployed quickly in partnership with leading cloud providers without high upfront capital expenditure. Cloud deployment provides flexibility in scale while optimizing costs by supporting pay-per-use models.

The suite offers the following line of products which can be used as independent modules or together to form a single suite:

- **FinnOne Neo Customer Acquisition System (CAS)** is a comprehensive loan origination software which controls and automates various business processes/activities performed in processing of a loan or credit card application for advanced risk management and business process optimization. It allows financial institutions to integrate various processes for acquisition and pre-disbursal. It supports the entire acquisition lifecycle from customer walk-in to decision by the underwriter for the disbursement. Additionally, it allows online credit evaluation and if desired, automatic credit evaluation of the application and processing till disbursement initiation.
- **FinnOne Neo Loan Management System (LMS)** is an advanced and comprehensive bank loan management system that aims to improve the quality, turnaround time and service for end-customers. It enables banks to improve the agility, transparency and efficiency of their lending solutions. As a loan management solution, it enables financial institutions to automate the processes for achieving cost savings and enhanced customer experience.
- **FinnOne Neo Collections** is a customer centric, web based and workflow driven solution that allows financial institutions to manage, monitor and control the delinquent loan accounts while automating the loan collections management framework. The workflow manager governs the entire business processes and the rule engine defines the supporting rules in line with their policies.
- **FinnOne Neo Enterprise Content Management (ECM)** is a module that is used to store and retrieve various contents like document images, letters, communications etc. for a particular account. It is well integrated with other modules of the FinnOne Neo suite.
- **FinnOne Finance Against Securities (FAS)**, is a comprehensive solution that establishes credit lines to individuals and corporate against the pledging of financial securities including & not limited to equity shares, mutual funds and government & corporate bonds. It is an end-to-end solution which automates the business processes right from portfolio/Account creation to daily assessment of the portfolio value to account closure.
- **Islamic Financing** is an offering comprising of CAS and LMS modules designed as per Islamic/Shariah rules. It is designed with function specific modules, managing the complete finance cycle starting from origination till after sales transactions.
- **Lending Analytics** helps financial institutions to unleash the power of analytics. The solution focuses on the four key tenets of efficient end-to-end loan lifecycle management viz. Improved Acquisition, Faster Customer On-boarding, Comprehensive Loan Servicing and Efficient Delinquency Management. The product has an intuitive GUI for quick insight generation through interactive visualizations. It is easy to build and validate scoring models. Overall, Lending Analytics is a rightly shaped product that gives lending business the much needed analytical edge to make data driven decisions seamlessly throughout the lending value chain.

FinnAxia™ is an integrated global transaction banking solution built on latest Java J2EE technology and Service Oriented Architecture (SOA) platform. With this product suite, banks can breakdown traditional product silos, launch personalized products/services over multiple channels and create winning corporate customer propositions.

The key product components of FinnAxia™:

- **Global Receivables** enables banks to provide comprehensive accounts receivable solutions to corporate customers, across currencies, transaction types and jurisdictions.
- **Global Payments** enables banks to manage the payments process of their customers, including initiation, processing, authorisation matrices, A/P reporting, advising & alerts along with payments reconciliation for their corporate customers.
- **Global Liquidity Management** gives banks the power to manage the cash positions of their corporate customers on an international basis resulting in better utilisation of available funds and reduced interest costs through short-term bank borrowings. It helps the banks setup and manage complex cash concentration and pooling structures for automated fund movements and consolidation within the group. Global Liquidity Management automates all transactions, interest & tax calculations and manages a registry of intercompany lending/ borrowing history and limits for the corporate entity.
- **Financial Supply Chain Management** offers an integrated way of managing invoice presentation and transaction processing across a corporate's supply chain, covering its suppliers and dealers. It aims to optimize working capital, automate operations, eliminate paper and manual processing and bring

about operational efficiency in the supply chain management workflows.

- **Business Internet Banking** is a delivery channel for bank's customers, offering convenience to bank anytime and anywhere. It allows banks to provide easy access to information from multiple back-end systems as relevant data into a single customer view. It is an easy to use, robust solution that provides direct access to a comprehensive suite of transaction banking products developed for bank's corporate customers.
- **E- Trade Finance** gives the corporate customers of the bank a flexibility to digitize their trade finance service requests via functions like Issuance & Amendment of Letter of Credits (Import & Export), Processing of Bank Guarantees and Settlement of Bills (Import & Export)

Mobility Solutions: The **FinnOne™ Mobility suite** is a portfolio of mobile solutions aimed at digitizing various lending business processes – Loan origination by field staff (mCAS), Loan origination by prospect customers (mApply), Loan self-servicing (mServe), & Field collection management (mCollect). The suite offers functional areas for use by end customers and by staff of banks and finance companies. Mobility solutions are also available for FinnAxia customers.

FINANCIAL PERFORMANCE

The Consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The Company has nine subsidiary companies, all of which are wholly-owned subsidiaries except Avon Mobility Solutions Pvt. Ltd., in which the Company acquired 96% stake. The Company discloses stand alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

i) Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, discussed in this chapter. This consolidated presentation is more relevant for understanding the overall performance of the group especially as intercompany transactions are eliminated being contra.

ii) Nucleus Software Exports Limited (Standalone) which excludes the performance of subsidiaries of the Company has been discussed in the earlier part of this the Annual Report.

The consolidated financial results are as below: *(₹ in crore)*

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue	Growth (%)
Revenue From Operations	**411.81**	**100.00**	**372.39**	**100.00**	**10.59**
Expenses		-			
a) Employee benefit expense	276.97	*67.26*	244.55	*65.67*	13.26
b) Operating and other expenses	76.15	*18.49*	73.96	*19.86*	2.96
c) Finance costs (Bank charges)	0.51	*0.12*	0.55	*0.15*	(7.27)
Total Expenses	**353.63**	***85.87***	**319.06**	***85.68***	**10.83**
Operating Profit (EBITDA)	**58.18**	***14.13***	**53.33**	***14.32***	**9.09**
Depreciation	7.04	*1.71*	11.22	*3.01*	(37.25)
Operating Profit after Interest and Depreciation	**51.14**	***12.42***	**42.11**	***11.31***	**21.44**
Other Income	28.72	*6.97*	32.14	*8.63*	(10.64)
Profit Before Tax	**79.86**	***19.39***	**74.25**	***19.94***	**7.56**
Taxation	17.31	*4.20*	8.09	*2.17*	113.97
Profit After Tax	**62.55**	***15.19***	**66.16**	***17.77***	**(5.46)**
Other Comprehensive Income	(1.50)	(0.36)	5.15	1.38	(129.13)
Total Comprehensive Income for the period	**61.05**	***14.82***	**71.31**	***19.15***	**(14.39)**

Revenue from Operations

Our revenues from software development comprise of income from fixed price and time and material and contracts. Revenue from fixed price contracts comprising of license, related customization and implementation is recognised in accordance with the output method based on percentage completion. Revenue from time and material contracts is recognised as the services are rendered. Revenue from annual technical service contracts is recognized on a pro rata basis over the period in which such services are rendered.

During the year, revenue from operations is ₹ 411.81 crore, as compared to ₹ 372.39 crore for the previous year.

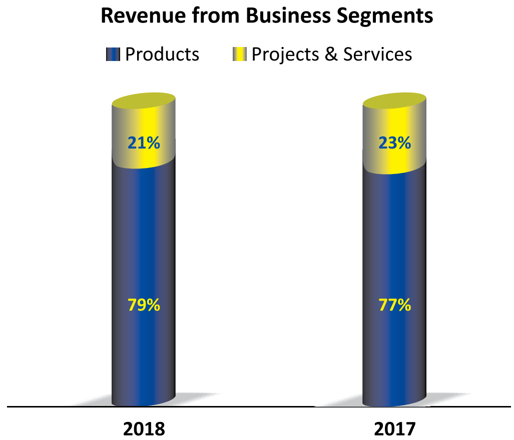
Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services. Categorized under revenue from "Products", it comprises of license fee, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ₹ 326.09 crore, 79.18% of the total revenue, against ₹ 288.09 crore, 77.36% of total revenue, in the previous year.

Management's Discussion and Analysis

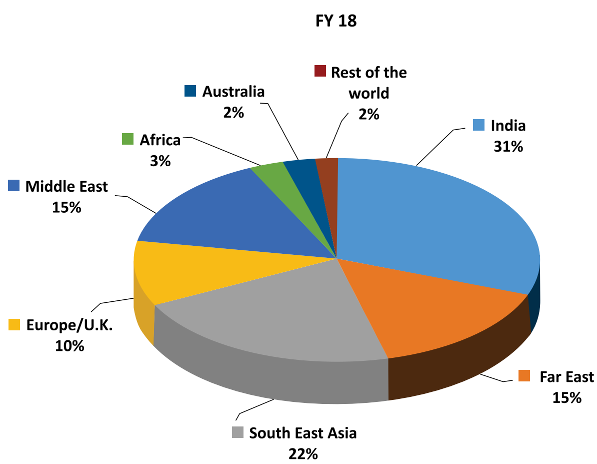
Revenue from Projects and Services

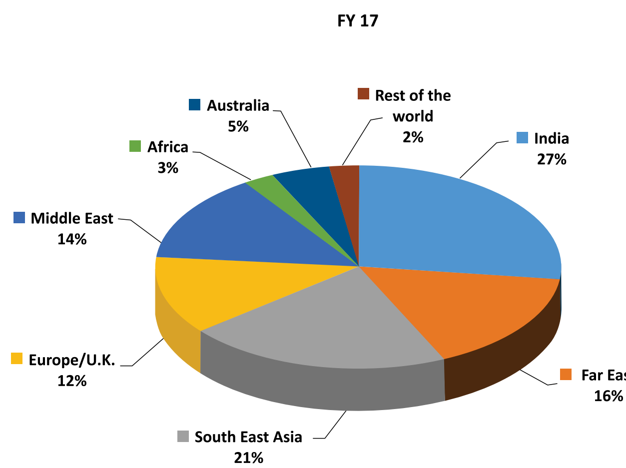
Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Revenue from Software projects and services revenue for the year is ₹ 85.72 crore, 20.82% of the total revenue, against ₹ 84.30 crore, 22.64% of the total revenue in the previous year.



Revenue from Various Geographies

Your Group's parent Company is incorporated in India, and caters to customers situated all across the globe, and hence significant part of the revenue is derived from international sales. For the year, around 69% of revenue was derived from overseas. The graph below presents a geography-wise distribution for the year as well as the previous year.





EXPENSES

Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed, variable and incentives components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 13.26% to ₹ 276.97 crore, 67.26% of revenue against ₹ 244.55 crore, 65.67% of revenue in the previous year. The increase is primarily due to increase in employee compensation and increase in gratuity due to increase in maximum limit from ₹ 10 lacs to ₹ 20 lacs in current year.

(₹ in crore)

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue	Growth (%)
Salaries	254.18	*61.72*	226.61	*60.85*	12.17
Contribution to provident and other funds	12.37	*3.00*	11.43	*3.07*	8.22
Gratuity expense	5.51	*1.34*	2.36	*0.63*	133.47
Staff welfare	4.91	*1.19*	4.15	*1.11*	18.31
Total Employee Benefit Expenses	**276.97**	***67.26***	**244.55**	***65.67***	**13.26**
Revenue	**411.81**	***100.00***	**372.39**	***100.00***	***10.59***

Operating and Other Expenses

Operating and other expense primarily consist of expenses on travel to execute work at client site and for other related activities, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges, expenses on account of brand building activities, training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, contribution to CSR activities and others.

Operating and other expenses at ₹ 76.66 crore, 18.62% of revenue for the year, increased by 2.89% in comparison to ₹ 74.51 crore, 20.01% of revenue in the previous financial year.

(₹ in crore)

For the Year Ended March 31,	2018	% of Revenue	2017	% of Revenue	Growth %
Outsourced technical service expense	7.06	*1.71*	7.88	*2.12*	(10.41)
Cost of software purchased for delivery to clients	2.49	*0.60*	2.27	*0.61*	9.69
Travel expense	15.31	*3.72*	13.18	*3.54*	16.16
Power and fuel	4.70	*1.14*	4.69	*1.26*	0.21
Rent	7.94	*1.93*	8.54	*2.29*	(7.03)
Rates & Taxes	1.06	*0.26*	0.50	*0.13*	112.00
Repair and maintenance	3.96	*0.96*	3.99	*1.07*	(0.75)
Legal and professional	7.06	*1.71*	9.16	*2.46*	(22.93)
Directors remuneration	1.21	*0.29*	1.17	*0.31*	3.42
Conveyance	2.04	*0.50*	1.84	*0.49*	10.87
Communication	2.57	*0.62*	2.61	*0.70*	(1.53)
Training and recruitment	3.55	*0.86*	2.94	*0.79*	20.75
Information technology expenses	6.37	*1.55*	4.68	*1.26*	36.11
Provision for doubtful debts/advances/other current assets	0.37	*0.09*	(0.28)	*(0.08)*	232.14
Commission to channel partners	1.16	*0.28*	0.38	*0.10*	205.26
Conference, exhibition and seminar	1.59	*0.39*	1.62	*0.44*	(1.85)
Advertisement and business promotion	1.43	*0.35*	0.92	*0.25*	55.43
Insurance	0.53	*0.13*	0.69	*0.19*	(23.19)
Finance Cost	0.51	*0.12*	0.55	*0.15*	(7.27)
Miscellaneous expenses	4.64	*1.13*	6.08	*1.63*	(23.68)
Contribution to CSR Activities	1.11	0.27	1.10	0.30	0.91
Total Operating and Other Expenses	**76.66**	***18.62***	**74.51**	***20.01***	**2.89**
Revenue	**411.81**	***100.00***	**372.39**	***100.00***	**10.59**

The Increase in Operating and other expense for FY 2018 from FY 2017 is primarily due to higher travelling expenses this year.

The Company had set up Nucleus Software Foundation, a trust for the purpose of undertaking CSR activities of the Company. During the year, the Company contributed ₹ 1.11 crore towards CSR activities to the trust. The details of CSR initiatives undertaken by the trust has been provided in a separate section in the Annual Report.

Operating Profit (EBITDA)

Operating Profit at ₹ 58.18 crore, 14.13% of revenue against ₹ 53.33 crore, 14.32% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was ₹ 7.04 crore, 1.71% of revenue for the year, against ₹ 11.21 crore, 3.01% of revenue in the previous year.

Other Income

Other Income represents income received in the form of dividends from current investments, interest on fixed deposits and bonds and capital gains on the sale of current investments.

(₹ in crore)

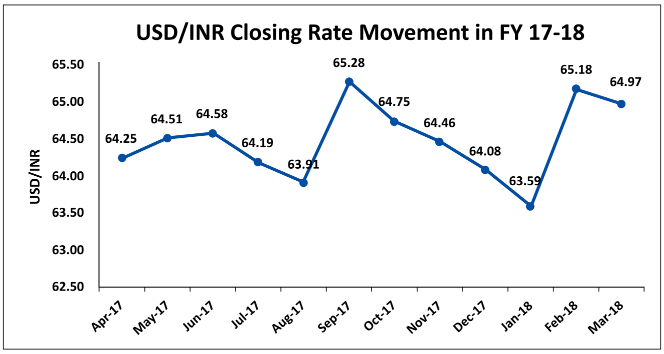
For the Year Ended March 31,	2018	2017
Dividend on investment in Mutual fund units	9.57	9.50
Interest income on financial assets-carried at amortised cost	18.52	21.80
Net Gain / (Loss) on foreign currency	0.03	(0.22)
Profit on sale of assets/ investments	0.35	0.64
Others	0.25	0.42
Total	**28.72**	**32.14**

Other income for the year is ₹ 28.72 crore, against ₹ 32.14 crore in the previous year.

Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables. During the year, the Company had a foreign exchange gain of ₹ 0.03 crore against loss of ₹ 0.22 crore in the previous year.

Foreign Exchange continues to be volatile, as depicted in the below mentioned chart.



Source: Mecklai Financial

The Indian Rupee varied from a high of ₹ 63.25 to the Dollar in January 2018 to a low of ₹ 65.89 in September 2017 and overall lost 0.2 % against the US Dollar on a March end to March end comparison.

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. In terms of foreign currency hedges, we had on March 31, 2018, 7.05 million US dollars of forward contracts at an average rate of 65.94, designated as highly probable forecast transactions. There is a mark-to-market gain of ₹ 3.33 lakhs reflected in the hedging reserve in balance sheet. Currency-wise revenues for the year along with a comparison for the previous years are as follows:

(In %)

For the Year Ended March 31,	2018	2017
INR	31%	27%
JPY	6%	6%
SGD	9%	8%
USD	42%	45%
MYR	1%	1%
EUR	3%	3%
GBP	2%	1%
CHF	0%	0%
AUD	3%	5%
AED	2%	3%
ZAR	1%	1%
TOTAL	**100%**	**100%**

Taxation

It represents provision for corporate & income taxes determined in accordance with tax laws applicable in countries where the Company and subsidiaries operate.

(₹ in crore)

For the Year Ended March 31,	2018	2017
- Current Tax Expense	15.11	12.67
- Deferred Tax Credit (net)	2.20	(4.58)
Total	**17.31**	**8.09**

Total effective tax for the year is 22% of Profit Before Tax, in comparison to 11% of Profit Before Tax for the previous year. Expenditure of the Company's R & D centre in Noida which is duly recognized by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted tax deduction in accordance with Section 35(2 AB) of the Income Tax Act, 1961. Effective tax rate was higher during the year due to dividend income from foreign subsidiaries and also on account of reduction in weighted tax deductions as per the new norms of Income Tax for the R&D spend by the Company.

Profit After Tax

Our profit after tax for the year is ₹ 62.55 crore, 15.19% of revenue, against ₹ 66.16 crore, 17.77% of revenue, previous year.

This age of competition necessitates overall revenue growth, earned in an optimal cost environment. We remain committed to achieving higher productivity and generate better margins. Our sales and marketing efforts are focused on increasing our customer base and hence the market share, which would ultimately yield better realizations. Emerging markets across the world will continue to provide stability and growth would be led by larger engagements and value offerings.

Other Comprehensive Income (OCI)

Other comprehensive income represents

a) Equity instruments through OCI – this is primarily on account of fair valuation of investment for which the Company has made an irrevocable option to present the same in the OCI. For the year it is ₹ (1.96) crore, against ₹ 5.96 crore in the previous year.

b) Remeasurements of the defined benefit plans – consist mainly of remeasurements gain/losses on our defined benefit plans. For the year it is ₹ 0.53 crore, against ₹ (0.62) crore in the previous year.

c) Effective portion of gain (loss) on hedging instruments of effective cash flow hedges, net – when a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative is recognised in OCI. For the year it is ₹ (1.54) crore, against ₹ 1.23 crore in the previous year.

d) Exchange difference on translation of foreign operations. For the year it is ₹ 1.47 crore, against ₹ (1.42) crore in the previous year.

Total other comprehensive income for the year is ₹ (1.50) crore, against ₹ 5.15 crore in the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2018 is 29,040,724 equity shares of ₹ 10 each as compared to 32,383,724 equity shares of ₹ 10 each as on March 31, 2017. During the year, the Company did a Buyback of 3,343,000 equity shares of the face value of ₹ 10/- each fully paid up at a price of ₹ 350/- (₹ Three Hundred and Fifty Only) aggregating to ₹ 117.00 crore.

Subsidiaries

The Company has nine subsidiary companies, all over the world, all of which are wholly-owned except Avon Mobility Solutions Pvt. Ltd. The Company acquired 96% stake in Avon Mobility Solutions Pvt. Ltd., a Mobile Technology Solutions provider for a purchase consideration of ₹ 1.92 crore in FY-15-16. Paid-up Share Capital of the Subsidiaries as on March 31, 2018 is as per the below table.

Name of Subsidiary Company	*Currency*	*As at March 31, 2018*		*As at March 31, 2017*	
		In foreign Currency	*Eqv. Rupees (in crore)*	*In foreign Currency*	*Eqv. Rupees (in crore)*
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of SGD 1 each.	**SGD**	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US$ 0.35 cents each	**USD**	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaisha, Japan. 200 equity shares of JPY 50,000 each	**JPY**	10,000,000	0.41	10,000,000	0.41
Virstra i-Technology Services Ltd., India. 1,000,000 equity shares of ₹ 10 each	**INR**	-	1.00	-	1.00
Nucleus Software Netherlands B.V., Netherlands. 7500 equity shares of Euro 100 each	**Euro**	750,000	4.89	750,000	4.89
Nucleus Software Limited, India. 10,000,000 equity shares of ₹ 10/- each	**INR**	-	11.94	-	11.94
Nucleus Software Australia Pty Ltd., Australia 100,000 Equity share of 1 AUD each	**AUD**	100,000	0.55	100,000	0.55
Nucleus Software South Africa (Pty.) Limited, South Africa 10 Equity shares of ZAR 61,200 each	**ZAR**	612,000	0.32	612,000	0.32
Avon Mobility Solutions Pvt Ltd, India 10,666 equity shares of ₹ 10 each	**INR**	-	1.92	-	1.92
Avon Mobility Solutions Private Limited, India 2,350,000, 11% Preference shares of ₹ 10 each	**INR**	-	2.35	-	2.35

The profits/losses of the Subsidiary Companies are fully reflected in consolidated accounts of the Company and Subsidiaries.

Other Equity

The movement in the components of Other Equity is as below:

(₹ in crore)

	Opening Balance as on April 1, 2017	*Additions/ (Deletions) during the year*	*Closing Balance as on March 31, 2018*
General Reserve	88.88	(82.27)	6.61
Securities premium account	2.19	(2.19)	-
Capital Reserve	0.89	-	0.89
Capital Redemption reserve	-	3.34	3.34
Retained Earnings	400.75	12.31	413.06
Other Comprehensive Income			
Hedging Reserve	1.56	(1.54)	0.02
Foreign Currency Translation Reserve	(1.42)	1.47	0.05
Remeasurement of net defined benefit plans	(0.63)	0.53	(0.10)
Equity instrument through other comprehensive income	10.35	(1.96)	8.39
Total	**502.57**	**(70.31)**	**432.26**

Property, plant and equipment and Intangible assets

As at March 31, 2018, Net carrying Amount of Property, Plant and Equipment and Intangible assets is ₹ 45.17 crore against ₹ 45.11 crore as on March 31, 2017.

(₹ in crore)

As at March 31,	2018	2017	Inc/Dec (%)
Gross Carrying Amount			
Freehold land	0.34	0.34	-
Leasehold land	16.78	16.78	-
Leasehold improvements	0.14	0.12	16.67
Buildings	20.00	19.74	1.32
Plant and equipment	2.84	2.42	17.36
Computer equipment	13.10	8.63	51.80
Vehicles	2.47	2.14	15.42
Furniture and fixtures	1.00	0.14	614.29
Software	6.54	5.70	14.74
Total	**63.21**	**56.01**	**12.85**
Less; accumulated depreciation	18.04	11.22	**60.78**
Add: Intangible assets under development	-	0.32	(100.00)
Net Carrying Amount	**45.17**	**45.11**	**0.13**

There are fresh additions of ₹ 7.67 crore during the year, including ₹ 4.44 crore of computer hardware and ₹ 0.84 crore of software purchases.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

Goodwill on Consolidation

The goodwill in the books has arisen based on the difference in the book value of the investment vis-à-vis the consideration paid for acquisition of 96% stake in AVON Mobility Solutions Pvt. Ltd., a mobile technology solutions provider in March 2016.

The total amount of goodwill is ₹ 3.17 Crore as of the Balance Sheet date. The Management has performed a valuation of the intrinsic value of the business of this entity. It is observed that the intrinsic worth of the companies is higher than the consideration paid for these entities. Accordingly, no impairment of the goodwill is considered necessary at this stage in the books of accounts

Investments

a. **Non-current investments** totaling ₹ 241.31 crore as on March 31, 2018 against ₹ 202.76 crore as on March 31, 2017.

   i) **Investment in equity shares of a listed company at FVOCI** - ₹ 8.64 crore.

   ii) **Investment in preference shares at amortised cost** – ₹ 46.90 crore.

   iii) **Investment in tax free bonds at amortised cost** - ₹ 87.13 crore.

   iv) **Investment in fixed maturity plans of mutual funds at amortised cost** – ₹ 59.75 crore.

   v) **Investment in mutual funds at Fair value through profit or loss (FVTPL)** – ₹ 38.89 crore.

b. **Current investments and Bank Balances**

The capital requirements are completely financed by internal accruals. Your Company continues to remain debt-free and we believe that cash generated from operations and reserves and surplus are sufficient to meet our obligations and requirements towards capital expenditure and working capital requirements.

As of March 31, 2018 the cash and bank balances (including fixed deposits) stood at ₹ 69.55 crore against ₹ 62.21 crore on March 31, 2017, current investments are ₹ 145.42 crore against ₹ 238.15 crore on March 31, 2017.

Total cash and current investments are thus at ₹ 214.97 crore on March 31, 2018 against ₹ 300.36 crore as on March 31, 2017.

(₹ in crore)

As at March 31,	2018	2017
Balances with Bank		
In Current Accounts	29.30	27.88
In Fixed Deposit Account	40.25	34.33
Current Investments	145.42	238.15
Total	**214.97**	**300.36**

Operating Cash Flow

As a part of the financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

Our net cash flow from operating activities before working capital changes is ₹ 61.01 crore for the financial year against ₹ 54.24 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 76.93 crore against ₹ 95.11 crore.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations and there is a decline this year with lower operating profitability.

To summarise the Company's liquidity position, given below are few ratios based on consolidated figures:

As at March 31,	2018	2017
Operating cash flow as % of revenue	18.68%	25.54%
Days of sale receivable	72	65
Cash and Equivalents as % of assets	33.21%	45.13%
Cash and Equivalents as % of revenue	52.20%	80.66%
Current investments as % of assets	22.47%	35.78%
Current investments as % of revenue	35.31%	63.95%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2018 are ₹ 81.78 crore, against ₹ 66.58 crore as on March 31, 2017.

The age profile of the debtors (net of provision) is given below:

As at March 31,	2018	2017
Less than three months	80.55%	79.16%
Between 3 and 6 months	4.82%	6.44%
More than 6 months	14.63%	14.40%

Loans and Other Financial Assets

Loans and Other Financial assets have been classified into Non Current and Current based on their period of realization.

(₹ in crore)

As at March 31,	2018	2017
Non – Current		
Staff Loans	0.09	0.13
Security deposits	2.95	3.16
Long-term bank deposits	8.50	2.15
Total	**11.54**	**5.44**
Current		
Staff Loans	0.29	0.33
Security deposits	-	0.02
Mark-to-market gain on forward contracts	0.03	1.56
Expenses recoverable from customers	0.26	0.41
Total	**0.58**	**2.32**
Total	**12.12**	**7.76**

Loans and other Financial Assets

Security Deposits, utilized primarily for hiring of office premises and staff accommodation, amounts to ₹ 2.95 crore as on March 31, 2018 against ₹ 3.18 crore as on March 31, 2018. Long term bank deposits amounting to ₹ 8.50 crore as on March 31, 2017 include deposits held with bank for maturity more than 12 months from balance sheet date under lien with banks and are restricted from being settled for more than 12 months from the balance sheet date.

Other Assets

Other Assets represents income tax asset, Employee advances, Service income accrued but not due, Balances with Government authorities, Supplier and capital advances, prepaid and deferred expenses. Other assets have been classified into Non Current and Current based on their period of realization.

(₹ in crore)

As at March 31,	2018	2017
Non - Current		
Advance Tax	13.49	10.22
Employee Advances	0.38	0.37
Capital Advances	0.07	0.09
Prepaid Expenses	0.01	0.01
Deferred Expenses	0.24	0.05
Total	**14.19**	**10.74**
Current		
Service income accrued but not due	13.28	9.81
Employee Advances	0.63	0.69
Prepaid Expenses	3.99	3.06
Balances with Government authorities	1.24	0.71
Supplier advances	3.41	2.45
Deferred Expenses	0.03	0.03
Total	**22.58**	**16.75**
Total Other Assets	**36.77**	**27.49**

Current Liabilities

Current liabilities represent trade payables, short-term provisions, other financial liabilities and other current liabilities. As on March 31, 2018 the Current liabilities are ₹ 176.94 crore against ₹ 124.02 crore as on March 31, 2017.

(₹ in crore)

As at March 31,	2018	2017
Financial liabilities		
Trade Payables	54.06	35.24
Unpaid dividends	0.25	0.29
Payable for purchase of fixed assets	0.01	0.14
Other current liabilities		
Advances from customers/Advance Billing	62.04	34.29
Deferred Revenue	44.82	42.73
Book Overdraft	-	0.03
Payable to gratuity trust	4.00	2.30
Statutory dues	8.03	5.97
Short term provisions		
Compensated absences	1.82	1.72
Gratuity	0.04	0.03
Income tax	1.87	1.28
Total	**176.94**	**124.02**

Trade payables represent the amount payable for providing goods and services and are ₹ 54.06 crore as on March 31, 2018 against ₹ 35.24 crore as on March 31, 2017. Advances from customers as on March 31, 2018 are ₹ 62.04 crore against ₹ 34.29 crore as on March 31, 2017. These consist of advance payments received from customers, for which related costs have not been yet incurred or product license delivery is a later date. Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2018 it is ₹ 44.82 crore against ₹ 42.73 crore as on March 31, 2017. Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, GST, etc. As on March 31, 2018 it is ₹ 8.03 crore against ₹ 5.97 crore as on March 31, 2017. Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2018 are ₹ 1.86 crore against ₹ 1.75 crore as on March 31, 2017.

The Company has made contributions to Nucleus Software Employees Group Gratuity Assurance Trust, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Non-Current Liabilities

Non-Current Liabilities as on March 31, 2018 were ₹ 9.04 crore against ₹ 6.54 crore as on March 31, 2017. The break-up of non-current liabilities at the year-end is given below:

(₹ in crore)

As at March 31,	2018	2017
Financial liabilities		
Annual incentive payable	0.91	0.42
Deferred Tax liability	1.89	0.03
Long-term Provisions		
Compensated absences	5.88	5.79
Gratuity	0.15	0.09
Asset retirement obligation	0.21	0.21
Total	**9.04**	**6.54**

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for Leave encashment represents provisions made by the Company based on actuarial valuation.

Risk Management Report

Risk may be defined as the possibility to suffer damage or loss, characterized by three factors:

1. The Probability or likelihood that loss or damage will occur.
2. The Expected time of occurrence.
3. Magnitude of the negative impact that can result from its occurrence.

Focus of risk management is to enhance value of business and assets of the Company, by identifying, analyzing, evaluating, monitoring and mitigating all known forms of risks. This enables the Company to leverage market opportunities effectively and achieve key business objectives. In order to achieve this objective, policies and relevant internal controls are developed as an on-going process to ensure proper management of the Company's resources and appropriate mitigation of risks.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

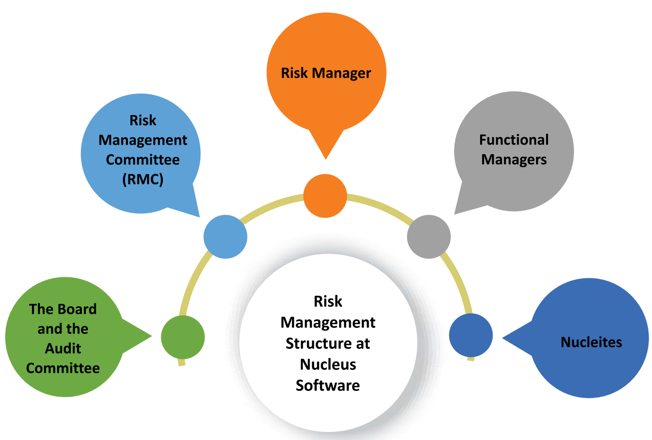
Risk Management Structure at Nucleus

At Nucleus, Risk Management is a disciplined way to deal with business uncertainty and the associated risk and opportunity.

This objective of the Risk Management at Nucleus is to:

- Enable the Company to manage unexpected outcomes and reduce impact of risk events when they occur.
- Empower the Management to take informed decisions, under guidance of Board of Directors of the Company, that maximize value, reduce costs and balance risk with returns.
- Ultimately promote confidence amongst the Company's stakeholders in the effectiveness of business management process of the Company and the ability to plan and meet strategic objectives.

Risk management in the Company is conducted across the organisation at various levels. The key components of Risk management structure are as follows:



At a strategic level, our risk management practices are:

- **Risk Identification** – Risk Management Committee (RMC) is responsible for identification and review of risks and mitigation plans. The Committee meets on a quarterly basis for identification and prioritization of risks. RMC conducts risk survey with the senior and middle level management of the Company to identify risks and rate them appropriately. Top risks are identified and remaining are categorized as other risks. The RMC then places updates to the Board on a quarterly basis, on key risks facing the Company, along with their mitigation plans.
- **Risk measurement, mitigation and monitoring** - At the end of every quarter, the Risk Management Committee invites status update of the mitigation plans of the top identified risks and if any changes have occurred in the nature of risks during the quarter. Basis the same, an analysis of exposure and potential impact are carried out. Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed. Each top risk is mapped as per a Risk Criticality Matrix.
- **Risk Reporting** – Basis the above, a Risk update is prepared every quarter and provided to the Audit Committee and the Board. Entity level risks such as project risks, account level risks are reported to and discussed at appropriate levels of the organization.
- **Integration with strategy and business planning** - Identified risks are used as key inputs for the development of strategy and business plan.

Risks and Concerns

The Company's business operations are subject to various risks particular to the industry and certain generic risks including those described below, that could have an adverse impact on business.

Product Obsolescence may affect our business potential. The IT sector is characterized by technological changes at a rapid rate, evolution of existing products and introduction of new products. Latest technology trends are to be closely monitored to provide products in compliance with industry standards. As a Product Company, growth of the Company is based on the ability to offer products on latest technology trends and evolving industry standards. If we are unable to provide enhancements and new features for our existing applications or new applications that achieve market acceptance or that keep pace with rapid technological developments, then the performance of the products as well as the technologies and functionalities provided, could lead to product obsolescence and impact the competitive position of the Company. Our future success will depend on our ability to absorb new technology trends and develop solutions that will keep pace with changes in the markets in which we provide services. Despite our constant efforts, we cannot be sure that we will be successful in developing new products with evolving technologies in a timely or cost-effective manner and along with this the success of developed products also cannot be guaranteed. It can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or services could adversely affect our revenue. Our new Product Strategy is based on rapid continuous evolution of the Products. Timely delivery of planned Scope of the Roadmap is key. Developing new technologies is complex. Any delay or scope reduction can impact Sales and meeting customer commitments. To mitigate this risk, continuous investments are being made in conducting research and development to enhance product technology and features and develop new products. Technology and functionality road map for products is prepared and reviewed by the senior management and implemented. Accordingly, we have planned new releases in a year for each of the Products and are focusing on maximizing engineering capacity to it. Overload of asks on the Roadmap from customers, prospects in the pipeline and tactical demands may lead to wrong prioritization and inefficiencies. This can further lead to the Roadmap becoming overloaded and stressed and we may see delays in the releases as an outcome of this.

To manage this risk we have engaged with top class global academic institutes to keep abreast with latest technological changes. A dedicated Innovation Team focuses on evaluating new technologies and their application into our Products. We have made and expect to continue to make significant investments in research and development and related product opportunities. During the year, your Company came out with an enhanced release of FinnOne NEO including the launch of the customer portal modules – eApply and eServe that offers host of services to end customer for applying and self servicing the loan. We also launched ECM – Enterprise Content management solution which can be used to seamlessly store and retrieve documents, images, letters, customer communications etc.

As a part of ongoing development program, your Company also launched FinnAxia 5.0 including a newly launched Trade Finance Portal and which would help corporate customers with a single, global view of their trade finance business. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank's corporate customers. With a constant emphasis on ensuring compliance to regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms. During the year PaySe payment solutions have been enhanced with the online mobile payment capability thus making PaySe an ideal payment solution for both the connected and non-connected world.

Our business depends on our ability to attract and retain talent. Product centric model of the Company especially demands retention of key talent; people with domain knowledge, intense knowledge of our Products and technical skills. We also rely on our leadership team in the areas of product development, marketing, sales, services, and general and administrative functions and on mission-critical individual contributors in product development. High Attrition which can happen due to many factors including growth, compensation expectations, work and empowerment processes, leadership, infrastructure etc., can adversely impact product development cycles and ultimately, revenue and profitability.

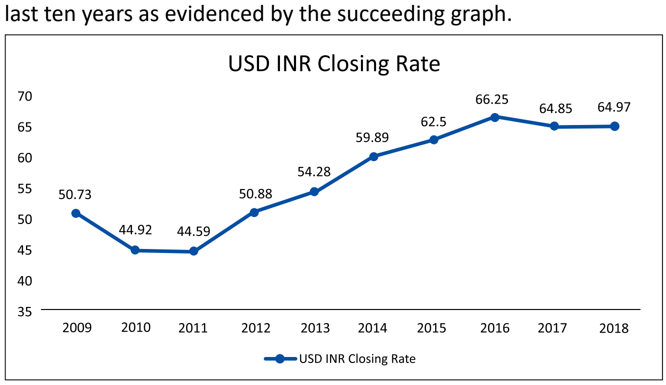
To mitigate this risk, we are making the line manager more people centric and in collaboration with HR Team. Your Company has also outsourced recruitment of engineering team to multiple companies. This is being done in addition to the internal recruitment in all the areas. We have taken many initiatives in the last year to retain the best talent. We continuously review and improvise them for still better retention. We give exposure to talented people to work with our customers in different geographies and understand customer expectations in times to come. These expectations are then build in the product to make it future ready. We also lay focus on learning and development, help them in understanding their career, identifying achievers and rewarding them. Succession planning for key positions in Senior Management (i.e. one level below the CEO position) and Heads of Departments is also a critical aspect of risk management. The Board of Directors, has appointed Mr. Ravi Pratap Singh (RP) as the new CEO effective from April 1, 2018. RP has been with Nucleus Software since its inception and he was heading the Global Product Management for the Company.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and passion that we believe contribute to our success, and our business may be harmed. We believe that a critical component of our success has been our corporate culture, as reflected in our core values: Integrity, Respect, Result Orientation, Innovation and Collaboration. We have invested substantial time and resources in building our team. As we continue to grow, we will need to maintain our corporate culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Our organization structure, processes and business models may not be scalable. The structures and processes of the Company business operations may not have adequate potential to grow the revenue base significantly faster than the cost base; and hence may not be adequate for growth. Business models; how we sell, how we license, how we support, product development and life cycle management, go to market strategy, may also not be suitable for significant year on year growth. The Management is working towards mitigating this risk by instilling measures to develop and refresh leadership skills and competencies in employees, Retain best suited talent, Automate processes including installing enterprise software systems and Innovating business models.

Company is constantly exposed to the risk of volatility in foreign exchange rates. The euro hovered near five-month lows recently as investors fretted about the demands of Italian populist parties and as a fresh rise in U.S. government bond yields underpinned demand for the dollar. Volatile emerging market currencies did not fare as well. Rising Treasury yields have enhanced the dollar's appeal and raised global borrowing costs. Foreign exchange currency markets are volatile, and such fluctuations in foreign currency exchange rates could materially and adversely affect the Company's profit margins and results of operations. We conduct major portion of our business transactions in currencies other than the Indian Rupee. Nearly seventy percent of our revenue is denominated in foreign currency, predominantly the US Dollar. Seventy percent of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation.

The exchange rate of the Rupee has been extremely volatile in the last ten years as evidenced by the succeeding graph.



Source: Mecklai Financial

The volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively. Inadequacies in the hedging mechanisms to deal with exchange rate fluctuation could expose the Company to even larger losses than envisaged due to exchange rate fluctuations. To mitigate this risk, the Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. Clear guidelines for concluding derivative transactions have been laid down and arrangements have been institutionalized to facilitate periodic review and audit of the operation, impact and consequences of such transactions, including verifying compliance with extant laws and regulations.

The hedging strategies that we have implemented, or may in the future implement, to mitigate foreign currency exchange rate risks, may not reduce or completely offset our exposure to foreign exchange rate fluctuations. This may additionally also expose our business to unexpected market, operational and counterparty credit risks. We may incur losses from our use of derivative financial instruments that could have a material adverse effect on our business, results of operations and financial condition. At the year end, the Company had US$ 7.05 million of hedges compared to US$ 4.75 million at the beginning of the year.

Further, the policies of the Reserve Bank of India may change from time to time, also have a bearing on our operations and hence the revenues. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the rupee and foreign currencies.

The following table gives details in respect of the outstanding foreign exchange forward and option contracts:

	As of March 31,	
	2018	**2017**
Aggregate amount of outstanding forward and options contracts	$ 7.05 million	$ 4.75 million
Gain/(loss) on outstanding forward and options contracts reflected in the Hedging Reserve in the Balance Sheet	Rs. 0.03 crore	Rs. 1.56 crore

Legal Compliances world-wide expose us to additional risks. The Company is an incorporated legal entity and is impacted by changes in various laws, rules and regulations like Companies Act, Accounting Standards, Labour laws, SEBI Regulations, etc. Further the Company is incorporated in India, and has subsidiaries overseas in Japan, Netherlands, Singapore, USA, Australia and South Africa; which caters to customers operating in various countries and a significant part of the revenue is derived from international sales. Nucleus operations world-wide may be affected by changes in political scenario, trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. This risk could typically result in penalties, financial loss, and loss of reputation and are assessed on dimensions such as process effectiveness, compliance with policies and procedures and underlying controls. In order to mitigate these risks, various departments within the Company; taking care of compliances of applicable laws/rules etc., are manned by qualified personnel. A proactive team of legal experts is also positioned at the head-office of the Company. Expert external advice/opinion, is also taken, as per requirement, for ensuring compliance.

Delays in project executions may adversely affect our implementations and revenues. The Company faces risks associated with the execution of any project. Ability to deliver large projects with quality and within agreed timeliness is a risk. The delivery model requires great skills in seamlessly integrating delivery, ensuring smooth communications between the customer, onsite teams as well as offsite teams. Any apprehensions of the customer have to be handled very carefully. There is also a risk of order cancellation, loss of market goodwill, financial liability and losses due to overruns on projects.

From a project governance perspective, this risk can be accurately monitored by having a good project plan with well-defined work breakdown structure that will provide visibility into key activities associated with essential project deliverables. To mitigate this risk, we work on the basis of a well thought plan:

- Continuous monitoring of Projects
  - ☐ Product Development capacity augmentation to deliver contractual commitments
  - ☐ Customer Expectation Management/ Connect with customer officials at relevant levels
  - ☐ Continuous Improvement in System Quality/ Testing Automation
  - ☐ Continual Risk Monitoring
- Focus on IPCM (Integrated Product Lifecycle Management)

We face strong competition across all markets for our products and services. The markets that we cater to, is highly competitive both from the perspective of new and existing competitors. We also expect that the markets in which we compete will continue to attract new well-funded competitors and new technologies, including technology companies, start-ups and international providers of similar products and services to ours. Our competitors range in size from Fortune 500 companies to small, specialized single-product businesses. In addition, we also compete with numerous small indigenous companies in various geographic markets. Many of the areas in which we compete evolve rapidly with changing and disruptive technologies. Although we believe our product robustness is our competitive advantage, our competitors may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, competitors offer a full suite of services and tend to focus on providing end to end solutions. Due to slowing growth and depleting margins, traditional service providers are now focusing more on developing their product business which is further increasing the competitive intensity in the market.

These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income. As we continue to create additional functionality and products, we compete with additional vendors.

We compete based on our ability to offer to our customers' competitive integrated solutions that provide the most current and desired product and services features.

A broad referral base created through years, also helps us derive an edge over competition. The Company lays constant focus on product differentiation as well as product diversification to mitigate this risk.

The Company is also continually investing in marketing mandated with the below objectives:

- *Ensure* that the Company is known to provide high *quality,* innovative lending and transaction banking solutions to the target markets.
- *E*stablish company as Industry Thought Leader
- Fully *equip* the sales team with the material and *tools required* to sell the product or service they represent.

Non-utilization of Surplus Funds may affect growth. Over the years, internal cash accruals more than adequately covered the working capital requirements, capital expenditure and dividend payments. The Company has been consistently following a conservative investment policy maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also scale up operations at a short notice. Non- optimal utilization of the surplus funds may pose a risk. For ensuring continuity of business operations and to have liquidity in business, a mix of investments with some low earning assets has also to be maintained by the Company. Inadequate management of the investment mix of the Company could lead to either Shareholder Value destruction or a high exposure to the risk of liquidity crunch. The Company is regularly paying dividends. During the year, the Company bought back 33,43,000 equity shares from the shareholders through the “Tender Offer” route at a price of Rs. 350/- per equity share aggregating to Rs. 117.01 crores. At the same time, the management is always scouting for investment options which are relevant and meaningful for in-organic growth.

We may not be able to adequately protect our Intellectual Property (IP) rights. Your Company has an IP led business model and globally licenses IP in the form of products for the Banking and Financial Services Industry. Protecting our global intellectual property rights and combating unlicensed copying and use of software and other intellectual property is challenging. Any inaction to prevent violation or misuse of intellectual property could cause significant damage to our reputation and adversely affect our revenue and results of operations.

We continue to make significant expenditure related to the use of technology and intellectual property rights as part of our strategy to manage this risk. The Company has system and processes in place to ensure protection to the intellectual property rights. As a policy, the Company develops own IP at its own cost using own resources and is actively engaged in seeking maximum legal protection for the Intellectual Property through a combination of trademarks, confidentiality procedures and contractual provisions.

Increased exposure with specific customers may impact our profitability. This may result in an increase in the credit risk and make us highly vulnerable for customers negotiating positions at the time of contract renewal or work distribution among multiple vendors. The group’s profitability and revenues would be affected in case of loss of business with these major customers, significant downsizing of projects or moving work-in-house by them. Our top five and top ten customers generated approximately 37% and 49%, respectively, of our revenues for FY 18. The loss of any of our large customers could have a material adverse effect on our business and profitability. At the same time, large customers help us scale up revenues quickly and repeat-business contributes to higher margins through lower marketing costs. We being in the product space, enjoy enduring long-term relationships with large customers. These advantages and risks have to be balanced.

We aim to build long term strategic relationships with Customers in order to maximise the value provided to both parties. Through strong relationships, we are able to further develop products according to industry needs and requirements. We believe that the solution is to increase the number of large customers, as business with existing customers is the backbone of the platform for providing complete product and services solutions.

Our inability to maintain and devise effective internal control methods may affect us adversely. Until recently, many organizations were overly focused on a financial reporting controls-based monitoring framework. But the global financial crisis highlighted that many of the most impactful risks stem from external circumstances. Moving forward, risk management and control systems should take a wider perspective since organizations exist as part of an open system of dynamic variables. While we may introduce the best of processes to check and prevent error, inherent limitations like that of human error etc. cannot be ruled out and hence internal control might not prevent or detect all misstatements or fraud. The Company has an Internal Control System commensurate with the size, scale and complexity of operations. This has been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance of corporate policies. The management assessed the effectiveness of the Company’s internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2018.

BSR Associates and LLP, the statutory auditors of the Company has audited the financial statements included in this annual report and has issued an attestation report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

Our prime focus on providing products and services only in the BFS domain to Banks and Financial Institutions exposes us to the risk of Industry concentration. For the foreseeable future, we expect to continue to derive our revenues from products and services we provide to the financial services industry. Given this concentration, we are exposed to the global economic conditions in the financial services industry. A slowdown in economy translates to reduction or a delay in technology spending decisions by banking & financial services firms, which could have adverse effect on our business and financial conditions. The BFSI industry segment is witnessing an increased spend on strategic initiatives like automation, digitisation and simplification. Digitisation is now the default strategy for banks. The digital revolution is redrawing the boundaries of financial services and lowering entry barriers encouraging challengers to emerge. While acknowledging this risk, we continue to focus on this sector and are confident that our “Value” based solutions will find greater market success. Our focus now is on improving efficiency by maintaining the existing operations at a lower cost. The present situation emphasizes the need for a strong risk management strategy to sense and avert systemic failures.

Security vulnerabilities and business continuity risk pose a threat to successfully running our operations. Our inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to the consumers, when confronted with adverse events such as a disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event which could cause delays in completing sales, providing services, or performing other mission-critical functions. A significant portion of our research and development activities, and certain other critical business operations are located in Noida, India (our corporate headquarters) which is adjacent to the national capital of India, Delhi. Here it may be worthwhile to mention that, according to a seismic zoning map issued by the Bureau of Indian Standards and quoted in the National Disaster Management (NDM) report, Delhi belongs to Zone IV, a severe intensity seismic zone. Any catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations.

To counter this risk, we have setup an Online disaster recovery site to replicate our IPR (Source code) in different seismic zone and backup copy on tape. In addition to this we are also having Disaster Recovery setup for few customers in different seismic zone who has agreement with Nucleus for business continuity and uninterrupted support. Though this facility is not in place for all the customers. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic basis. We are an ISO 27001: 2013 (ISMS) certified organization, which reflects our attitude to increase adherence to secure practices. On the security front, strict procedures are in place to control the level of access to Datacenters and other sensitive areas. Access to the premises is controlled through Biometric access control systems and proximity cards. The Company has invested significantly in a state of the art network infrastructure for managing its operations and for establishing high-speed redundant links to overseas destinations. Additionally, the Internet filtering tools prevent any type of non-business usage over Internet within office and outside office. We have implemented Data loss prevention on mail gateway and laptops to safe guard the company IPR.

Adverse geo-political and market conditions may harm our business. Our business is influenced by a range of factors that are beyond our control. These include:

- General economic and business conditions;
- The overall demand for enterprise software;
- Customer budgetary constraints or shifts in spending priorities; and
- General political developments

The banking software industry is highly competitive and continues to evolve and innovate at a rapid rate. The rate of potential product obsolescence and level of competition amongst the providers is significant. We respond to these economic conditions through our commitment to product innovation and new product strategies.

The Company has customers located in more than 50 countries and nearly 70% of the revenue comes from international sales. The global nature of business creates operational and economic risks such as deterioration of social, political or economic condition in a country or region and difficulties in staffing and managing foreign operations.

Adverse geo-political and economic conditions leading to negative / low GDP growth may cause lower IT spending and adversely affect our revenue. Customers may curtail and /or postpone their budgets for investments in technology. Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, provision for doubtful accounts and write-offs of accounts receivable may increase. Our global exposure enables us to leverage growth from both Developed and emerging economies and focusing on value based solutions which enable our customers to significantly reduce cost in a difficult environment.

Risks Associated with Acquisitions and New Product Lines and Markets. The transactions and arrangements such as acquisitions and development and launch of new product categories and product lines, involve significant challenges and risks including that they do not advance our business strategy, that projected or satisfactory level of sales, profits and/or return on investment for a new business will not be generated, that we have difficulty, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of an acquired business or that they distract management from our other businesses, the Company's ability to retain and appropriately motivate key personnel of an acquired business. The success of these transactions and arrangements will depend in part on our ability to leverage them to enhance our existing products and services or develop compelling new ones. It may take longer than expected to realize the full benefits from these transactions and arrangements, such as increased revenue, enhanced efficiencies, or increased market share, or the benefits may ultimately be smaller than we expected.

There is always an inherent risk of Insider Trading that may happen in the shares of your public Limited Company. With your Company shares listed on National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd., there is always an inherent risk of Insider Trading that may happen in the shares of the Company. Trading in Nucleus shares by the designated employees of the Company on the basis of price sensitive information or communication counseling or procuring any unpublished price sensitive information to or from any person may be termed as insider trading. Insider trading is a matter of concern for the Management of the Company and to mitigate this risk, Code for Prevention of Insider trading is implemented in the Company, and is reviewed by the Audit Committee time and again to ensure compliance and updation with the regulatory amendments. Secretarial audit includes a review of policies and processed governing any trading in the Company's shares by various stakeholders.

We have partnerships with third parties for product delivery; failure on their part to deliver, could affect our performance. In some cases, we partner with third party vendors, for both software and hardware, who provide embedded or aligned products to support the services and product offerings provided by us. In such instances, our ability to deliver complete solution to our customers depends on our and our partners' ability to meet the quality standards of our customers'. If we or our partners fail to deliver appropriately, our ability to complete the contract may be adversely affected, which may have a material and adverse impact on our revenue and profitability. Also, if we fail to develop new relationships and enhance existing relationships with channel partners, software suppliers, system integrators, and independent software vendors (ISVs) that contribute to the success of our products and services, our business, financial position, profit, and cash flows may be adversely impacted. To counter this risk the Company has a dedicated Alliance Management Team to enhance the partnership with reputed firms and ensure proper contractual formalities before aligning with any such partner to reduce or limit the risk of their non/low performance.

AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Audit of Consolidated Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Nucleus Software Exports Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Company" or "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, for the year then ended, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the other information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, their consolidated profit (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

Other Matters

(a) We did not audit the financial statements of three subsidiaries, whose financial statements reflect 4.59% of total assets as at 31 March 2018 and 16.29% of the total revenues for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matters' paragraph, we report, to the extent applicable, that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

   (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

   (d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;

   (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company and its subsidiary companies incorporated in India, none of the directors of the Group Companies incorporated in India is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group– Refer Note 2.34 to the consolidated financial statements;

      ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2018;

      iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company and there are no amounts which are required to be transferred to the Investor Education and Protection Fund by its subsidiary companies incorporated in India during the year ended 31 March 2018; and

   iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited consolidated financial statements for the year ended 31 March 2017 have been disclosed.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

Sd/-
Rakesh Dewan
Partner
Membership No.: 092212

Place: Gurugram
Date: 03 May 2018

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2018, we have audited the internal financial controls with reference to consolidated financial statements of Nucleus Software Exports Limited ("the Holding Company") and its subsidiaries, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its Subsidiary Companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective Companies, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Company and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to consolidated financial statements of the Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls with reference to consolidated financial statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiaries, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to consolidated financial statements criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

***For* B S R & Associates LLP**
Chartered Accountants
Firm Registration No.: 116231W/W-100024

Sd/-
Rakesh Dewan
Partner
Membership No.: 092212

Place: Gurugram
Date: 03 May 2018

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	As at 31 March, 2018	As at 31 March, 2017	As at 1 April, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	2.1	4,389	4,293	4,654
Intangible assets under development		-	32	110
Goodwill on consolidation		317	317	317
Other Intangible assets	2.1	128	186	478
Financial assets				
Investments	2.2	24,131	20,276	13,187
Trade receivables	2.3	272	565	792
Loans	2.4	9	13	19
Other financial assets	2.5	1,145	531	1,460
Deferred tax asset	2.6	1,199	1,229	873
Income tax asset (net)	2.7	1,349	1,022	961
Other non-current assets	2.8	70	52	31
		33,009	**28,516**	**22,882**
Current Assets				
Financial assets				
Investments	2.9	14,542	23,815	12,588
Trade receivables	2.10	7,906	6,093	8,595
Cash and cash equivalents	2.11	4,228	3,955	2,354
Other bank balances	2.12	2,727	2,266	9,796
Loans	2.13	29	33	114
Other financial assets	2.14	29	199	488
Other current assets	2.15	2,258	1,675	1,967
		31,719	**38,036**	**35,902**
Total Assets		**64,728**	**66,552**	**58,784**
EQUITY & LIABILITIES				
EQUITY				
Equity Share capital	2.16	2,904	3,239	3,239
Other equity	2.17	43,226	50,257	43,126
Total equity attributable to equity holders of the company		**46,130**	**53,496**	**46,365**
Non- controlling interest		-	-	-
Total Equity		**46,130**	**53,496**	**46,365**
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Other financial liabilities	2.18	91	42	-
Other non-current liabilities	2.19	-	-	320
Deferred tax liabilities	2.20	189	3	8
Provisions	2.21	624	609	432
		904	**654**	**760**
Current liabilities				
Financial liabilities				
Borrowings		-	-	133
Trade payables	2.22	5,406	3,524	2,773
Other financial liabilities	2.23	26	43	57
Provisions	2.24	186	175	268
Curent tax liabilities (net)	2.25	187	128	296
Other current liabilities	2.26	11,889	8,532	8,132
		17,694	**12,402**	**11,659**
TOTAL EQUITY AND LIABILITIES		**64,728**	**66,552**	**58,784**
See accompanying notes forming part of the financial statements	1 & 2			

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated))

		Notes Ref.	For the year ended 31 March 2018	For the year ended 31 March 2017
1.	**REVENUE FROM OPERATIONS**			
	Income from software product and services	2.27	41,181	37,239
2.	**OTHER INCOME**	2.28	2,872	3,214
3.	**TOTAL INCOME (1+2)**		**44,053**	**40,453**
4.	**EXPENSES**			
	a. Employee benefits expense	2.29	27,697	24,455
	b. Operating and other expenses	2.30	7,615	7,396
	c. Finance cost	2.31	51	55
	d. Depreciation and amortisation expense	2.1	704	1,122
	TOTAL EXPENSES		**36,067**	**33,028**
5.	**PROFIT BEFORE TAX (3-4)**		**7,986**	**7,425**
6.	**TAX EXPENSE**			
	a. Current tax expense		1,511	1,267
	b. Deferred tax (credit) /charge	2.6	220	(458)
	NET TAX EXPENSE		**1,731**	**809**
7.	**PROFIT FOR THE PERIOD (5-6)**		**6,255**	**6,616**
8.	**OTHER COMPREHENSIVE INCOME**			
(A)	(i) Items that will not be reclassified to profit or loss			
	a) Remeasurements of the defined benefit plans, net		53	(62)
	b) Equity Instruments through Other Comprehensive Income, net		(196)	596
(B)	(i) Items that will be reclassified to profit or loss			
	a) Effective portion of gain (loss) on hedging instruments of effective cash flow hedges, net		(154)	123
	b) Exchange difference on translation of foreign operations		147	(142)
	TOTAL OTHER COMPREHENSIVE INCOME		**(150)**	**515**
9.	**TOTAL COMPREHENSIVE INCOME (7+8)**		**6,105**	**7,131**
	Profit attributable to			
	Owners of the Company		6,255	6,616
	Non- controlling interest		-	-
			6,255	**6,616**
10	**Total comprehensive income attributable to**			
	Owners of the Company		6,105	7,131
	Non- controlling interest		-	-
			6,105	**7,131**
11.	**EARNINGS PER EQUITY SHARE**			
	Equity shares of ₹ 10 each			
	a. Basic (₹)		20.47	20.43
	b. Diluted (₹)		20.47	20.43
	Number of shares used in computing earnings per share			
	a. Basic		30,561,102	32,383,724
	b. Diluted		30,561,102	32,383,724
	See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

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CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

(Amount in Rupees Lacs unless otherwise stated)

Balance as of 1 April 2017	Changes in equity share capital during the year	Balance as on 31 March 2018
3,239	335 *	2,904

* (Change in equity share capital rounded off to Rs.335 lacs hence this is not equivalent to addition to capital redemption reserve of Rs. 334 lacs)

Balance as of 1 April 2016	Changes in equity share capital during the year	Balance as on 31 March 2017
3,239	-	3,239

B. Other Equity

	Reserves and Surplus					Items of OCI				Total
	Capital reserve	Securities premium	Capital Redemption reserve	General reserve	Retained earnings	Hedging reserve	Foreign Currency translation reserve (See note 1 below)	Equity instrument through other comprehensive income	Remeasure-ments of the defined benefit plans	
Balance as of 1 April 2017	89	219	-	8,888	40,075	156	(142)	1,035	(62)	50,257
Profit for the year	-	-		-	6,255	-	-	-	-	6,255
Dividend on equity shares					(1,619)					(1,619)
Corporate dividend tax					(151)					(151)
Effective gain on hedging instruments	-	-		-	-	(154)		-	-	(154)
Exchange difference on translation of foreign operations	-	-		-	-	-	147	-	-	147
Equity Instruments through Other Comprehensive Income (net of tax)	-	-		-	-	-	-	(196)	-	(196)
Remeasurements of the defined benefit plans	-	-		-	-	-	-	-	53	53
Addition for buy-back of equity shares (see note 2.16 vi)			334							334
Ùtilised for buy back of equity shares (see note 2.16 vi)		(219)		(8,227)	(3,254)					(11,700)
Attributable to owners of the company	**89**	**-**	**334**	**661**	**41,306**	**2**	**5**	**839**	**(9)**	**43,226**
Balance as of 31 March 2018	**89**	**-**	**334**	**661**	**41,306**	**2**	**5**	**839**	**(9)**	**43,226**

STATEMENT OF CHANGES IN EQUITY

(Amount in Rupees Lacs unless otherwise stated)

	Reserves and Surplus					Items of OCI				Total
	Capital reserve	Securities premium	Capital Redemption reserve	General reserve	Retained earnings	Hedging reserve	Foreign Currency translation reserve (See note 1 below)	Equity instrument through other comprehensive income	Remeasure-ments of the defined benefit plans	
Balance as of 1 April 2016	89	219	-	8,888	33,459	33	-	439	-	43,126
Profit for the year	-	-		-	6,616	-	-	-	-	6,616
Effective gain on hedging instruments	-	-		-	-	123		-	-	123
Exchange difference on translation of foreign operations	-	-		-	-	-	(142)	-	-	(142)
Equity Instrument through Other Comprehensive Income (net of tax)	-	-		-	-	-	-	596	-	596
Remeasurements of the defined benefit plans	-	-		-	-	-	-	-	(62)	(62)
Attributable to owners of the company	**89**	**219**	**-**	**8,888**	**40,075**	**156**	**(142)**	**1,035**	**(62)**	**50,257**
Balance as of 31 March 2017	**89**	**219**	**-**	**8,888**	**40,075**	**156**	**(142)**	**1,035**	**(62)**	**50,257**

Note 1: Opening Foreign currency transaltion reserve is transferred to Retained Earnings , refer note 2.46 A(5)

See accompanying notes forming part of the financial statements

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Place : Gurugram
Date : May 03, 2018

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Managing Director

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CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : May 03, 2018

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2018

(Amount in ₹ Lacs unless otherwise stated)

		For the year ended 31 March, 2018	For the year ended 31 March, 2017
A.	Net profit before tax	7,986	7,425
	Adjustment for:		
	Depreciation and amortisation expense	704	1,121
	Exchange gain / loss on translation of foreign currency accounts (net)	68	(42)
	Dividend received from current, non trade investments	(832)	(925)
	Dividend received from non-current, non trade investment	(125)	(284)
	Interest on fixed deposits and others	(1,701)	(1,779)
	MTM gain / (loss) on mutual funds	(39)	17
	Profit on sale of fixed assets (net)	3	(38)
	Interest on short term borrowings	-	1
	Provisions written back	-	(72)
	Provision for doubtful debts / advances	37	-
	Operating profit before working capital changes	**6,101**	**5,424**
	Adjustment for (increase) / decrease in operating assets		
	Trade receivables	(1,339)	2,450
	Loans and other assests	(771)	2,293
	Adjustment for increase / (decrease) in operating liabilities		
	Trade payables	1,854	746
	Provisions and other liabilities	3,627	(52)
		9,472	**10,861**
	Net Income taxes paid	(1,779)	(1,350)
	Net cash from / (used in) operating activities (A)	**7,693**	**9,511**
B.	**Cash flow from investing activities**		
	Purchase of fixed assets/capital work in progress		
	Payments to acquire mutual funds, tax free bonds and preference shares	(726)	(355)
	Proceeds on sale of mutual funds, tax free bonds, debentures and preference shares	(39,170)	(33,914)
	Bank balance not considered as cash and cash equivalents - placed	44,757	16,505
	Bank balance not considered as cash and cash equivalents - matured	(2,481)	(959)
	Interest on fixed deposits and others received	1,287	7,827
	Dividend received from non trade investments	1,468	1,956
	Dividend on long term trade investment	832	925
	Net cash from / (used in) investing activities (B)	125	284
		6,092	**(7,731)**
C.	**Cash flow from financing activities**		
	Short-term borrowings		
	Buyback of equity shares	-	(129)
	Dividend paid (including corporate dividend tax)	(11,701)	-
	Net cash from / (used in) in financing activities (C)	(1,770)	-
		(13,471)	**(129)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	314	1,651
	Opening cash and cash equivalents	3,955	2,354
	Exchange difference on translation of foreign currency bank accounts	(41)	(50)
	Closing cash and cash equivalents	4,228	3,955
	Supplementary information		
	Restricted cash	46	48
	Notes:		
	i. Figures in brackets indicate cash outflow.		
	ii See accompanying notes forming part of the financial statements	1 & 2	

In terms of our report attached

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

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ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : May 03, 2018

Place : Noida
Date : May 03, 2018

Note 1:

1.1 Reporting Entity

Nucleus Software Exports Limited ('Nucleus' or 'the Company' or "the Holding Company") was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2018, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange.

The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, Australia, and Africa. The Company has wholly and partly owned subsidiaries in India. (the Company and its subsidiaries constitute "the Group").

The Group's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

1.2. Significant accounting policies

i. Basis of preparation of financial statements

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The Group's consolidated financial statements up to and for the year ended 31 March 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2015, notified under Section 133 of the Act and other relevant provisions of the Act.

As these are the Group`s first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Group is provided in Note no. 2.46 and 2.47.

The consolidated financial statements were approved for issue by the Company's Board of Directors on 3 May, 2018.

b) Functional and Presentation currency

The financial statements are presented in Indian ₹ (INR), which is also the Group`s functional currency. All amounts have been rounded-off to the nearest lacs unless otherwise indicated. . Further at some places '-'are also put up to values below INR 50,000 to make financials in round off to ₹ in lacs.

c) Basis of measurement

The Consolidated financial statements have been prepared on the historical basis except for the following items:

Items	Measurement Basis
Certain financial assets and liabilities (including derivative instruments)	Fair Value
Net defined benefit(asset)/liability	Fair value of plan assets less present value of defined benefit obligations

d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Leases: whether an arrangement contains a lease – Note 1.2 (xvi)
- Lease classification – Note 2.33
- Estimates of expected contract costs to be incurred to complete contracts- Note 2.27
- Consolidation: whether the Group has de facto control over an investee.- Note 1.2 (ii)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent period financial statements is included in the following notes:

- Estimation of current tax expense and payable – Note 2.7 and Note 2.24
- Estimated useful life of property, plant and equipment and
- Intangible assets– Note 1.2 (v) and.(vi)
- Estimation of defined benefit obligations-– Note 2.40
- Impairment of trade receivables- Note 2.3 and Note 2.10
- Impairment of Goodwill – Note 2.44

e) Measurement of fair values

The Group`s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a treasury team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The treasury team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

f) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of services and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

ii. Basis of Consolidation

a) Business combinations

As per Ind AS 101, at the date of transition, the Group has elected not to restate business combination that occurred before the date of transition.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group; and
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill and tested for impairment annually. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in other comprehensive income and accumulated in equity as capital reserve provided there is clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. In other cases, the bargain purchase gain is recognised directly in equity as capital reserve.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

c) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the

subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iii) Revenue Recognition

Revenue from software development services comprises income from time and material and fixed price contracts.

Revenue from time and material contracts is recognised as the services are rendered.

Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates.

Revenue from sale of licenses, where no customisation is required, is recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

Revenue from sale of services is recognised over the period in which such services are rendered in accordance with the terms of contract.

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax, value added tax and Goods and service tax (GST)

Service income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.

iv) Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Dividend income is recognised in profit or loss on the date on which the Group`s right to receive payment is established.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset ; or

– the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit- impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

v) Property, Plant and equipment

Property, Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, any directly attributable expenditure on making the asset ready for its intended use. Property, plant and equipment under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

Depreciation on property, Plant and equipment, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective item of property, plant and equipment when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The management's estimates of the useful lives of the various property, plant and equipment are as follows:

Asset category	Mangement estimate of useful life (in years)	Useful life as per Schedule II (in years)
Tangible asset		
Building*	30	30
Plant and machinery (including office equipment)*	5	15
Computers- end user devices such laptops, desktops etc.	3	3
Computers- servers and networking equipment*	4	6
Vehicles*	5	10
Furniture and fixtures*	5-7	10
Temporary wooden structures (included in Building)	3	3

*Based on technical evaluation, the useful lives as given above represent the period over which the management believes to use these assets; hence these lives are different from the useful lives prescribed under Part C of schedule II of the Companies Act, 2013.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment. Refer Note 2.46

vi) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

The management's estimates of the useful lives of the Software are 3-5 years.

For measurement of goodwill that arises on a business combination (see Note 1.2 (ii) (a))

Subsequent measurement is at cost less any accumulated impairment losses.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its Intangible assets recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets- Refer Note 2.46.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation in Statement of Profit and Loss.

The estimated useful lives are as follows:

-Softwares 3-5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

vii) Financial instruments

a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement

Financial assets

– On initial recognition, a financial asset is classified as measured at amortised cost;

– Fair value through other comprehensive income (FVOCI)-equity investment; or

– Fair value through profit and loss (FVTPL)

Financial asset are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment`s fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivatives financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL .

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 1.2(vii)(e) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

The amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

viii Impairment

a) Impairment of financial instruments

The Group recognises loss allowances for expected credit losses on:

– financial assets measured at amortised cost;

At each reporting date, the Group assesses whether financial assets are carried at amortised cost A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

b) Impairment of non-financial assets

The Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

ix Provisions (other than for employee benefits)

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

Post Sales client support and warranties

The Group provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

x. Foreign Currency

a) Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- qualifying cash flow hedges to the extent that the hedges are effective.

b) Foreign operations

The assets and liabilities of foreign operations (subsidiaries, branches) are translated into INR, the functional currency of the Group, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

In accordance with Ind AS 101, the Group has elected to deem foreign currency translation differences that arose prior to the date of transition to Ind AS, i.e. 1 April 2016, in respect of all foreign operations to be nil at the date of transition. From 1 April 2016 onwards, such exchange differences are recognised in OCI and accumulated in equity (as exchange differences on translating the financial statements of a foreign operation), except to the extent that the exchange differences are allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-allocated to NCI.

xi. Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

xii. Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits. Deferred tax is not recognized for:

– temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;

– temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be real.

Minimum Alternative Tax ('MAT') expense under the provisions of the Income-tax Act, 1961 is recognised as an asset when it is probable that future economic benefit associated with it in the form of adjustment of future income tax liability, will flow to the Group and the asset can be measured reliably. MAT credit entitlement is set off to the extent allowed in the year in which the Group becomes liable to pay income taxes at the enacted tax rates. MAT credit entitlement is reviewed at each reporting date and is written down to reflect the amount that is reasonably certain to be set off in future years against the future income tax liability. MAT Credit Entitlement has been presented as Deferred Tax in Balance Sheet.

XIII. Employee benefits

a. India

Employee benefit includes provident fund, gratuity and compensated absences.

Defined contribution plans

The Group's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

b. Singapore

The Company's contribution to central provident fund is deposited with the appropriate authorities and charged to the Consolidated Statement of Profit and Loss. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

c. United States of America/ Netherlands/ Japan/ Australia/Africa

The Company's social security contributions are charged to the Consolidated Statement of Profit and Loss.

Employee stock option based compensation

The grant date fair value of equity settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

xiv. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

xv. Leases

a. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

b. Lease payments

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term unless such payments are structured to increase in line with expected general inflation to compensate for the lessor`s expected inflation increases.

xvi Research and development

Revenue expenditure pertaining to research is charged to the Consolidated Statement of Profit and Loss. Development costs of products are also charged to the Consolidated Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalized. The amount capitalized comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Property, Plant and equipment utilized for research and development are capitalized and depreciated in accordance with the policies stated for property plant and equipment.

xvii. Recent accounting pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Group has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Group will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The Group does not expect the impact of the adoption of the new standard to be material on its retained earnings and to its net income on an ongoing basis.

(Amount in ₹ Lacs unless otherwise stated)

2.1 Property, plant and equipment

PARTICULARS	GROSS CARRYING AMOUNT				ACCUMULATED DEPRECIATION				NET CARRYING AMOUNT	
	Deemed cost As at 1 April, 2017	Additions	Deductions / adjustments (Note (i) & (ii))	As at 31 March, 2018	As at 1 April, 2017	Depreciation for the year	Deductions / adjustments (Note (i) & (ii))	As at 31 March, 2018	As at 31 March, 2018	As at 31 March, 2017
Tangible assets										
Freehold land	34	-	-	34	-	-	-	-	34	34
	(34)	-	-	(34)	-	-	-	-	(34)	(34)
Leasehold land	1,678	-	-	1,678	20	20	-	40	1,638	1,658
	(1,678)	-	-	(1,678)	-	(20)		(20)	(1,658)	(1,678)
Leasehold improvements	12	-	(2)	14	11	1	2	14	(0)	-
	(12)	-	-	(12)	-	(11)	-	(11)	(0)	(12)
Buildings	1,974	26	-	2,000	101	105	-	206	1,794	1,873
	(1,952)	(22)	-	(1,974)		(101)		(101)	(1,873)	(1,952)
Plant and equipment	242	41	(1)	284	141	43	-	184	100	102
	(132)	(111)	-	(243)		(141)		(141)	(102)	(132)
Computer equipment	863	444	(3)	1,310	400	324	4	728	582	463
	(705)	(155)	3	(863)		(400)		(400)	(463)	(705)
Vehicles	214	84	51	247	54	57	(25)	86	161	160
	(127)	(96)	(9)	(214)		(54)		(54)	(160)	(127)
Furniture and fixtures	14	88	2	100	11	12	(3)	20	80	3
	(14)	-	-	(14)		(11)		(11)	(3)	(14)
	5,031	**683**	**47**	**5,667**	**738**	**562**	**(22)**	**1,278**	**4,389**	**4,293**
	(4,654)	**(384)**	**(6)**	**(5,032)**	**-**	**(738)**	**-**	**(738)**	**(4,293)**	**(4,654)**
Intangible assets										
Software	570	84	-	654	384	142	0	526	128	186
	(478)	(99)	(7)	(570)		(384)		(384)	(186)	(478)
Total	**5,601**	**767**	**47**	**6,321**	**1,122**	**704**	**(22)**	**1,804**	**4,516**	**4,479**
Previous year	(5,132)	(483)	(13)	(5,602)	-	(1,122)	-	(1,122)	(4,479)	(5,132)

Notes :

(i) Includes the effect of translation in respect of assets held by foreign subsidiaries

(ii) Some of the assets have been re-grouped during the year, based on the nature of assets.

(iii) Figures in bracket pertains to previous year ended 31 March, 2017/ 1 April, 2016

(iv) As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets. Details of Gross Block of asset and accumulated depreciation as on 31 March 2016 are as under

Tangible assets	Gross Block as on 31 March 2016	Accumulated depreciation as on 31 March 2016	Deemed Cost as on 1 April 2016
Freehold land	34	-	34
Leasehold land	1,879	201	1,678
Leasehold improvements	105	93	12
Buildings	2,850	898	1,952
Plant and equipment	2,055	1,923	132
Computer equipment	4,030	3,325	705
Vehicles	230	103	127
Furniture and fixtures	536	522	14
	11,719	**7,065**	**4,654**
Intangible assets			
Software	**3,380**	**2,902**	**478**

2.2 A. Non-Current Investments (At Cost)

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
- Non trade			
Investment in equity instruments (Quoted)			
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Limited	864	1,060	513
Investments in Government securities (Unquoted)			
National savings certificates	-	-	-
Investment in Preference Shares (quoted)			
a. 8.15% L&T Preference Shares- 2020	1,395	1,396	991
b. 16.46% IL&FS - Preference Shares 2022	541	501	501
c. 17.38% IL&FS - Preference Shares 2021	100	109	-
d. 8.33% Tata Capital Ltd Preference Shares 2022	116	117	-
e. 9% L&T Finance Holdings Limited -Preference Shares 2018	-	1,021	-
f. 7.50% Tata Capital Preference Shares 2020	1,500	1,500	-
g. 8.33% Tata Capital Preference Shares 2021	504	505	-
h. 8.20% TATA Motors Finance Ltd CCPS 2020	534	-	-
Investment in bonds (Quoted)			
a. 7.18% Indian Railway Finance Corporation Limited Tax free bonds 2023	965	952	939
b. 8.23% Indian Railway Finance Corporation Limited Tax free bonds 2024	540	540	539
c. 8.09% Power Finance Corporation Tax Free Bonds 2021	480	482	485
d. 7.51% Power Finance Corporation Tax Free Bonds 2021	519	520	521
e. 8.00% Indian Railway Finance Corporation Limited Tax free bonds 2022	2,126	2,138	2,149
f. 8.01% India Infrastructure Finance Company Limited Tax Free Bonds 2023	1,031	1,031	1,031
g. 7.11% Power Finance Corporation Tax Free Bonds 2025	53	53	53
h. 7.21% India Infrastructure Finance Company Limited Tax Free Bonds 2022	516	516	517
i. 7.55% Indian Railway Finance Corporation Limited Tax Free Bonds 2021	310	311	311
j. 8.20% Power Finance Corporation Tax Free Bonds 2022	64	65	65
k. 7.28% Indian Railway Finance Corporation Limited Tax free bonds 2030	47	47	46
l. 7.49% Indian Renewable Energy Development Agency Limited (IREDA) Tax Free Bonds 2031	121	121	121
m. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds2031	142	142	142
n. 8.50% National Highways Authority of India (NHAI) Tax Free Bonds 2029	109	109	110
o. 7.39% National Highways Authority of India (NHAI) Tax Free Bonds 2031	160	160	155
p. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax free bonds 2031	131	131	128
q. 7.21% Power Finance Corporation (PFC) Tax Free Bonds 2022	515	515	504
r. 7.35% Indian Railway Finance Corporation Tax Free Bonds 2031	122	122	118

Notes forming part of the consolidated financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
s.	7.35% National Bank for Agriculture and Rural Development (NABARD) Tax Free Bonds 2031	201	201	201
t.	8.35% National Highways Authority of India (NHAI) Tax Free Bonds 2023	562	-	-
Investment in debentures (quoted)				
Debentures securities at Amortised cost				
a.	IIFL Wealth Finance Limited			
	500((Nil) Unsecured redeemable, non-convertible debentures of ₹ 100,000 each fully paid up	-	514	-
a.	HDFC FMP 1128D March 2015(1) Direct Growth series 33	-	588	543
b.	ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	-	587	542
c.	HDFC FMP 1169D February 2017 (1) - Series 37	541	505	-
d.	HDFC FMP 1150D February 2017 (1)	324	302	-
e.	Birla Sun Life Fixed Term Plan-Series OT (1117 days)	524	-	-
f.	ICICI Prudential Fixed Maturity Plan - Series 81 - 1163 Days Plan Q	1,046	-	-
g.	ICICI Prudential FMP - Series 82 - 1225 Days Plan B	509	-	-
h.	UTI Fixed Term Income Fund Series XXVIII - IV (1204 Days) - Direct Plan- Growth Option	509	-	-
i.	Reliance Fixed Horizon Fund XXXV (1227 days) - Direct Plan- Growth Option	504	-	-
j.	Birla Sun Life Fixed Term Plan-Series OY (1218 days)	509	-	-
k.	HDFC FMP 370D June 2014 (2) Series 31 – Growth Option	-	-	115
l.	ICICI Prudential FMP Series 74 -369 Days Plan T Growth	-	-	1,156
m.	Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option	-	-	576
n.	UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth	-	-	115
o	ICICI Prudential FMP - Series 82 - 1203 Days Plan K	504	-	-
p	Reliance Fixed B2 - Direct Plan- Growth Option	503	-	-
q	UTI Fixed Term Income Fund Series XXVIII -XIV (1147 days) - Direct Plan- Growth Option	501	-	-
Investment in mutual funds (Unquoted)				
Mutual funds at Fair value through profit or loss (FVTPL)				
a.	Birla Sun Life ST Opp Direct	-	1,084	-
b.	Reliance Corp Bond-Direct-QDR	-	1,162	-
c.	Axis ST Direct- Weekly Dividend	656	628	-
d.	UTI ST Income-IP-Monthly Dividend	314	302	-
e.	HDFC Medium Term Opp–Direct	248	239	-
f.	DSP BlackRock Banking & PSU Debt Fund - Growth- Direct	507	-	-
g.	ICICI Prudential Income Opportunities Fund - Growth- Direct	506	-	-
h.	IDFC Corporate Bond Fund - Growth- Direct	641	-	-
i.	L&T Short Term Opportunities Fund - Growth- Direct	509	-	-
j.	Reliance FRF - ST - Growth- Direct	508	-	-
		23,267	**19,216**	**12,674**
	Aggregate amount of non current-investments	**24,131**	**20,276**	**13,187**
	Aggregate amount of quoted investments	20,242	16,860	13,186
	Aggregate market value of quoted investments	20,595	16,561	12,666
	Aggregate amount of unquoted investments	3,889	3,415	513

B. Equity shares designated as at fair value through other comprehensive income

As at 1 April 2016, the Company designated the investments shown below as equity shares at FVOCI because these equity shares represent investments that company intends to hold for long- term for strategic purpose

	Fair value as at 31 March 2018	Dividend income recognised during year ended 31 March, 2018	Fair value as at 31 March 2017	Fair value as at 1 April 2016
Investment in Ujjivan Financial Services Limited	864	2	1060	513

No strategic investments were disposed off during 17-18 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
2.3	**NON - CURRENT TRADE RECEIVABLES**			
	(Unsecured)			
	TRADE RECEIVABLES			
	(Unsecured)			
	- Considered good	272	565	792
		272	**565**	**792**
2.4	**LOANS**			
	(Unsecured, considered good)			
	Loans and advances to employees			
	- Staff loans	9	13	19
		9	**13**	**19**
2.5	**OTHER NON-CURRENT FINANCIAL ASSETS**			
	(Unsecured considered good unless otherwise stated)			
	Security deposits	295	316	310
	Long-term bank deposits	850	215	1,150
		1,145	**531**	**1,460**

[Long term bank deposits include deposits held with bank for maturity more than 12 months from balance sheet date ₹ 17 Lacs (31 March 2017 ₹ 11 lacs and 1 April 2016 ₹ 27 lacs) under lien with banks and are restricted from being settled for more than 12 months from the balance sheet date.]

2.6 DEFERRED TAX ASSET (NET)

A. Amounts recognised in profit or loss

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current tax	1,511	1,267
Deferred tax	220	(458)
Net tax expense	**1,731**	**809**

B. Income tax recognised in other comprehensive income

	Before tax	Tax expense / (benefit)	Net of tax
Remeasurements of net defined benefit plans	48	(5)	53
Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges(net of tax)	(153)	1	(154)
Income tax recognised in other comprehensive income	**(105)**	**(4)**	**(101)**

C. Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Particulars	Percentage	For the year ended 31 March, 2018	Percentage	For the year ended 31 March, 2017
Profit before tax		**7,986**		**7,425**
Computed tax expense	34.61%	2,764	34.6%	2,570
Effect of exempt non-operating income	-11.2%	(891)	-8.7%	(648)
Effect of non- deductible expenses	0.6%	48	-0.2%	(17)
Additional deduction on research and development expenses	-5.7%	(459)	-10.3%	(761)
Taxes on income at different rates	-3.3%	(263)	-1.2%	(87)
Tax effect due to non taxable income for Indian tax purpose	5.6%	450	-3.5%	(257)
Tax revesals, overseas and domestic	0.3%	21	-0.2%	(12)
Branch tax	0.2%	15	0.2%	16
Tax on undistributed reserves of subsidiaries	2.2%	175	-	-
Effect of subsidiaries different tax rates	-1.6%	(129)	0.1%	5
Effective tax	**21.7%**	**1,731**	**10.9%**	**809**

2.6 DEFERRED TAX ASSET (NET) (CONT'D)

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Opening As at 1 April 2017	Recognised [(Credited)/ Charge] in profit or loss during the year	Recognised [(Credited)/ Charge] in OCI during the year	As at 31 March, 2018	As at 1 April, 2016
a.	**Deferred tax assets**					
	Provision for compensated absences, gratuity and other employee benefits	314	(85)	(5)	404	258
	Provision for doubtful debts / loans and service income accrued but not due	459	25	-	434	218
	Forward contracts	53	53	1	(1)	-
	MAT credit entitlement	534	53	-	481	685
	Trade receivables, security deposit and loans at amortised cost	71	23	-	48	77
	Asset retirement obligation	4	(0)	-	4	4
		1,435	**69**	**(4)**	**1,370**	**1,242**
b.	**Deferred tax liabilities**					
	Property, plant and equipment	138	(50)	-	88	256
	Investments	68	15	-	83	113
		206	**(35)**	**-**	**171**	**369**
c.	**Net deferred tax asset**	**1,229**	**34**	**(4)**	**1,199**	**873**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
2.7	**INCOME TAX ASSETS (NET)**			
	Balances with government authorities			
	- Advance tax	1,349	1,022	961
		1,349	**1,022**	**961**
2.8	**OTHER NON CURRENT ASSETS**			
	(Unsecured, considered good)			
a	Employee advances	38	37	-
b	Capital advances	21	9	6
	Less : Provision for doubtful advances	(14)	-	-
		7	9	6
c.	prepaid expenses	1	1	20
d.	Deferred rent	24	3	3
é.	Deferred payroll	-	2	2
		70	**52**	**31**

2.9 Current investments - Non trade (At the lower of cost and fair value)

a. Investment in mutual funds

(Amount in ₹ Lacs unless otherwise stated)

Name	Value as at 31 March, 2018	Value as at 31 March, 2017	Value as at 1 April, 2016
-Investment in Mutual Funds (Unquoted)			
Mutual funds at Fair value through profit or loss (FVTPL)			
Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment	540	432	-
Baroda Pioneer Treasury Advantage Fund - Plan B Daily Dividend- Re-investment	1,672	-	-
Aditya Birla Sunlife Enhanced Arbitrage Fund -Dividend-Direct Plan-Reinvestment	832	201	-
Aditya Birla Sunlife Floating Rate-Long Term-Daily Dividend-Direct Plan-Reinvestment	84	889	-
Aditya Birla Sunlife Saving Fund -Daily Dividend-Direct-Reinvestment	129	1,054	1,661
Aditya Birla Sunlife Cash Plus- Daily Dividend-Direct-Reinvestment	611	-	-
DSP BlackRock Ultra Short Term Fund - DDR - Direct	-	662	303
HDFC Arbitrage Fund - Wholesale Plan-Normal-Dividend-Direct Plan	1,027	967	707
HDFC Floating Rate Income Fund - Short term Plan-Wholesale Option - Direct-DDR	363	590	556
ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option	311	293	-
ICICI Prudential Flexible Income Plan - Direct Plan-DDR	181	748	700
ICICI Prudential Ultra Short Term Plan- Direct Plan- Daily Dividend-Reinvestment option	232	1,588	-
IDFC Arbitrage Fund Direct Plan- Monthly DR- Direct	670	629	556
IDFC Money Manager Fund - Investment Plan-Daily Dividend-(Direct Plan)	29	2,291	-
IDFC Ultra Short Term Fund - Daily Dividend - (Direct Plan)	31	402	-
Invesco Ultra Short Fund Direct Plan- DDR- Direct	-	697	-
Invesco India Liquid Fund - DDR-Direct	169	-	-

(Amount in ₹ Lacs unless otherwise stated)

Name	Value as at 31 March, 2018	Value as at 31 March, 2017	Value as at 1 April, 2016
Kotak Equity Arbitrage Fund- Fortnightly DR- Direct	3,095	2,902	-
Kotak Floater Short Term Fund-Direct Plan-Daily Dividend-Reinvestment Option	42	18	1,539
Kotak Floater Treasury Advantage Fund-Direct Plan-Daily Dividend-Reinvestment Option	248	192	-
L&T Ultra Short Direct Plan-Daily Dividend-Reinvestment Option	-	360	-
ICICI Prudential Money Market Fund-Dividend-Daily Reinvestment	-	-	528
IDFC Banking Debt Fund Regular Plan- Dividend	-	-	248
Kotak Equity Arbitrage Fund- Monthly DR- Direct	-	-	752
Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option	-	-	1,553
SBI Ultra Short Term Debt Fund - DDR - Direct	-	-	50
L&T Liquid Fund Direct Plan -DDR Plan	562	-	-
LIC Saving Plus Fund - DDR - Direct	-	1,510	-
Mahindra Liquid Fund-Direct -Daily Dividend-Reinvestment	-	506	-
Reliance Arbitrage Advantage Fund-Direct Monthly Dividend Plan	1,095	1,025	456
Reliance Medium Term Fund-Direct Plan Daily Dividend Plan	1	534	-
Sundaram Ultra Short Term Fund - DDR - Direct	-	261	449
UTI-Treasury Advantage Fund - Institutional Plan - DDR - Direct	-	1,426	-
Uti-Floating Rate Fund-STP - Direct Daily Dividend Plan Reinvestment	-	1,371	474
ICICI Prudential Liquid Fund- Direct Plan- Daily Dividend-Reinvestment option	336	141	576
-Fixed Maturity Plans/Interval Plans (quoted)			
HDFC FMP 370D June 2014 (2) Series 31 – Growth Option	-	125	-
ICICI Prudential FMP Series 74 -369 Days Plan T Growth	-	1,252	-
Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option	-	624	-
UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth	-	125	-
HDFC FMP 1128D March 2015(1) Direct Growth	637	-	-
ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	636	-	-
Reliance Fixed Horizon Fund XXX – Series 9-Direct-Div Payout	-	-	375
UTI FIIF-QIP-III-Direct-Div Payout	-	-	503
ICICI Prudential FMP Series 72 -368 Days Plan A Growth	-	-	602
-Investment in Preference Shares (quoted)			
9% L&T Finance Holdings Limited -Preference Shares 2018	1,009	-	-
Aggregate amount of investments	**14,542**	**23,815**	**12,588**
Aggregate amount of quoted investments	2,282	2,127	1,480
Aggregate market value of quoted investments	2,277	2,144	1,486
Aggregate amount of unquoted investments	12,260	21,688	11,107

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
2.10	**TRADE RECEIVABLES**			
	(Unsecured)			
a.	Trade receivables			
	- Considered good	7,906	6,093	8,595
	- Considered doubtful	240	354	380
		8,146	6,447	8,975
	Less: Provision for doubtful trade receivables	(240)	(354)	(380)
		7,906	**6,093**	**8,595**
2.11	**CASH AND CASH EQUIVALENTS**			
	A. Cash and cash equivalents			
a.	Cash on hand	1	2	1
b.	Remittance in transit	86	-	120
c.	Cheques on hand	-	-	3
d.	Balances with scheduled banks:			
	- in current accounts	69	207	260
	- in EEFC accounts	1,319	730	143
e.	Balance with non scheduled banks in current accounts:			
	-Citibank, United Kingdom	16	9	10
	-Citibank, U.A.E	17	22	14
	-Citibank,USA	30	-	10
	-Citibank, Singapore	556	619	436
	-PNC Bank, USA	28	98	34
	-Citibank, Philippines	-	-	14
	-Citibank,USA	256	692	683
	-Bank of Tokyo Mitsubishi, Japan	14	13	31
	-Citibank, Japan	413	321	43
	-Citibank, Australia	49	29	17
	-Nedbank, South Africa	50	19	4
	-Citibank, Netherlands	26	27	31
f.	Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	1,298	1,167	500
		4,228	**3,955**	**2,354**
	Total - Cash and cash equivalents	**4,228**	**3,955**	**2,354**
2.12	**OTHER BANK BALANCES**			
a.	Balances with scheduled banks in earmarked accounts:			
	- unclaimed dividend accounts	24	29	43
b.	Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :			
	Maturity with in 12 months	2,703	2,237	9,753
	Total - Other bank balances	**2,727**	**2,266**	**9,796**

[Balance with scheduled banks in deposit accounts include ₹ 46 lacs (31 March 2017 ₹ 48 lacs and 1 April, 2016 ₹ 52 lacs) which are under lien and restricted from being settled with in 12 months from the balance sheet date.]

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
2.13	**LOANS**			
	(Unsecured)			
a.	Loans and advances to employees (considered good)			
	- Staff loans	29	33	53
	- Employee advances	-	-	61
		29	**33**	**114**
2.14	**OTHER CURRENT FINANCIAL ASSETS**			
	(Unsecured considered good unless otherwise stated)			
a.	Security deposit	-	2	10
b.	Mark-to-market gain on forward contracts	3	156	9
c.	Expenses recoverable from customers	26	41	26
d.	Application money for Mutual fund & Preference shares (considered good)	-	-	430
e.	Others	-	-	13
		29	**199**	**488**

Notes forming part of the consolidated financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
2.15	**OTHER CURRENT ASSETS**			
	(Unsecured)			
	a. Service income accrued but not due			
	Unsecured			
	- Considered good	1,328	981	1,118
	- Considered doubtful	214	260	292
		1,542	1,241	1,410
	Less : Provision for service income accrued but not due	(214)	(260)	(292)
		1,328	**981**	**1,118**
	- Employee advances	63	69	28
	Prepaid expenses (considered good)	399	306	381
	Balances with Government authorities (considered good)			
	- GST/ VAT credit receivable	124	71	165
	Others			
	- Supplier advances			
	- Considered good	341	245	261
	- Considered doubtful	1	6	8
		342	251	269
	Less : Provision for doubtful advances	(1)	(6)	(8)
		341	245	261
	Deferred rent	-	-	11
	Deferred payroll	3	3	3
		2,258	1,675	1,967

2.16 SHARE CAPITAL

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April, 2016
a.	**Authorised**			
	Equity shares			
	40,000,000 (40,000,000) equity shares of ₹ 10 each	**4,000**	**4,000**	**4,000**
b.	**Issued, Subscribed and Paid-Up**			
	Issued			
	32,386,524 (32,386,524) equity shares of ₹ 10 each	**3,239**	**3,239**	**3,239**
	Subscribed and Paid-Up			
	29,040,724 (32,383,724) equity shares of ₹ 10 each, fully paid up	**2,904**	**3,239**	**3,239**
	(Includes: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below)			
		2,904	3,239	3,239

Refer notes (i) to (v) below :-

(i) **Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year :-**

Particulars	Opening balance	Allotted under Employee Stock Option Plans / Extinguishment of shares under buy back	Closing balance
a. For the year ended 31 March, 2018			
- Number of shares	32,383,724	(3,343,000)	29,040,724
- Amount (In ₹)	323,837,240	(33,430,000)	290,407,240
b. For the year ended 31 March, 2017			
- Number of shares	32,383,724	-	32,383,724
- Amount (In ₹)	323,837,240	-	323,837,240

(ii) **Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) **Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company:**

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	30.99%	9,000,000	27.79%
Nucleus Software Engineers Private Limited	2,385,882	8.22%	2,385,882	7.37%
Madhu Dusad	3,066,248	10.56%	3,066,248	9.47%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund	884,399	3.05%	2,200,000	6.79%
Vishnu R Dusad	1,603,492	5.52%	1,603,492	4.95%

(iv) **Details of forfeited shares**

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	(Number)	(₹)	(Number)	(₹)
Equity shares with voting rights	2,800	15,000	2,800	15,000

(v) EMPLOYEES STOCK OPTION PLAN ("ESOP")

a. Employee Stock Option Scheme and SEBI (Share Based Employee Benefits) Regulations, 2014, is effective for regulation of all schemes by the Company for the benefits for its employees dealing in shares, directly or indirectly from October 28, 2014. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.

b. The Company currently has one ESOP scheme- ESOP Scheme - 2015 (instituted in 2015) which was duly approved by the Board of Directors and Shareholders. The ESOP Scheme 2015 provides for 500,000 options to eligible employees. As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust. The scheme is administered by the Compensation Committee comprising three members, the majority of whom are independent directors.

c. There are no options granted, forfeited and exercised during the year under ESOP Scheme 2015.

(vi) The Board of Directors of the Company, at its meeting held on April 25, 2017 has approved a proposal to buy-back not exceeding ₹ 11,779 lacs at maximum price of ₹ 350 per equity share.

The Shareholders of the Company approved the scheme of Buyback of 33,43,000 (Thirty Three Lakhs Forty Three Thousand) equity shares of the face value of ₹ 10/- each fully paid up at a price of ₹ 350/- (₹ Three Hundred and Fifty Only) (the "Buyback Price") payable in cash aggregating upto ₹ 11,701/-lacs (₹ Eleven thousands Seven Hundred One lacs) through Postal Ballot on June 15, 2017 . The Company made the Public Announcement of the same which was published on June 19, 2017.

Further pursuant to Shareholders' approval vide Postal Ballot in June 2017, the Buy Back Committee of Board of Directors on 16th June 2017 approved the Buyback of 33,43,000 of fully paid up Equity Shares of face value of ₹ 10/ each of the Company at price of ₹ 350/- per Equity share, payable in cash for an aggregate consideration not exceeding ₹ 11,701 lacs. The settlement of the Buyback was done on 8th September, 2017 and 33,43,000 Equity shares bought back were extinguished on 14th September, 2017.

Capital Redemption Reserve was created to the extent of share capital extinguished ₹ 334 lacs. An amount of ₹ 3,254 lacs from Retained Earnings was used to offset the excess of buy-back cost of ₹ 11,701 lacs over par value of shares after adjusting the balance lying in Secruity Premium of ₹ 219 lacs and General Reserve of ₹ 8,227 lacs.

(Amount in ₹ Lacs unless otherwise stated)

	Particulars		As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.17	**OTHER EQUITY**				
	a.	Capital reserve	89	89	89
	b.	Securities premium account	-	219	219
	c.	Capital Redemption reserve	334	-	-
	d.	General reserve	661	8,888	8,888
	e.	Retained Earnings	41,306	40,075	33,458
	f.	Other comprehensive Income	836	986	472
	Total		**43,226**	**50,257**	**43,126**

(Amount in ₹ Lacs unless otherwise stated)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
a.	**Capital reserve**		
	Opening balance	89	**89**
	Closing balance	**89**	**89**
b.	**Securities premium account**		
	Opening balance	219	219
	Utilised for buyback premium (see note 2.16 vi)	(219)	-
	Closing balance	**-**	**219**
c.	**Capital Redemption reserve**		
	Opening balance	-	-
	Addition during the period (see note 2.16 vi)	334	-
	Closing balance	**334**	**-**
d.	**General reserve**		
	Opening balance	8,888	8,888
	Transferred from surplus in statement of Profit and Loss ((see note 2.16 vi))	(8,227)	-
	Closing balance	**661**	**8,888**
e.	**Retained Earnings**		
	Opening balance	40,075	33,459
	Add: Profit for the year	6,255	6,616
	Utilised for buy back (see note 2.16 vi)	(3,254)	-
	Less : Appropriations		
	- Final dividend on equity shares [see note (i) below]	(1,619)	-
	- Tax on dividend	(151)	-
	Closing balance	**41,306**	**40,075**
f.	**Other comprehensive Income**		
	Equity instrument through other comprehensive income	1,035	439
	Add: Income for the year	(196)	596
		839	**1035**
	Foreign currency translation reserve		
	Opening balance	(142)	-
	Add: Addition during the year	147	(142)
	Less: Transferred to surplus in statement of Profit and Loss	-	-
	Closing balance	**5**	**(142)**
	Hedging reserve, net [see note 2.32]		
	Opening balance	156	33
	Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(154)	123
	Closing balance	**2**	**156**
	Remeasurement of net defined benefit plans, net		
	Opening balance	(63)	-
	Add: Remeasurement of net defined benefit plans	53	(63)
	Closing balance	(10)	(63)
		836	**986**
	Closing balance	**43,226**	**50,257**

(i) The Board of Directors recommended a Final Dividend of ₹ 5 per share (on equity share of par value of ₹ 10 each) for the year ended March 31, 2017. The payment was approved in the Annual General Meeting held on 8th July 2017.

(ii) The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of ₹ 8 per share (on equity share of par value of ₹ 10 each) for the year ended March 31, 2018. The payment is subject of approval of shareholders at the ensuing Annual General Meeting. The final dividend declared in the previous year was ₹ 5/- per equity share.

Nature and purpose of other reserves

Capital reserve

The company had transferred forfeited ESOP application money to Capital reserve in accordance with the provision of the Companies Act, 1956. The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

Hedging reserve

This comprises as the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

General reserve

The Company transferred certain percentage of retained earnings to general reserve as per the provisions for dividend distribution under the Companies Act, 2013.

Foreign currency translation reserve

These comprise of all exchange difference arising from translation of financial statements of foreign operations.

Equity instrument through other comprehensive income

The Group has designated its investments in certain equity instruments at fair value through other comprehensive income. These changes are accumulated within the FVOCI equity investments within the equity. The group transfers amounts therefrom to retained earnings when the relevant equity securities are derecognised.

Remeasurement of net defined benefit plans

Remeasurement of net defined benefit plans (asset) comprises actuarial gain and losses and return on plan assets (excluding interest income)

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.18 OTHER FINANCIAL LIABILITIES-NON CURRENT			
Annual incentive payable	91	42	-
	91	**42**	**-**
2.19 OTHER NON-CURRENT LIABILITIES			
Advance from customers / Advance billings	-	-	320
	-	-	320

2.20 DEFERRED TAX LIABILITIES

(Amount in ₹ Lacs unless otherwise stated)

	Particular	1 April, 2017	(Credited)/ Charge during the year	31 March 2018	1 April, 2016
a.	**Deferred tax liabilities**				
	Property, plant and equipment	3	11	14	8
	Undistributed reserves of subsidiaries	-	175	175	-
		3	186	189	8

Notes forming part of the consolidated financial statements

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.21	**NON CURRENT - PROVISIONS**			
	Provision for employee benefits			
	- Provision for compensated absences	588	579	412
	- Provision for gratuity	15	9	-
	- Provision for asset retirement obligations	21	21	20
		624	**609**	**432**
2.22	**TRADE PAYABLES**			
	Trade Payables (see note below)	5,406	3,524	2,773
		5,406	**3,524**	**2,773**

The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

	Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
2.23	**OTHER CURRENT FINANCIAL LIABILITIES**			
a.	Unpaid dividends	25	29	44
b.	Payable for purchase of fixed assets	1	14	13
		26	**43**	**57**
2.24	**CURRENT PROVISIONS**			
	Provision for employee benefits			
	- Provision for compensated absences	182	172	268
	- Provision for gratuity	4	3	-
		186	**175**	**268**
2.25	**CURRENT TAX LIABILITIES (NET)**			
	Provision for tax [net of advance tax of ₹ Nil (previous year ₹ 63,653,267)]	**187**	**128**	**296**
		187	**128**	**296**
2.26	**OTHER CURRENT LIABILITIES**			
a.	Advance from customers / Advance billings	6,204	3,429	3,642
b.	Deferred revenue	4,482	4,273	3,816
c.	Book overdraft	-	3	-
d	Payable to gratuity trust	400	230	114
e	Other payables - statutory liabilities	803	597	560
		11,889	**8,532**	**8,132**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
2.27	**INCOME FROM SOFTWARE PRODUCTS AND SERVICES**		
	Software development services and products	41,181	37,239
		41,181	**37,239**
2.28	**OTHER INCOME**		
a.	Interest income on		
	- Deposits with banks	296	715
	- Tax free bonds	619	601
	- Debentures	33	14
	- Non- current trade receivable	67	89

(Amount in ₹ Lacs unless otherwise stated)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
	- Fixed maturity plan	331	311
	- preference shares	423	252
	- others	19	15
b.	Interest Income on income tax refund	64	183
c.	Dividend income from		
	- Current, non trade investments	832	914
	- Non-current, non trade investment	125	36
d.	Net gain on sale of investments		
	- Current, non trade investments	(4)	26
e.	MTM gain or (loss) on mutual funds	39	-
	Net Gain / (Loss) on foreign currency		
f.	- Gain / (Loss) on exchange fluctuation	3	(22)
g.	Other non-operating income		
	- Net profit on sale of fixed assets/discarded assets	-	38
	- Miscellaneous income	25	42
		2,872	3,214
2.29	**EMPLOYEE BENEFIT EXPENSES**		
a.	Salaries and wages	25,418	22,661
b.	Contribution to provident and other funds	1,237	1,143
c.	Gratuity expense	551	236
d.	Staff welfare expenses	491	415
		-	-
		27,697	24,455
2.30	**OPERATING AND OTHER EXPENSES**		
a.	Outsourced technical service expense	706	788
b.	Cost of software purchased for delivery to clients	249	227
c.	Power and fuel	470	469
d.	Rent (see note 2.25)	794	854
e.	Repair and maintenance		
	- Buildings	78	86
	- Others	318	313
f.	Insurance	53	69
g.	Rates and taxes	106	50
h.	Travel expenses	1,531	1,318
i.	Advertisement, business development and promotion	143	92
j.	Legal and professional	706	916
k.	Directors remuneration	121	117
l.	Conveyance	204	184
m.	Communication	257	261
n.	Training and recruitment	355	294
o.	Net loss on sale of fixed assets/discarded assets	3	-
p.	Adjustment to the carrying amount of investments	-	42
q.	Conference, exhibition and seminar	159	162
r.	Information technology expenses	637	468
s.	Provision for doubtful debts/advances/other current assets	37	(28)
t.	Commission to channel partners	116	38
u.	Expenditure on Corporate Social Responsibility (see note 2.36)	111	110
v.	Miscellaneous expenses	461	566
		7,615	7,396

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Note :		
Directors Remuneration includes :		
Non Executive Directors		
a Commission	71	55
b. Sitting fees	50	62
	121	**117**
2.31 FINANCE COST		
Bank charges	50	54
Interest on short term borrowings	1	1
	51	**55**

2.32 Financial Instruments

a) Financial Instruments by category

The carrying value and fair value of financial instruments by categories of 31 March 2018 were as follows:

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	4,228	-	-	4,228	4,228
Other bank balances (2.12)	2,727	-	-	2,727	2,727
Investments (2.2 and 2.9)					
Equity Instruments	-	-	864	864	864
Tax free bonds	8,713	-	-	8,713	9,094
Mutual funds (other than FMPs)	-	16,149	-	16,149	16,149
Fixed maturity plans (FMPs)	7,248	-	-	7,248	7,231
Debentures	-	-	-	-	-
Preference shares	5,699	-	-	5,699	5,683
Trade receivables (2.3 and 2.10)	8,178	-	-	8,178	8,178
Loans (2.4 and 2.13)	39	-	-	39	39
Other financial assets (2.5 and 2.14)	1,174	-	-	1,174	1,174
	38,006	**16,149**	**864**	**55,019**	**55,367**
Liabilities:					
Trade payables (2.22)	5,406	-	-	5,406	5,406
Other financial liabilities (2.18 and 2.23)	117	-	-	117	117
	5,523	**-**	**-**	**5,523**	**5,523**

The carrying value and fair value of financial instruments by categories of 31 March 2017 were as follows:

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	3,955	-	-	3,955	3,955
Other bank balances (2.12)	2,266	-	-	2,266	2,266
Investments (2.2 and 2.9)					
Equity Instruments	-	-	1,060	1,060	1,060
Tax free bonds	8,155	-	-	8,155	8,201
Mutual funds (other than FMPs)	-	25,103	-	25,103	25,103
Fixed maturity plans (FMPs)	4,110	-	-	4,110	4,137

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at fair value through OCI	Total carrying value	Total fair value
Debentures	514	-	-	514	500
Preference shares	5,149	-		5,149	4,573
Trade receivables (2.3 and 2.10)	6,658	-	-	6,658	6,658
Loans (2.4 and 2.13)	46	-	-	46	46
Other financial assets (2.5 and 2.14)	730	-	-	730	730
	31,583	**25,103**	**1,060**	**57,746**	**57,229**
Liabilities:					
Trade payables (2.22)	3,524	-	-	3,524	3,524
Other financial liabilities (2.18 and 2.23)	85	-	-	85	85
	3,609	**-**	**-**	**3,609**	**3,609**
The carrying value and fair value of financial instruments by categories of 1 April 2016 were as follows:					
Assets:					
Cash and cash equivalents (2.11)	2,354	-	-	2,354	2,354
Other bank balances (2.12)	9,796	-	-	9,796	9,796
Investments (2.2 and 2.9)					
Equity Instruments	-	-	513	513	513
Tax free bonds	8,134	-	-	8,134	8,109
Mutual funds (other than FMPs)	-	11,107	-	11,107	11,107
Fixed maturity plans (FMPs)	4,527	-	-	4,527	4,551
Preference shares	1,492	-	-	1,492	1,491
Trade receivables (2.3 and 2.10)	9,388	-	-	9,388	9,388
Loans (2.4 and 2.13)	133	-	-	133	133
Other financial assets (2.5 and 2.14)	1,949	-	-	1,949	1,949
	37,773	**11,107**	**513**	**49,393**	**49,391**
Liabilities:					
Trade payables (2.22)	2,773	-	-	2,773	2,773
Other financial liabilities (2.18 and 2.23)	57	-	-	57	57
	2,830	**-**	**-**	**2,830**	**2,830**

The carrying amount of current trade receivables, short term loan, current security deposit, trade payables, current financial liabilities and cash and cash equivalent are considered to be same as their fair values, due to their short-term nature.

The fair value of Non-current trade receivables, long term loan, Non-current security deposit and non-current financial liabilties were calculated based on cashflows discounted using a transition date lending rate as there is no material change in the lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusions of unobservable inputs including counterparty credit risk.

b) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

a) the use of quoted market prices or dealer quotes for similar instruments.

b) for forward exchange contracts, the fair value is determined using quoted forward exchange rates at the reporting date.

c) the fair value of remaining financial instruments is determined using discounted cash flows method.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

Particulars	As of 31 March 2018	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	16,149	16,149	-	-
Fixed maturity plans (2.2 and 2.9)	7,231	7,231	-	-
Tax free bonds (2.2 and 2.9)	9,094	9,094	-	-
Debentures (2.2 and 2.9)	-	-	-	-
Preference shares (2.2)	5,683	5,683	-	-
Equity Instruments	864	864	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	3	-	3	-
Non - Current Financial Assets- Trade receivables (2.3)	272	-	-	272
Non - Current Financial Assets- Loans to employees (2.4)	9	-	-	9
Non - Current Financial Assets- Security deposits (2.5)	295	-	-	295
Financial liabilities				
Other Non-current financial liabilties (2.18)	91	-	-	91

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

Particulars	As of 31 March 2017	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	25,103	25,103	-	-
Fixed maturity plans (2.2 and 2.9)	4,137	4,137	-	-
Tax free bonds (2.2 and 2.9)	8,201	8,201	-	-
Debentures (2.2 and 2.9)	500	500	-	-
Preference shares (2.2)	4,573	4,573	-	-
Equity Instruments	1,060	1,060	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	156	-	156	-
Non - Current Financial Assets- Trade receivables (2.3)	565	-	-	565
Non - Current Financial Assets- Loans to employees (2.4)	13	-	-	13
Non - Current Financial Assets- Security deposits (2.5)	316	-	-	316
Financial liabilities				
Other Non-current financial liabilties (2.18)	42	-	-	42

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 1 April 2016:

Particulars	As of 1 April 2016	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	11,107	11,107	-	-
Fixed maturity plans (2.2 and 2.9)	4,551	4,551	-	-
Tax free bonds (2.2 and 2.9)	8,109	8,109	-	-
Equity Instruments	513	513	-	-

Particulars	As of 1 April 2016	Level 1	Level 2	Level 3
Derivative financial instruments-foreign currency forward contracts (2.14)	9	-	9	-
Application money for Mutual fund & Preference shares (2.14)	430	430		
Non - Current Financial Assets- Trade receivables (2.3)	792	-	-	792
Non - Current Financial Assets- Loans to employees (2.4)	19	-	-	19
Non - Current Financial Assets- Security deposits (2.5)	310	-	-	310

c) **Financial risk management**

The Group's activities expose it to a variety of financial risks arising from financial instruments

- Market risk,

- Credit risk and

- Liquidity risk

Risk Management Committee (RMC) is responsible for identification and review of risks and mitigation plans. The Committee meets on a quarterly basis for identification and prioritization of risks. RMC conducts risk survey with the senior and middle level management of the Company to identify risks and rate them appropriately. Top risks are identified and remaining are categorized as other risks. The RMC then places updates to the Board on a quarterly basis, on key risks facing the Company, along with their mitigation plans.

i) **Market risk**

a) **Hedge accounting**

The Group's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. . The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

The Group operates internationally and a major portion of the business is transacted in several currencies and consequently the Group is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The Group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Group's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

The Group's risk management policy is to hedge 40 to 55% of its estimated foreign currency exposure in respect of forecast sales over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

b) **Price risk**

(a) **Exposure**

The Group's exposure to equity securities and Mutual funds price risk arises from investments held by the Group and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

(b) Sensitivity

The sensitivity of profit or loss in respect of investments in mutual funds and equity instruments (other than subsidiaries) at the end of the reporting period for +/- 2% change in price and net asset value is presented below:

	Impact on profit before tax			Impact on other components of equity		
	31 March 2018	31 March 2017	1 April 2016	31 March 2018	1 April 2016	31 March 2017
Increase 2%						
Mutual funds	323	502	222	-	-	-
Equity instruments (other than subsidiaries)	-	-	-	17	21	10
Decrease 2%						
Mutual funds	(323)	(502)	(222)	-	-	-
Equity instruments (other than subsidiaries)	-	-	-	(17)	(21)	(10)

Derivative financial instruments

The Group holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Forward contracts **(Amount in Lacs unless otherwise stated)**

Forward contract outstanding	Buy/Sell	As at 31 March 2018	Equivalent amount in ₹ 31 March 2018	As at 31 March 2017	Equivalent amount in ₹ 31 March 2017	As at 1 April 2016	Equivalent amount in ₹ 1 April 2016
In USD (Amount in USD lacs)	Sell	71	4,595	48	3,080	65	4,290

The foreign exchange forward contracts mature within six months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the Balance sheet date

Particulars	As at 31 March 2018	Equivalent amount in ₹ 31 March 2018	As at 31 March 2017	Equivalent amount in ₹ 31 March 2017	As at 1 April 2016	Equivalent amount in ₹ 1 April 2016
Not later than one month	15	978	8	519	14	944
Later than one month and not later than three months	23	1,466	26	1,686	41	2,684
Later than three months and not later than one year	33	2,151	14	875	10	662

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following table provides the reconciliation of cash flow hedge reserve for the year ended March 31, 2017.

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Balance at the beginning of the period	156	33
Gain / (Loss) recognised in other comprehensive income during the period	(154)	123
Balance at the end of the period	2	156

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table provides quantitative information about offsetting of derivative financial assets

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Gross amount of recognized financial asset	3	156	9
Amount set off	-	-	-
Net amount presented in balance sheet	3	156	9

ii) Credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counter party fails to make contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 8,178 lacs, ₹ 6,658 lacs and ₹ 9,387 lacs as of 31 March 2018, 31 March 2017 and 1 April 2016, respectively and unbilled revenue amounting to ₹ 1,328 lacs, ₹ 981 lacs and ₹ 1,118 lacs as of 31 March 2018, 31 March 2017 and 1 April 2016, respectively. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as Group's historical experience for customers.

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	(in %)	(in %)
Revenue from top customer	14.11	15.56
Revenue from top five customers	37.25	42.68

Credit risk exposure

The reversal for lifetime expected credit loss on customer balances for the year ended March 31, 2018 was ₹ 37 lacs. The reversal for lifetime expected credit loss on customer balances for the year ended March 31, 2017 was ₹ 26 lacs.

Balance at the beginning	354	380
Impairment loss recognised/ reversed	(36)	(26)
Amounts written off	(78)	-
Balance at the end	240	354

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in mutual fund units, quoted bonds issued by government, preference shares and non convertible debentures.

a) **Expected credit loss for loans, security deposits and Investments**

As at 31 March 2018

Particulars		Asset group	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recogntion	Investment at amortised cost	19,378	0%	-	19,378
		Loans to employee	9	0%	-	9
		Security deposits	295	0%	-	295
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit -impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit -impaired	NA	NA	NA	NA	NA

As at 31 March 2017

Particulars		Asset group	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at amortised cost	15,801	0%	-	15,801
		Loans to employee	13	0%	-	13
		Security deposits	316	0%	-	316
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit -impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit -impaired	NA	NA	NA	NA	NA

a) **Expected credit loss for trade receivables under simplified approach**

As at 31 March 2018

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	5,309	1,892	394	129	277	416	8,418
Expected credit losses (Loss allowance provision)	-	-	-	-	27	213	240
Carrying amount of trade receivables (net of impairment)	5,309	1,892	394	129	250	204	8,178

As at 31 March 2017

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	4,892	1,288	429	78	88	237	7,012
Expected credit losses (Loss allowance provision)	-	-	-	-	76	278	354
Carrying amount of trade receivables (net of impairment)	4,892	1,288	429	78	12	(41)	6,658

iii) Liquidity risk

The Group's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of 31 March, 2018 the Group had a working capital of ₹ 14,025 lacs including cash and cash equivalent of ₹ 4,228 lacs and current investment of ₹ 14,542 lacs (31 March 2017 ₹ 25,634 lacs including cash and cash equivalents of ₹ 3,955 lacs and current investments of ₹ 23,815 lacs).

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018:

Particulars	Less than 1 year	1-2 years	Total
Trade payables	5,406	-	5,406
Other financial liabilities	26	91	117

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017:

Particulars	Less than 1 year	1-2 years	Total
Trade payables	3,524	-	3,524
Other financial liabilities	43	42	85

The table below provides details regarding the contractual maturities of significant financial liabilities as of 1 April 2016:

Particulars	Less than 1 year	1-2 years	Total
Trade payables	2,773	-	2,773
Other financial liabilities	57	-	57

d) Capital Management

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- maintain an appropriate capital structure

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management in deployment of funds and sourcing by leveraging opportunities in domestic and international financial markets so as to maintain investors, creditors & markets' confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Group monitors capital, using a medium term view of three to five years, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using gearing ratio which is adjusted net debt divided by total equity. Adjusted net debt comprises of long term and short term liabilities less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Total Liabilities	18,598	13,056	12,419
Less: Cash and cash equivalnets	4,228	3,955	2,354
Adjusted debt	**14,370**	**9,101**	**10,065**
Total equity	**46,130**	**53,496**	**46,365**
Adjusted net debt to equity ratio	**31%**	**17%**	**22%**

(i) Risk management

For the purpose of the Group`s capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group`s capital management is to maximise the shareholder value.

The Group manages it capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise debts or issue new shares.

(ii) Dividends

Particulars	31 March 2018	31 March 2017
(i) Equity Shares		
Final dividend for the year ended 31 March 2017 of ₹ 5 (31 March 2016 of ₹ Nil) Per fully paid up	1,619	-
(ii) Dividends not recognised at the end of reporting period	2,323	1,619

The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of ₹ 8 per share (on equity share of par value of ₹ 10 each) for the year ended 31 March 2018. The payment is subject to approval of shareholders at the ensuing Annual General Meeting. The final dividend declared in the previous year was ₹ 5/- per equity share.

2.33 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases

The Group has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March 2018 is ₹ 794 lacs (Year ended 31 March 2017 : ₹ 854 lacs). The future minimum lease payments in respect of non-cancellable leases is as follows:

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March, 2018 (₹)	As at 31 March, 2017 (₹)
Lease obligations payable		
a. Not later than 1 year	214	142
b. Later than 1 year but not later than 5 years	230	61
	444	**203**

2.34 Contingent liabilities & commitments (to the extent not provided for)

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March, 2018	As at 31 March, 2017	As at April 1, 2016
a. **Contingent liabilities**			
Claims against the Group not acknowledged as debts	69	69	69
b. **Capital Commitments**			
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	30	33	34
c. **Other Commitments**			
d. The Company is committed to provide financial support to its subsidiary companies, as and when required.			
e. The Group does not have any pending litigations which would impact its financial position.			
f. The Group does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.			

2.35 Auditors Remuneration (excluding tax) (Refer note below)

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
a. As auditors	80	81
b. For other services	8	4
c. Reimbursement of expenses	5	6
Note :		
Includes payments to other auditors ₹ 22 lacs (yeare ended 31 March, 2017, ₹ 21 Lacs)	93	91

2.36 Earnings per share

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
a.	Profit after taxation available to equity shareholders (₹ in lacs)	6,255	6,616
b.	Weighted average number of equity shares used in calculating basic earnings per share (Numbers)	30,561,102	32,383,724
c.	Effect of dilutive issue of shares	-	-
d.	Weighted average number of equity shares used in calculating diluted earnings per share	30,561,102	32,383,724
e.	Basic earnings per share (₹)	20.47	20.43
f.	Diluted earnings per share (₹)	20.47	20.43

2.37 RELATED PARTY TRANSACTIONS

Key managerial personnel:
- Vishnu R Dusad (Managing Director)
- Ravi Pratap Singh (Whole time Director)
- Ashish Nanda (Chief Financial officer)
- Poonam Bhasin (Company Secretary)
- Mark McCoy (Director, Subsidiary Company)
- Thomas Zachariah (Director, Subsidiary Company) (w.e.f 17 March, 2016)
- Yasmin Javeri Krishan (Director, Subsidiary Company) (w.e.f 22 February, 2016)

Enterprise over which KMP or Directors are able to exercise significant influence
- Avon Solutions and Logistics Private Limited (w.e.f 17 March, 2016)
- Pelican Legal Solutions Private Limited
- Nucleus Software Foundation (see note 2.43)

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
	Transactions with related parties		
a.	**Salary and other benefits to Key managerial personnel**		
	Short-term employee benefits	442	345
	Contribution to provident and other funds	20	18
b.	**Short term borrowings taken**		
	- Vishnu R Dusad (Managing Director)	-	40
c.	**Short term borrowings repaid**		
	- Vishnu R Dusad (Managing Director)	-	40
d.	**Expenditure on Corporate Social Responsibility**		
	- Nucleus Software Foundation	111	110
e.	**Software development services and products**		
	Avon Solutions and Logistics Private Limited	2	19
f.	**Communication Expenses**		
	- Avon Solutions & Logistics Pvt Ltd	23	3
g.	**Legal and Professional**		
	Pelican Legal Solutions Private Limited	24	24

Notes forming part of the consolidated financial statements

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
Outstanding balances as at year end		
a. Trade and other payables		
- Pelican Legal Solutions Private Limited	-	2
b. Trade receivables		
- Avon Solutions & Logistics Pvt Ltd	-	18

Terms and conditions

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions and within the ordinary course of business. Outstanding balances at the year end are unsecured and settlement occurs in cash

2.38 Research and development expenditure

Expenditure on research and development as per Ind AS 38

(i) Revenue	2,913	2,326
(ii) Capital	-	-
	2,913	**2,326**

The Company had been accorded initial recognition for the in-house Research and Development (R&D) unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which was valid till 31 March, 2015. The Company has further received renewal of recognition for its R&D center for three years starting from 1 April, 2015.

2.39 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 1,131 lacs for the year ended 31 March, 2018 (Year ended 31 March, 2017 ₹ 1099 lacs), have been recognized as an expense in respect of Group's contribution for Provident Fund and other funds and ₹ 6 lacs (Year ended 31 March, 2017 ₹ 4 lacs) for Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme of the Holding Company and subsidiary companies incorporated in India provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of ₹ 20 lacs in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and compensated absence has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Holding Company and subsidiary companies incorporated in India have made contributions to their respective employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2018 :

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017
a.	**Change in defined benefit obligations (DBO)**		
	Obligation at beginning of the year	1,787	1,518
	Current service cost	243	235
	Past service cost	293	-
	Interest cost	111	103
	Remeasurement due to:	-	-
	Actuarial loss/(gain)arising from change in financial assumptions	(57)	54
	Actuarial loss/(gain)arising from change in demographic assumptions	-	-
	Actuarial loss/(gain)arising on account of experience changes	29	6
	Benefits paid	(88)	(129)
	Obligation at year end	**2,318**	**1,787**

(Amount in ₹ Lacs unless otherwise stated)

	Particulars	As at 31 March 2018	As at 31 March 2017
b.	**Change in Plan Assets**		
	Plan assets at year beginning, at fair value	1,545	1,403
	Expected return on asset plan	102	102
	Contributions by employer	326	165
	Remeasurement due to :	-	-
	Actuarial return on plan assets less interest on plan assets	14	4
	Benefits paid	(88)	(129)
	Plan assets at year end, at fair value	**1,899**	**1,545**
c.	**Net asset / (liability) recognised in the Balance Sheet**		
	Present value of defined benefit obligation	2,318	1,787
	Fair value of plan assets	1,899	1,545
	Funded status- Surplus/ (Deficit)	(419)	(242)
	Unrecognised past service costs	-	-
	Net liability recognised in the Balance Sheet	**(419)**	**(242)**
d.	Expected employer's contribution next year	210	213
e.	**Expense recognised in Profit or Loss**		

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	Current service cost	243	235
	Past service cost	293	-
	Interest cost	15	1
	Net gratuity cost	**551**	**236**
f.	**Remeasurements income recognised in other comprehensive income:**		
	Actuarial (gain) loss on defined benefit obligation	(28)	60
	Return on plan assets excluding interest income	(14)	(4)
		(42)	56

		Actuarial assumptions for gratuity and long-term compensated absences	
g.	**Economic assumptions :**	As at 31 March 2018	As at 31 March 2017
	Discount rate	7.40%	6.90%
	Salary escalation rate	8.00%	8.00%
	Expected return on plan assets	8.00%	8.00%

Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Expected return on plan assets:

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc.

h.	**Demographic assumptions**		
	Retirement age	58 years	58 years
	Mortality table	IALM Mortality (2006-08)	IALM Mortality (2006-08)
i.	**Withdrawal rates**	Ages - Withdrawal Rate (%) 21-50 years - 20% 51-54 years - 2% 55-57 years - 1%	
j	**Category of asset**		
	Insurer Managed Funds		**1,899**

The company does not invest directly in any property occupied by the company nor in financial security issued by the company.

k. **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding and other assumptions constant,would have affected the defined benefit obligation by the amount shown below:

Particulars :	Year ended 31 March 2018		Year ended 31 March 2017	
	Increase	Decrease	Increase	Decrease
Increase/(Decrease) in obligation with 0.5% movement in discount rate	(54)	57	(42)	44
Increase/(Decrease) in obligation with 0.5% movement in future rate of increase in compensation levels	45	(44)	31	(31)

2.40 Segment reporting – Basis of preparation

a. Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Group and is in conformity with Ind AS 108.The segmentation is based on the Geographies (reportable business segment) in which the Group operates and internal reporting systems. The business segmentation is based on the nature and type of services rendered. Based on the "management approach" as defined in Ind AS 108, the Chief Opearting Decision Maketr(CODM) evaluates the company`s performance and allocates resources based on an analysis of various performance indicators by business segments and geographical segments.

b. Composition of reportable segments

The Group operates in seven main geographical segments: India, Far East, South east Asia, Europe, Middle East, Africa and Australia which individually contribute 10% or more of the Group's revenue and segment assets.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across business. The Group believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets and liabilities of that segment. Most of the fixed assets of the Group are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across business. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

The business segmentation is based on the nature and type of services rendered. Accordingly, business segmentation has been classified under Products and Software Projects and Services. Products revenue includes Income from sale of licenses and all other related customization, implementation, time and material contracts, fixed price contracts and annual technical service for these licenses. Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Group.

Information in respect of primary segment

The profit and loss for reportable primary segment is set out below:

a. For the year ended 31 March, 2018

(Amount in ₹ Lacs unless otherwise stated)

Description	**India**	**Far East**	**South East Asia**	**Europe**	**Middle East**	**Africa**	**Australia**	**Others**	**Total**
Revenue from operations	12,666	6,216	8,990	4,211	6,211	1,104	1,072	711	41,181
Expenses	6,283	3,693	7,945	3,058	3,801	469	618	430	26,297
Segment result	6,383	2,523	1,045	1,153	2,410	635	454	281	14,884
Unallocated corporate expenditure									9,770
Operating profit before tax									5,114
Other income									2,872
Profit before tax									7,986
Tax Expense									
Net current tax expense									1,511
Net deferred tax credit									220
									1,731
Profit for the year									**6,255**

b. For the year ended 31 March, 2017

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Revenue from operations	10,080	5,958	7,844	4,623	5,213	911	1,746	864	37,239
Expenses	5,880	3,598	7,171	3,273	2,774	422	869	371	24,358
Segment result	4,200	2,360	673	1,350	2,439	489	877	493	12,881
Unallocated corporate expenditure									8,670
Operating profit before tax									4,211
Other income									3,214
Profit before tax									7,425
Tax Expense									
Net current tax expense									1,267
Net deferred tax credit									(458)
									809
Profit for the year									**6,616**

Revenue from top customers, who are contributing more than 10% of total revenue, are presented segmentwise as follows:

(Amount in ₹ Lacs unless otherwise stated)

Description	**India**	**Far East**	**South East Asia**	**Europe**	**Middle East**	**Africa**	**Australia**	**Others**	**Total**
For the year ended 31 March, 2018									
Revenue from operations	-	5,810	-	4,057	-	-	-	217	10,084
For the year ended 31 March, 2017									
Revenue from operations	-	5,795	-	4,437	-	-	-	341	10,573

Notes forming part of the consolidated financial statements

Assets and liabilities of reportable primary segment are as follows:

a. **As at 31 March, 2018**

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Segment assets	4,201	1,751	3,583	553	1,277	898	74	370	12,707
Unallocated corporate assets									52,021
Total assets									**64,728**
Segment liabilities	6,212	812	4,921	953	2,722	1,271	314	34	17,239
Unallocated corporate liabilities									1,359
Total liabilities									**18,598**
Capital employed									**46,130**

b. **As at 31 March, 2017**

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Segment assets	3,369	1,060	3,384	789	1,153	320	150	1,001	11,226
Unallocated corporate assets									55,326
Total assets									**66,552**
Segment liabilities	4,539	211	908	751	2,128	670	392	92	9,691
Unallocated corporate liabilities									3,365
Total liabilities									**13,056**
Capital employed									**53,496**

A listing of capital expenditure, depreciation and other non-cash expenditure of the reportable primary segment are set out below:

b. **For the year ended 31 March, 2018**

(Amount in ₹ Lacs unless otherwise stated)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Capital expenditure	722	6	7			-		-	735
Total capital expenditure									**735**
Depreciation expenditure	677	2	22			1	0	0	704
Total depreciation									**704**
Segment non-cash expense other than depreciation	30	(6)	1	-	6	6	-	-	37
Total non cash expenditure other than depreciation	**30**	**(6)**	**1**	**0**	**6**	**6**	**-**	**-**	**37**

For the year ended 31 March, 2017

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	Total
Capital expenditure	400	4				2		-	406
Total capital expenditure									**406**
Depreciation expenditure	1,072	24	22			1	0	2	1,121
Total depreciation									**1,121**
Segment non-cash expense other than depreciation	(83)	-	(4)	-	17	42	-	-	(28)
Total non cash expenditure other than depreciation	**(83)**	**0**	**(4)**	**0**	**17**	**42**	**-**	**-**	**(28)**

Information in respect of secondary segment

Information for business segments

(Amount in ₹ Lacs unless otherwise stated)

	Description	Products	Software projects and services	Total
a.	**For the year ended 31 March, 2018**			
	Revenue	32,609	8,573	41,181
	Carrying amount of segment assets	10,062	2,645	12,707
b.	**For the year ended 31 March, 2017**			
	Revenue	28,809	8,430	37,239
	Carrying amount of segment assets	8,685	2,541	11,226

Note : The carrying amount of segment assets has been allocated proportionately in ratio of revenue in the related secondary segment.

2.41 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Software development services and products	41,181	37,239
Software development expenses	28,068	24,453
Gross Profit	**13,113**	**12,786**
Selling and marketing expenses	3,282	3,646
General and administration expenses	4,013	3,807
Operating profit before depreciation	**5,818**	**5,333**
Depreciation and amortisation expense	704	1,122
Operating profit after depreciation	**5,114**	**4,211**
Other income	2,872	3,214
Profit before tax	**7,986**	**7,425**
Tax expense:		
Net current tax expense	1,511	1,267
Net deferred tax credit	220	(458)
	1,731	**809**
Profit for the year	**6,255**	**6,616**

2.42 Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Name of the entity in the	Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in Other comprehensive Income (net of taxes)		Share in Total comprehensive Income	
	As % of consolidated net assets	Amount in INR	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive Income	Amount OCI	As % of consolidated Total comprehensive Income	Amount OCI
Nucleus Software Exports Limited (Consolidated)	100.00%	46,130	100.00%	6,255	100.00%	(150)	100.00%	6,105
Parent Co.								
Nucleus Software Exports Limited	87.30%	40,273	83%	5,205	-2%	(155)	81%	5,049
1. Virstra I Technology Services Ltd.	2.71%	1,252	-16.80%	(1,051)	0.11%	7	-16.68%	(1,043)
2. Nucleus Software Ltd.	3.74%	1,728	-0.63%	(40)	0.00%	-	-0.63%	(40)
3. Avon Mobility Services Pvt. Ltd.	0.03%	12	-1.81%	(113)	-0.03%	(2)	-1.83%	(115)

Name of the entity in the	Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in Other comprehensive Income (net of taxes)		Share in Total comprehensive Income	
	As % of consolidated net assets	Amount in INR	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive Income	Amount OCI	As % of consolidated Total comprehensive Income	Amount OCI
Foreign Subsidiaries								
1. Nucleus Software Inc., USA	0.61%	280	0.03%	2	0.00%	-	0.03%	2
2. Nucleus Software Australia Pty. Limited	0.02%	9	-6.86%	(429)	0.00%	-	-6.86%	(429)
3. Nucleus Software Netherlands B.V.	0.05%	25	-0.02%	(2)	0.00%	-	-0.02%	(2)
4. Nucleus Software Japan K.K	1.47%	679	11.46%	717	0.00%	-	11.46%	717
5. Nucleus Software Solutions Pte. Ltd, Singapore	3.95%	1,820	32.87%	2,056	0.00%	-	32.87%	2,056
6. Nucleus Software South Africa Pty. Ltd.	0.11%	52	-1.44%	(90)	0.00%	-	-1.44%	(90)
Minority Interests in all subsidiaries								

2.43 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Gross amount required to be spent by Group during the year ended 31 March, 2018 / 31 March, 2017 :	122	121
Amount spent during the year on purposes other than Construction/acquisition of any asset	111	110
Details of related party transactions:		
Nucleus Software Foundation	111	110

2.44 ADDITIONAL DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

(i) **Goodwill on consolidation**

(Amount in ₹ Lacs unless otherwise stated)

Particulars	As at 31 March, 2017	As at 31 March, 2017	As at 1 April, 2016
Opening Balance	317	317	-
Add: On acquisition of subsidiary during the year	-	-	317
Closing balance	**317**	**317**	**317**

(ii) On March 17, 2016, the Company has acquired 96% stake in Avon Mobility Solutions Pvt. Ltd. ('Avon'), a Mobile Technology Solutions provider for a purchase consideration of ₹ 192 lacs . The Company has also taken over Avon's net liabilities aggregating to ₹ 125 lacs. Further, the Company has an option to acquire the remaining 4% shares of Avon as per terms and conditions of share purchase agreement executed with the shareholders of Avon. The Company has further subscribed during the year ended March 31 2018, 300,000 (previous year 31 March 2017, 2,350,000) 11% redeemable preference shares of face value of ₹ 10 per share, for a minimum tenor of 5 years and maximum tenor of 20 years.

(iii) The losses applicable to the minority in a consolidated subsidiary exceed minority interest in the equity of the subsidiary.

2.45 Disclosure under schedule III of Companies Act, 2013 for transaction in Specified Bank Notes (SBN's) and other denomination notes during the period 08 November, 2016 to 30 December, 2016:

(Amount in ₹)

Information pursuant to G.S.R. 308(E) dated 30 March 2017	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	95,500	49,125	144,625
(+) Permitted receipts	18,000 *	280,690	298,690
(-) Permitted payments	-	213,093	213,093
(-) Amount deposited in Banks	113,500	-	113,500
Closing cash in hand as on 30.12.2016	-	116,722	116,722

*Imprest in hand with employees.

Note: For the purpose of this disclosure, the term "Specified Bank Notes" shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E) dated 8 November 2016

2.46 First-time adoption of Ind-AS

These Consolidated financial statements of Nucleus Software Exports Limited for the year ended March 31, 2018 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Group has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard, with April 1, 2016 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1 have been applied in preparing the standalone financial statements for the year ended March 31, 2018. An explanation of how the transition from previous GAAP to Ind AS has affected the Group's Balance Sheet, Statement of Profit and Loss, is set out in note 2.47.

Exemptions availed and exceptions applied on first time adoption of Ind-AS 101

In preparing these financial statements, the Group has applied the below mentioned optional exemptions and mandatory exceptions:

A Optional exemptions availed

1 Property plant and equipment and intangible assets

As permitted by Ind AS 101, the Group has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets. The carrying values of property, plant and equipment as aforesaid are after making adjustments relating to decommissioning liabilities.

2 Designation of previously recognised financial instruments

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in equity instrument in other comprehensive income. Ind AS 101 allows such designation of previously recognised financial assets, as 'fair value through other comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly, the Group has designated its investments in certain equity instruments at fair value through other comprehensive income on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

3 Share- Based payment transactions

The Group can apply Ind AS 102 Share- based payment to equity instruments that vested before date of transition to Ind ASs. However, if an entity elects to apply Ind AS 102 to such equity instruments, it may do so only if it has disclosed publicly the fair value of those equity instruments. The Group has chosen not to apply Ind AS 102 to equity instruments that vested before date of transition.

4 Business combinations

As per Ind AS 101, at the date of transition, the Group has elected not to restate business combination that occurred before the date of transition.

5 Cumulative translation differences

As per Ind AS 101, an entity may deem that the cumulative translation differences for all foreign operations to be zero as at the date of transition by transferring any such cumulative differences to retained earnings.

The Group has elected to avail of the above exemptions.

B **Mandatory exceptions**

1 **Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Group's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- fair valuation of financial instruments carried at FVTPL and/ or FVOCI.
- Impairment of financial assets based on the expected credit loss model.
- Determination of the discounted value for financial instruments carried at amortised cost.
- Discounted value of liability for decommissioning costs.

2 **Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Group has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

3 **Hedge Accounting**

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 April 2016 are reflected as hedges in the Group 's results under Ind AS. The Group had designated various hedging relationships as cash flow hedges under the previous GAAP. On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the Group continues to apply hedge accounting on and after the date of transition to Ind AS.

2.47 Reconciliations

a) Reconciliation of Total Equity

(Amount in ₹ Lacs unless otherwise stated)

Particulars	**Note**	**As at 31 March, 2017**	**As at 1 April 2016**
Equity as reported under Previous GAAP		**51,967**	**45,690**
Impact of Ind AS opening adjustment (B)		**675**	
Gain/(loss) arising on recognition of investments at amortised cost			
Investments in tax free bonds at amortised cost -Interest income IRFCL bond	1.1 a)	13	-
Investments in tax free bonds at amortised cost - Interest income and amortised expense	1.1 a)	2	4
Investment in FMPs/ Interval plan at amortised cost	1.1 b)	300	453
Profit on sale of long term investment-FMP	1.1 b)	(143)	-
Investments in preference shares at amortised cost	1.1 c)	13	1
Investment in NCDs-IIFL	1.1 f)	14	-
		199	**458**

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	As at 31 March, 2017	As at 1 April 2016
Gain on discounting of long term financial assets and liabilities, net			
Discounting of Long term trade receivable	1.2	89	(223)
Measurement of Staff loans at amortised cost	1.3	1	1
Movement in deposits at amortised cost	1.4	1	(1)
Discounting of annual pay incentive	1.7	12	-
Asset retirement obligation	1.10	(1)	(20)
		102	**(243)**
Gain/(Loss) arising on fair value accounting of investments			
Investments in Mutual funds at Fair value through PL	1.1 e)	(4)	5
		(4)	**5**
Equity instruments through other comprehensive income - net change in fair value			
Investments in equity instruments at fair value through OCI	1.1 d)	547	488
		547	**488**
Deferred tax on above adjustments			
Tax effects of above adjustments	1.5	10	(33)
		10	**(33)**
Equity in accordance with Ind AS		**53,496**	**46,365**
Movement in equity		**1,529**	**675**

2.47 Reconciliations

b) Reconciliation of total comprehensive income

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	For the year ended 31 March, 2017
Profit as per Previous GAAP (A)		**6,269**
Gain/(loss) arising on recognition of investments at amortised cost		
Investments in tax free bonds at amortised cost -Interest income IRFCL bond	1.1 a)	13
Investments in tax free bonds at amortised cost - Interest income and amortised expense	1.1 a)	2
Investment in FMPs/ Interval plan at amortised cost	1.1 b)	300
Profit on sale of long term investment-FMP	1.1 b)	(143)
Investments in preference shares at amortised cost	1.1 c)	13
Investment in NCDs-IIFL	1.1 f)	14
		199
Gain on discounting of long term financial assets and liabilities, net		
Movement in deposits at amortised cost	1.4	1
Discounting of Long term trade receivable	1.2	89
Measurement of Staff loans at amortised cost	1.3	1
Asset retirement obligation	1.10	(1)
Discounting of annual pay incentive	1.7	12
		102
Gain/(Loss) arising on fair value accounting of investments		
Investments in Mutual funds at Fair value through PL	1.1 e)	(4)
		(4)
Actuarial valuation of defined benefit plans reclassified in other comprehensive income	1.8	62
		62

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	For the year ended 31 March, 2017
Loss on integral foreign operation transfer to FCTR, reclassified in other comprehensive income	1.6	27
		27
Deferred tax on above adjustment		
Tax effects of above adjustments	1.5	(39)
		(39)
Net Profit for the year as per Ind AS		**6,616**
Other Comprehensive Income (OCI),net of taxes	1.6	
Investments in equity instruments at fair value through OCI		547
Effective portion of gain (loss) on hedging instruments of effective cash flow hedges,net		123
Actuarial gain or loss reclassified from OCI		(62)
Exchange difference on translation of foreign operations		(142)
Deferred Tax adjustment on transitional entries	1.5	49
Other Comprehensive Income (OCI),net of taxes		**515**
Total Comprehensive Income as per Ind AS		**7,131**

2.47 Reconciliations

c) Equity reconciliations

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 1, 2016			March 31, 2017		
		Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS	Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS
ASSETS							
Non-current assets							
Property, plant and equipment	**1.10**	4,653	1	4,654	4,293	-	4,293
Capital work in progress		110	-	110	32	-	32
Goodwill on consolidation		317	-	317	317	-	317
Other Intangible assets		478	-	478	186	-	186
Financial assets							
Investments	**1.1**	12,347	840	13,187	19,048	1,228	20,276
Trade receivables	**1.2**	1,015	(223)	792	680	(115)	565
Loans	**1.3**	23	(4)	19	17	(4)	13
Other financial assets	**1.4**	1,474	(14)	1,460	535	(4)	531
Deferred tax asset (net)	**1.5**	906	(33)	873	1,252	(23)	1,229
Income tax asset		961	-	961	1,022	-	1,022
Other non-current assets	**1.3 and 1.4**	26	5	31	47	5	52
Current Assets							
Financial assets							
Investments	**1.1**	12,477	111	12,588	23,351	464	23,815
Trade receivables	**1.2**	8,595	-	8,595	6,112	(19)	6,093
Cash and cash equivalents		2,354	-	2,354	3,955	-	3,955
Other bank balances		9,796	-	9,796	2,266	-	2,266
Loans		114	-	114	33	-	33
Other financial assets		488	-	488	199	-	199
Other current assets	**1.3 and 1.4**	1,955	12	1,967	1,670	5	1,675
Total Assets		**58,089**	**695**	**58,784**	**65,015**	**1,537**	**66,552**

(Amount in ₹ Lacs unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 1, 2016			March 31, 2017		
		Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS	Reclassified IGAAP*	Effect of transition to Ind -AS	Ind AS
EQUITY & LIABILITIES							
EQUITY							
Equity Share capital		3,239	-	3,239	3,239	-	3,239
Other equity	**1.6**	42,451	675	43,126	48,728	1,529	50,257
LIABILITIES							
Non-current liabilities							
Financial liabilities							
Other financial liabilities	**1.7**	-	-	-	54	(12)	42
Provisions	**1.10**	412	20	432	589	20	609
Deferred tax liabilities		8	-	8	3	-	3
Other non-current liabilities		320	-	320	-	-	-
Current liabilities							
Financial liabilities							
Borrowings		133	-	133	-	-	-
Trade payables		2,773	-	2,773	3,524	-	3,524
Other financial liabilities		57	-	57	43	-	43
Provisions		268	-	268	175	-	175
Curent tax liabilities (net)		296	-	296	128	-	128
Other current liabilities		8,132	-	8,132	8,532	-	8,532
TOTAL EQUITY AND LIABILITIES		**58,089**	**695**	**58,784**	**65,015**	**1,537**	**66,552**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note

Explanation for reconciliation of equity as at 1 April 2016 and 31 March 2017 and Profit and Loss for the year ended 31 March 2017 as previously reported under IGAAP to Ind AS

1.1 Investments

a) Tax free bonds

Tax free bonds are carried at amortised cost under Ind AS . Premium paid for acquisition of tax free bonds shall be added to the Investment value and thereafter investment will be measured at amortised cost under Ind AS. However under Previous GAAP, premium on tax free bond was recorded seperatly and amortised over the life of an Investment. As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 15 lacs and retained earning as at 1 April 2016 increased by ₹ 4 lacs.

b) Fixed Maturity Plans (FMPs)

Under Previous GAAP, Investments in FMPs were classified as long-term investments or current investments based on the intended holding period and realisability.Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at amortised cost.This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹ 157 lacs and increase in retained earning as at 1 April 2016 by ₹ 453 lacs.

c) Preference Shares

Cumulative Preference shares are carried at amortised cost under Ind AS. Under Previous GAAP, Investments in Preference shares were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹ 13 lacs and increase in retained earning as at 1 April 2016 by ₹ 1 lacs.

d) Investment in Equity instruments

Under Previous GAAP, the company accounted for long term investments in equity shares of Ujjivan Financial Services Limited as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind-AS, the company has designated this investments as FVTOCI investments. Ind-AS requires FVTOCI investments to be measured at fair value.

At the date of transition to Ind-AS, difference between the instruments fair value and Previous GAAP carrying amount has been recognised as a separate component of equity, in the FVTOCI reserve. This increased other reserves ₹ 547 lacs as at 31 March 2017 (1 April 2016 - ₹ 488 lacs) and profit and other comprehensive income for the year ended 31 March 2017 increased by ₹ 547 lacs respectively.

e) Investment in Mutual funds

Under Previous GAAP, Investments in Mutual funds were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at Fair value through profit or loss. This change has resulted in decrease in the profit for the year ended 31 March 2017 by ₹ 4 lacs and increase in retained earning as at 1 April 2016 by ₹ 5 lacs.

f) Investment in Non convertible debentures

Investments in Non Convertible debentures were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at amortised cost. This change has resulted in an increase in profit for the year ended 31 March 2017 by ₹ 14 lacs.

1.2 Long term trade receivables

Under Ind AS, Long term receivable should be reduced to the extent of the present value of money and interest income should be recognised over the period of receivable.Adjustments reflect the separation of financing component from the long term receivables. This adjustments increase the profit for year ended 31 March 2017 by ₹ 89 lacs and reduced the retained earning as at 1 April 2016 by ₹ 223 lacs.

1.3 Long term Loans

Under Previous GAAP, employee loans and other long term advances to be settled in cash or another financial asset are recorded at cost.

However, under Ind AS, certain assets covered under Ind AS 32 meet the definition of financial assets which include employee loans are classified at amortized cost, further these financial assets have been given at nil interest rate, therefore, these have been discounted to present value.

Loan to employees are also given at nil interest rates, the same should be accounted at amortized cost using prevalent market rate of interest by applying effective interest rate method.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 1 lacs and increased the retained earning as at 1 April 2016 by ₹ 1 lacs.

1.4 Other Financial assets

Under Previous GAAP, Security deposit are recorded at cost. However under Ind AS, security deposits are classified at amortised cost. Therefore, adjustment has been made for the impact of discounting of interest free security deposit given for the rented premises.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 1 lacs and reduced the retained earning as at 1 April 2016 by ₹ 1 lacs.

1.5 Deferred tax

Deferred Tax adjustment on transitional entries under Ind - AS has been made in accordance with Ind-AS. This has reduced the profit for the year ended 31 March 2017 by ₹ 39 lacs and increased the other comprehensive income by ₹ 49 lacs and reduced retained earning by ₹ 33 lacs. The Previous GAAP require deferred tax accounting using the income statement approach, which focusses on differences between taxable profit and accounting profits for the period. Ind-AS 12 : Income Taxes requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind-AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Previous GAAP.

Notes forming part of the consolidated financial statements

1.6 Other Equity

Adjustment to retained earnings and OCI have been made in accordance with Ind-AS, for the above mentioned line items.

Under Previous GAAP, the Company has not presented other comprehensive income (OCI) separately. Items that have been reclassified from statement of profit and loss to other compreshensive income includes remeasurement of defined benefit plans, (Gain) or loss on integral foreign operation and fair value gain/loss on FVOCI equity instruments. Hence, Previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS."

1.7 Non -current Financial liabilities

Under Previous GAAP, annual incentive payables and creditors are recorded at cost.

However, under Ind AS, liabilities in which the Company has a contractual obligation to deliver cash are classified as financial liabilities. Thus in case of annual incentive being long term in nature, the financial liabilities have been discounted to present value and carried at amortised cost. Consequential impact of the same have been taken to employe benefit expenses.

As a result of this change, profit for the year ended 31 March 2017 increased by ₹ 12 lacs.

1.8 Remeasurements of the defined benefit plans

Under Ind AS, remeaurements, i.e., acturial gains and losses and the return on plan assets, excluding amount included in the net interest expense on the net defined liability are recognised in other comprehensive income instead of profit or loss. Under Previous GAAP, these remeasurements were forming part of the profit or loss for the year. However, this has no impact on the total comprehensive income and total equity as on 31 March 2017 and 1 April 2016.

1.9 Foreign currency translation reserve

The group elected to reset the balance appearing in the foreign currency translation reserve to zero as at 1 April 2016. Accordingly, translation reserve balance under previous GAAP of ₹ 1157 lacs has been transferred to retained earnings. There is no impact on total equity as a result of this adjustment.

1.10 Asset retirement obligation

Under Ind AS, Company need to adjust the cost of the asset for the retirement obligation that is expected to be incurred at the end of the lease period

As a result of this change, profit for the year ended 31 March 2017 reduced by ₹ 1 lacs and reduced the retained earning as at 1 April 2016 by ₹ 20 lacs

2.49 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification/ disclosure.

For **For B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

Sd/-
RAKESH DEWAN
Partner
Membership number : 092212

Place : Gurugram
Date : May 03, 2018

For and on behalf of the Board of Directors

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : May 03, 2018

FORM AOC -1

Statement containing salient features of the financial statement of subsidiaries

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

1	Name of the subsidiary	NUCLEUS SOFTWARE AUSTRALIA PTY LTD	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	AUD = INR 50.05	
		AUD	**INR**
4	Share capital	100,000	5,005,000
5	Reserves & surplus	157,241	7,869,912
6	Total Assets	343,595	17,196,930
7	Total Liabilities	86,354	4,322,018
8	Investments	-	-
9	Turnover	914,328	45,762,116
10	Profit/(Loss) before taxation	79,027	3,955,279
11	Provision for taxation	24,679	1,235,184
12	Profit/(Loss) after taxation	54,348	2,720,095
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	NUCLEUS SOFTWARE NETHERLANDS B.V.	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	Euro = INR 80.81	
		Euro	**INR**
4	Share capital	750,000	60,607,500
5	Reserves & surplus	(718,956)	(58,098,834)
6	Total Assets	32,604	2,634,729
7	Total Liabilities	1,560	126,064
8	Investments	-	-
9	Turnover	1,250	101,013
10	Profit/(Loss) before taxation	(3,003)	(242,687)
11	Provision for taxation	-	-
12	Profit/(Loss) after taxation	(3,003)	(242,687)
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	NUCLEUS SOFTWARE INC.	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	USD = INR 65.18	
		USD	**INR**
4	Share capital	350,000	22,813,000
5	Reserves & surplus	80,055	5,217,985
6	Total assets	438,806	28,601,375
7	Total Liabilities	8,751	570,390
8	Investments	-	-
9	Turnover	26,988	1,759,058
10	Profit/(Loss) before taxation	(24,482)	(1,595,734)
11	Provision for taxation	(4,000)	(260,720)
12	Profit/(Loss) after taxation	(20,482)	(1,335,014)
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	NUCLEUS SOFTWARE SOLUTIONS PTE LTD	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	SGD = INR 49.82	
		SGD	INR
4	Share capital	625,000	31,137,500
5	Reserves & surplus	2,994,327	149,177,371
6	Total Assets	5,945,862	296,222,845
7	Total Liabilities	2,326,535	115,907,974
8	Investments	-	-
9	Turnover	14,674,580	731,087,576
10	Profit/(Loss) before taxation	1,422,000	70,844,040
11	Provision for taxation	129,799	6,466,586
12	Profit/(Loss) after taxation	1,292,201	64,377,454
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	JPY = INR 0.6151	
		JPY	INR
4	Share capital	10,000,000	6,151,000
5	Reserves & surplus	90,014,852	55,368,135
6	Total Assets	188,243,292	115,788,449
7	Total Liabilities	88,228,440	54,269,313
8	Investments	-	-
9	Turnover	522,973,553	321,681,032
10	Profit/(Loss) before taxation	45,113,995	27,749,618
11	Provision for taxation	18,697,243	11,500,674
12	Profit/(Loss) after taxation	26,416,752	16,248,944
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	NUCLEUS SOFTWARE SOUTH AFRICA PTY. LTD.	
		wholly owned subsidiary	
2	Reporting period	1 April, 2017 to 31 March, 2018	
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	ZAR = INR 5.58	
		ZAR	INR
4	Share capital	612,000	3,414,960
5	Reserves & surplus	312,514	1,743,828
6	Total Assets	959,487	5,353,937
7	Total Liabilities	34,973	195,149
8	Investments	-	-
9	Turnover	1,809,636	10,097,767
10	Profit/(Loss) before taxation	(21,055)	(117,485)
11	Provision for taxation	16,327	91,105
12	Profit/(Loss) after taxation	(37,382)	(208,590)
13	Proposed Dividend	-	-
14	% of shareholding	100%	100%

1	Name of the subsidiary	VIRSTRA I-TECHNOLOGY SERVICES LIMITED
		wholly owned subsidiary
2	Reporting period	1 April, 2017 to 31 March, 2018
		INR
3	Share capital	10,000,000
4	Reserves & surplus	130,110,546
5	Total Assets	52,071,125
6	Total Liabilities	17,595,266
7	Investments	105,634,687
8	Turnover	154,383,568
9	Profit/(Loss) before taxation	61,960,834
10	Provision for taxation	15,921,777
11	Profit/(Loss) after taxation	46,039,057
12	Proposed Dividend	-
13	% of shareholding	100%

1	Name of the subsidiary	AVON MOBILITY SOLUTIONS PVT. LTD.
		Subsidiary
2	Reporting period	1 April, 2017 to 31 March, 2018
		INR
3	Share capital	111,100
4	Reserves & surplus	(18,341,081)
5	Total assets	4,216,077
6	Total Liabilities	22,446,058
7	Investments	-
8	Turnover	12,147,057
9	Profit/(Loss) before taxation	(6,385,789)
10	Provision for taxation	556,909
11	Profit/(Loss) after taxation	(6,942,698)
12	Proposed Dividend	-
13	% of shareholding	96%

1	Name of the subsidiary	NUCLEUS SOFTWARE LTD.
		Subsidiary
2	Reporting period	1 April, 2017 to 31 March, 2018
		INR
3	Share capital	100,000,000
4	Reserves & surplus	(6,536,740)
5	Total assets	146,258,334
6	Total Liabilities	81,798,081
7	Investments	29,003,007
8	Turnover	10,920,744
9	Profit/(Loss) before taxation	(521,728)
10	Provision for taxation	(556,861)
11	Profit/(Loss) after taxation	35,133
12	Proposed Dividend	-
13	% of shareholding	100%

For and on behalf of the Board of Directors

Sd/-
SIDDHARTHA MAHAVIR ACHARYA
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
RAVI PRATAP SINGH
CEO & Whole-time Director

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : May 03, 2018

Shareholders' Referencer

A. Corporate

- Nucleus was incorporated in New Delhi in 1989 as Nucleus Software Exports Private Limited, as per the Indian Companies Act, 1956. The Company became a Public Limited Company in 1994.
- The Company made an IPO in August 1995. 1,168,900 equity shares, face value ₹ 10/-each were issued to Indian public at a premium of ₹ 40/- per share and 331,500 equity shares, face value ₹ 10/-each, were issued to Non Resident Indians at a premium of ₹ 50/- per share.
- History of Bonus issues at Nucleus is as follows:

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

- The Company's Registered Office is situated at 33-35, Thyagraj Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, Noida 201 301, India.

B. Preferential Issue

The Company had allotted 1,875,500 equity shares of ₹ 10/- each on preferential basis to the promoter/associates and permanent employees of the Company at a price of ₹ 103.15/- per share inclusive of share premium on June 22, 2001.

C. Buyback of Equity Shares

During the year the Company completed the Buyback of 3,343,000 equity shares through the "Tender Offer" route at a price of ₹ 350/- per equity share payable in cash, aggregating to ₹ 117.00 crore.

The Buyback size was 24.83% of the aggregate Paid-up Equity Share Capital and Free Reserves of the Company as per the Audited Standalone accounts for the Financial year ended March 31, 2017. The Extinguishment of Shares was completed by September 14, 2017.

D. Share Related Data

- Shares of Nucleus are listed on The National Stock Exchange of India Limited and BSE Ltd.
- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B" category at the BSE Ltd.
- International Securities Identification Number (ISIN code- NSDL and CDSL) is INE096B01018.
- Face value of the Company's equity shares is ₹ 10.
- Shares of the Company are compulsorily traded in demat form.
- 99.72% of the Company's equity shares are in demat form.
- The Company had 14,856 shareholders as on March 31, 2018.
- The Company has not issued any GDR/ADR.
- The Company launched ESOP (2015) scheme during FY 2014-15 via trust route. There are no options granted under the scheme as on March 31, 2018.

E. Dividend Related Data

i. Dividend Policy

The Dividend Policy of your Company stipulates a dividend payout in the range of 15-30% of the profits available for distribution, subject to:

a) Provisions of The Companies Act, 2013 and other applicable laws, and

b) Cash flows of the Company

The Board of Directors reviews the Dividend Policy periodically.

ii. Dividend Recommended for FY 18

The Board of Directors recommended a Final Dividend of ₹ 8/- per share on equity share capital (80% on equity share of par value of ₹ 10/-) at their meeting held on May 03, 2018. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

iii. Dividend History

The Dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend		
	Percentage (%)	Per Share (in ₹)	Pay out (In ₹ crore)
2016-17	50%	5.00	16.19
2015-16	50%	5.00	16.19
2014-15	50%	5.00	16.19
2013-14	60%	6.00	19.44
2012-13	30%	3.00	9.72
2011-12	25%	2.50	8.10
2010-11	25%	2.50	8.10
2009-10	25%	2.50	8.10
2008-09	25%	2.50	8.09
2007-08*	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05*	25%	2.50	4.02
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

** The dividend payout in 2004-05 and 2007-08 was on the enhanced capital consequent to 1:1 bonus issue made* during the respective years.

The Board had not recommended any Dividend prior to financial year 2000-2001.

iv. Investor Education & Protection Fund (IEPF)

As per Section 124(5) and 124(6) of the Act read with the IEPF Rules as amended, any dividend which remains unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the IEPF fund.

Also all shares in respect of which dividend has remained unpaid/unclaimed for seven consecutive years or more are required to be transferred to an IEPF Demat Account.

The Company has sent notice to all the members whose dividends are lying unpaid / unclaimed against their name and also those members whose dividends are lying unpaid/ unclaimed for seven consecutive years or more.

Members are requested to claim the same on or before the respective dates as mentioned in the reminder letters. In case the dividend is not claimed by the said date, necessary steps will be initiated by the Company to transfer such dividend and/or shares without further notice. No claim shall lie against the Company in respect of the Dividend/Shares so transferred to IEPF Account. In the event of transfer of shares and the unclaimed dividend to IEPF, members are entitled to claim the same from IEPF Authority by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5. During the year, the Company transferred 47,450 Shares to IEPF.

Unclaimed dividends for the financial years 2001-2002, 2002-03, 2003-04, 2004-05 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 have been transferred to the IEPF.

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF Account is mentioned herein below:

Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
2010-11 (Final)	July 08, 2011	July 07, 2018	August 6, 2018
2011-12 (Final)	July 11, 2012	July 10, 2019	August 9, 2019
2012-13 (Final)	July 10, 2013	July 9, 2020	August 8, 2020
2013-14 (Final)	July 10, 2014	July 9, 2021	August 8, 2021
2014-15 (Final)	July 8,2015	July 07, 2022	August 6, 2022
2015-16 (Interim)	March 16, 2016	March 15,2023	April 14, 2023
2016-17(Final)	July 8, 2017	July 07, 2024	August 6, 2024

Shareholders who have not encashed their dividend warrant(s) relating to one or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.

Karvy Selenium Tower B, Plot number 31 & 32,

Financial District, Nanakramguda, Serilingampally Mandal,
Hyderabad – 500032, India
Tel: 040-23420815-18
Fax: 040-23420814
E-mail: mailmanager@karvy.com

F. Stock Market Data

i. BSE Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at BSE Ltd. during the year 2017-18

Month	Open	High	Low	Close	Traded Qty.
		(Share Price in ₹)			
Apr-17	244.00	329.50	244.00	315.25	754,206
May-17	315.05	343.90	309.65	331.80	406,140
Jun-17	335.00	342.00	316.90	317.65	132,394
Jul-17	318.30	324.00	280.05	285.10	76,817
Aug-17	282.00	296.95	270.05	286.85	50,346
Sep-17	286.30	322.00	274.90	304.85	147,093
Oct-17	310.05	391.90	304.15	345.65	390,928
Nov-17	350.50	583.00	341.90	557.00	890,862
Dec-17	559.00	602.40	476.70	521.40	514,973
Jan-18	522.05	545.00	431.70	435.60	450,407
Feb-18	438.00	486.20	374.05	456.65	214,662
Mar-18	455.20	475.00	391.10	401.70	68,184
Total Shares traded					**4,097,012**

ii. National Stock Exchange of India Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at National Stock Exchange of India Ltd. during the year 2017-18

Month	Open	High	Low	Close	Traded Qty
		(Share Price in ₹)			
Apr-17	248.50	329.50	246.30	315.80	4,481,553
May-17	315.80	344.40	309.00	331.45	2,447,123
Jun-17	331.60	343.20	317.40	318.95	757,992
Jul-17	315.45	324.90	281.05	284.90	679,655
Aug-17	287.50	296.90	270.75	286.75	380,595
Sep-17	289.45	322.45	275.25	305.15	835,391
Oct-17	312.00	392.15	304.15	346.40	2,605,978
Nov-17	348.00	582.80	342.00	558.75	6,111,985
Dec-17	562.05	602.00	472.55	520.60	3,701,025
Jan-18	521.00	539.40	430.00	435.05	2,331,597
Feb-18	439.00	486.95	372.00	458.30	1,791,561
Mar-18	457.85	472.00	392.05	400.85	500,660
Total Shares traded					**26,625,115**

Notes:

1. The highest share price of the Nucleus scrip at BSE was ₹ 602.40 in December 2017 and the lowest share price was ₹ 244.00 in April 2017.
2. The highest share price of the Nucleus scrip at National Stock Exchange was ₹ 602.00 in December 2017 and the lowest share price was ₹ 246.30 in April 2017.

iii. Quarterly high-low price history of the Company's share for the year 2017-18

(Share Price in ₹)

	BSE		NSE	
	High	Low	High	Low
During Quarter ended				
June 30, 2017	343.90	244.00	344.40	246.30
September 30, 2017	324.00	270.05	324.90	270.75
December 31, 2017	602.40	304.15	602.00	304.15
March 31, 2018	545.00	374.05	539.40	372.00

G. Financial Reporting to the Shareholders

i Quarterly/Annual Results

- The Company releases Quarterly Report for each quarter (except fourth quarter) in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This ensures prompt information to the shareholders and also contributes in saving paper thus saving trees and making the planet greener.

  These reports contain audited financials of the parent Company along with the Auditors Report thereon; Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management's Discussion and Analysis".

- The Company communicates quarterly/annual financial results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).

- The Company sends an instant email alert of the quarterly/annual financial results, to all persons who get themselves registered on the Company's website.

- Earnings conference calls are conducted after announcement of quarterly/annual financial results wherein the Management updates the investor community on the progress made by the Company and also answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for public information.

- The Company publishes official news releases and they are also uploaded on the website www.nucleussoftware.com.

  The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reach to all the stakeholders in their preferred medium.

H. Investors' Services

i. Details of request/complaints received during the year 2017-18:

Nature of complaints / requests	No. of complaints/requests		
	Received during the year	Resolved during the year	Pending at the year end
Non- Receipt of Dividend Warrant	24	24	Nil
Duplicate/ Revalidation of Dividend warrants	12	12	Nil
Issue of duplicate share certificates	0	0	Nil
Non receipt of share certificate	4	4	Nil
Non-Receipt of Annual Report	9	9	Nil

The Company has attended to most of the investor's grievances/correspondence within a period of 7-10 days from the date of receipt of the same, during the year 2017-18

ii. Registrars of Company

Share Transfers in physical form and other communication regarding share certificates, dividends, de-materialization of physical shares and change of address may be addressed to the Registrars of the Company at the address as given earlier in this Shareholders' Referencer.

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 Stakeholder Relationship Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares.

The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40 (9) of the SEBI (LODR) Regulations, 2015 and files a copy of the certificate with the Stock Exchanges

iv. Dematerialization of Shares and Liquidity

The Company shares are tradebale compulsorily in the Electronic form. Through Karvy Computershare Pvt. Ltd., Registrar and Share Transfer agents, we have established connectivity with both the depositiories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL)

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories within 15 days.

The Company has De-materialised 28,960,841 shares (99.72%) of the Paid up Share Capital as at March 31, 2018.

To enable us to serve our investors better, we request our shareholders whose shares are in physical mode to dematerliaze their shares and update their bank accounts with the respective depository participants.

v. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address / signature, registration of mandate / Power of attorney, replacement/split consolidation of share certificates / demat/ remat of share issue of duplicate certificates etc.

Report on shareholders' requests/grievances received and resolved is placed before the Stakeholder Relationship Committee.

Investors are requested to correspond directly with Karvy, on all share related matters. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company.

vi. Designated e-mail Address for Investor Services

In terms of Regulations 13 and 46 of the SEBI (LODR) Regulations, 2015, the designated e-mail address for investor complaints is investorrelations@nucleussoftware.com

vii. Reconciliation of Share Capital

A qualified practising Company Secretary carries out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

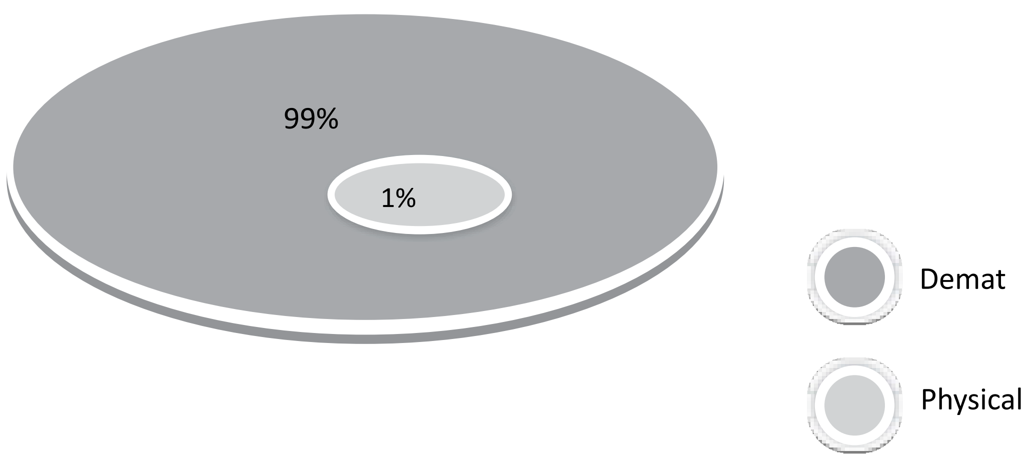
viii. Legal Proceedings

There is one legal proceeding pending against the Company in Court.

I. Shareholding Data

i. Distribution of Shareholding

No. of Equity Shares Held		As on March 31, 2018				As on March 31, 2017			
		Share Holders		Shares		Share Holders		Shares	
From	To	(Nos.)	%	(Nos.)	%	(Nos.)	%	(Nos.)	%
1	100	9,821	66.11	378,952	1.30	12,000	63.32	5,22,302	1.61
101	200	1,599	10.76	267,052	0.92	2,266	11.96	3,90,072	1.20
201	500	1,666	11.21	572,878	1.97	2,216	11.69	7,99,097	2.47
501	1,000	901	6.06	668,293	2.30	1,240	6.54	956,178	2.95
1,001	5,000	694	4.67	1,499,997	5.17	999	5.27	2,129,408	6.58
5,001	10,000	76	0.52	508,099	1.75	125	0.66	883,592	2.73
10,001	and above	99	0.67	25,145,453	86.59	105	0.56	26,703,075	82.46
	Total	**14,856**	**100.00**	**29,040,724**	**100.00**	**18,951**	**100.00**	**32,383,724**	**100.00**



ii. Categories of Shareholders

Category	As on March 31, 2018			As on March 31, 2017		
	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)
Promoter and Promoter Group	11	67.59	19,627,866	11	60.62	19,631,866
Individuals	14,124	17.75	5,155,102	18,010	24.71	7,999,717
Bodies Corporate	239	2.22	643,731	403	2.71	878,265
NRI's and Foreign Nationals	431	1.93	559,810	504	2.07	670,305
FII's	48	9.22	2,680,355	17	8.49	2,750,689
Mutual Funds	1	1.27	369,241	3	1.26	408,507
Banks and Financial Institutions	2	0.02	4,619	3	0.14	44,375
Total	**14,856**	**100.00**	**29,040,724**	**18,951**	**100.00**	**32,383,724**

Note : During the year, the Company extinguished 3,343,000 equity shares consequent to the Buyback Offer in September 2017. Consequently, the paid-up share capital of the Company, as on March 31, 2018, is 29,040,724 equity shares of Rs.10 each, as compared to 32,383,724 equity shares of Rs.10 each as on March 31, 2017.

iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2018

iv. Share Transfers, Demat and Remat:

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2018 are given below:

No. of Shares	
Transferred in physical form	1,592
Dematerialised	6,834
Rematerialised	Nil

I. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages and their respective positions with the Company are as follows:

i. Management Structure

Name	Position	Age (In Yrs.)
S. M. Acharya	Chairman	69
Vishnu R Dusad	Managing Director	61
R P Singh	CEO, Executive Director & President-Products	55
Ritika Dusad	Non Executive Director	28
Prithvi Haldea	Independent Director	67
Elaine Mathias	Independent Director	64
Prof. Trilochan Sastry	Independent Director	57
N. Subramaniam	Independent Director	57
Avnish Datt	Global Head- Strategy	49
Pankaj Bhatt	Global Head – Professional Services	55
Prakash Purshotam Pai	President– Financial Inclusion	57
Ashish Nanda	Chief Financial Officer	44
Pradeep Kapoor	Global Head – Corporate Affairs	59
Anurag Mantri	Senior Vice President	48

Name	Position	Age (In Yrs.)
Anurag Bhatia	Senior Vice President	52
Parag Bhise	Senior Vice President	53
Sudeep Verma	Senior Vice President	52
Anil Kumar	Vice President	52
Ashish Nayyar	Vice President	47
Ashutosh Arvind Kapuskar	Vice President	61
Ashwani Arora	Vice President	45
Brajesh Khandelwal	Vice President	48
Daragh Patrick O'byrne	Vice President	46
Debyani Sinha	Vice President	44
Dinesh Kumar Verma	Vice President	44
Harshit Jain	Vice President	55
K D Singh	Vice President	47
Lokesh Chandra Pathak	Vice President	43
Megha Dalela	Vice President	44
Pankaj Jain	Vice President	44
Prathap Reddy	Vice President	48
Raj Kumar Srivastava	Vice President	49
Rajagopalan Venkatraman	Vice President	47
Rakesh Rawat	Vice President	45
Ramesh Gopal	Vice President	50
Sanjeev Kulshreshtha	Vice President	54
Sarbpreet Singh Anand	Vice President	42
Vijay Kumar Sharma	Vice President	53
Vijay Janardan Kadam	Vice President	47

ii. Employee Structure

a) Employee strength globally including employees of subsidiaries

As at March, 31	2018		2017	
	No	%	No	%
Technical Staff	1,635	88	1,423	85
Non-Technical Staff including Business Development Group	216	12	242	15
Grand Total	**1,851**	**100**	**1,665**	**100**

Gender classification of employees is:-

As at March, 31	2018		2017	
	No	%	No	%
Male	1,365	74	1,240	74
Female	486	26	425	26
Grand Total	**1,851**	**100**	**1,665**	**100**

b) The age profile of employees -

As at March, 31	2018		2017	
	No	%	No	%
Between 20 and 25 years	487	26	426	26
Between 26 and 30 years	555	30	474	28
Between 31 and 40 years	569	31	559	34
Between 41 and 50 years	206	11	174	10
51 years and above	34	2	32	2
Grand Total	**1,851**	**100**	**1,665**	**100**

J. Financial Calendar for the year 2018-19

(Tentative and subject to change)

i.	**Financial Reporting**	
	First quarter ending June 30, 2018	between 15th to 31st of July 2018
	Second quarter ending September 30, 2018	between 15th to 31st of October 2018
	Third quarter ending December 31, 2018	between 15th to 31st of January 2019
	Year ending March 31, 2019	between 20th to 30th of April 2019

ii.	**Annual General Meeting**	
	Year ending March 31, 2018	July 2, 2018
	Year ending March 31, 2019	July, 2019
iii.	**Dividend**	
	Date of Book Closure for AGM	June 26, 2018 to July 2,2018 (both days inclusive)

iv. The fiscal year of Nucleus is from April 1 to March 31.

K. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

A Shareholder Satisfaction Survey is conducted through a shareholder feedback form uploaded on investors section of the Company website, for online filing. It is our constant endeavor to provide efficient and prompt services to the shareholders. responses received through this survey it help us :

o to assess the level of satisfaction among Nucleus shareholders and

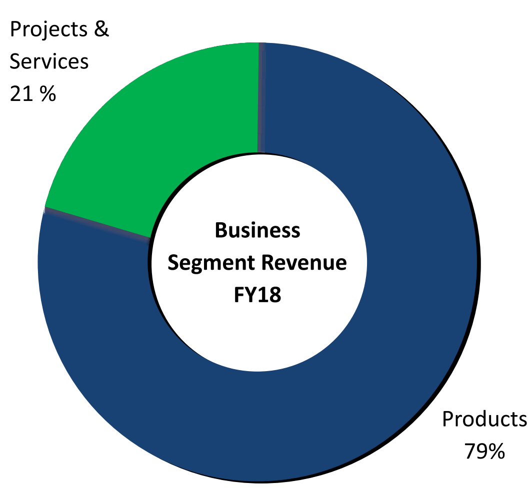
o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

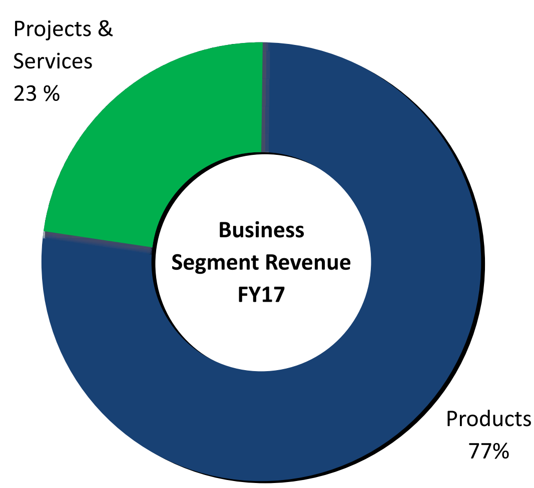
SEGMENT INFORMATION AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

(₹ in crore)

REVENUE BY	For the Year Ended March 31,			
	2018	% of Revenue	2017	% of Revenue
GEOGRAPHICAL SEGMENTS				
India	126.66	30.76	100.80	27.07
Far East	62.16	15.09	59.58	16.00
South East Asia	89.90	21.83	78.44	21.06
Europe/ U.K.	42.11	10.23	46.23	12.41
Middle East	62.11	15.08	52.13	14.00
Africa	11.04	2.68	9.11	2.45
Australia	10.72	2.60	17.46	4.69
Rest of the World	7.11	1.73	8.64	2.32
TOTAL	**411.81**	**100.00**	**372.39**	**100.00**
CURRENCY SEGMENT				
Indian Rupee	126.66	30.76	100.80	27.07
US $	171.04	41.53	166.25	44.64
Japanese Yen	26.84	6.52	24.77	6.65
Singapore $	35.17	8.54	30.88	8.29
Malaysian Ringgit	6.13	1.49	3.88	1.04
Euro	12.34	2.99	13.28	3.57
British Pound	9.10	2.21	2.59	0.70
Swiss Franc	0.24	0.06	0.22	0.06
Australian $	10.72	2.60	17.46	4.69
AED	9.59	2.33	9.80	2.63
ZAR	3.98	0.97	2.46	0.66
TOTAL	**411.81**	**100.00**	**372.39**	**100.00**
BUSINESS SEGMENT				
Products	**326.09**	**79.18**	**288.09**	**77.36**
Own	322.88	78.40	284.94	76.51
Traded	3.21	0.78	3.15	0.85
Projects & Services	**85.72**	**20.82**	**84.30**	**22.64**
TOTAL	**411.81**	**100.00**	**372.39**	**100.00**





Ratio Analysis

Consolidated Performance

Particulars	2018	2017	2016	2015	2014
Ratios- Financial Performance					
Export Revenue/ Revenue (%)	69.24	72.93	80.52	84.18	79.82
Domestic Revenue/ Revenue (%)	30.76	27.07	19.48	15.82	20.18
Total Operating Expenses/ Revenue (%)	85.87	85.68	91.34	81.51	80.77
Operating Profit/ Revenue (%)	14.13	14.32	8.66	18.49	19.23
Depreciation/ Revenue (%)	1.71	3.01	3.50	3.39	2.29
Other Income/ Revenue (%)	6.97	8.63	7.19	8.96	6.88
Tax/ Revenue (%)	4.20	2.17	3.27	6.21	5.45
Effective Tax Rate - Tax/ PBT (%)	21.68	10.90	26.00	25.32	22.67
PAT from Ordinary Activities/ Revenue(%)	8.21	9.14	2.12	9.36	11.71
PAT from Ordinary Activities/Net Worth(%)	7.33	6.36	1.59	7.54	10.21
Ratios- Return					
ROCE (PBIT/ Average Capital Employed) (%)	16.03	14.87	9.73	20.75	22.28
ROANW (PAT/Average Net Worth) (%)	12.56	13.25	7.20	15.49	17.23
Ratios - Balance Sheet					
Debt-Equity Ratio	-	-	-	-	-
Debtors Turnover (Days)	72	65	98	87	44
Asset Turnover Ratio	0.64	0.56	0.59	0.81	0.87
Current Ratio	1.79	3.07	3.08	3.60	3.80
Cash and Equivalents/Shareholders' funds (%)	46.60	56.15	53.36	64.16	75.07
Cash and Equivalents/ Revenue (%)	52.20	80.66	70.94	79.64	86.08
Depreciation/Gross Carrying Amount (%)	11.14	20.03	23.81	8.51	6.09
Technology Investment/ Revenue (%)	1.28	0.68	1.34	2.24	4.62
Ratios - Growth (YoY)					
Growth in Total Revenue (%)	10.59	6.79	(1.26)	2.00	17.86
Growth in Export Revenue (%)	4.99	(3.27)	(5.54)	7.56	14.95
Operating Expenses Growth (%)	10.84	0.17	10.66	2.93	12.82
Operating Profit Growth (%)	9.09	76.66	(53.77)	(1.91)	45.05
PAT Growth (%)	(5.47)	103.77	(49.82)	0.58	42.44
EPS Growth (%)	0.18	103.78	(49.82)	0.55	42.45
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (₹.)	11.65	10.51	2.28	10.21	12.52
Earning Per Share (Including Other Income) (₹.)	20.47	20.43	10.03	19.98	19.87
Cash Earning Per Share from Ordinary Activities (₹.)	14.07	13.97	6.06	13.91	14.96
Cash Earning Per Share (Including Other Income)(₹.)	23.96	23.90	13.80	23.68	22.32
Book Value Per Share (₹.)	158.85	165.19	143.17	135.37	122.60
Price/Earning (Annualized)	19.59	12.05	19.29	8.46	10.97
Price/ Cash Earning (Annualized)	16.73	10.30	14.01	7.14	9.76
Price/Book Value	2.52	1.49	1.35	1.25	1.78
Dividend Per Share (DPS)	8.00	5.00	5.00	5.00	6.00
Dividend (%)	80	50	50	50	60
Dividend Payout (In ₹. Crore)	23.23	16.19	16.19	16.19	19.43

Notes:

1. *While calculating the consolidated figures of group, inter group transactions have been ignored.*
2. *Previous year figures have been regrouped/ reclassified wherever necessary.*
3. *The Company has adopted Indian Accounting Standards (Ind-AS) with effect from April 1, 2017. Consequently the results for the year ended March 31, 2017 have been restated to comply with Ind-AS to make them comparable.*

Glossary

ADR	American Depository Receipt
ADM	Application Development & Maintenance
BFS	Banking & Financial Services
BSE	Bombay Stock Exchange Ltd.
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
DP	Depository Participant
DRF	Demat Requisition Form
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECL	Expected Credit Loss
ESOP	Employee Stock Option Plan
EU	European Union
FAQ	Frequently Asked Questions
FVOCI	Fair value through other comprehensive Income
FVTPL	Fair value through Profit or Loss
GDP	Gross Domestic Product
GDR	Global Depository Receipt
ICAI	Institute of Chartered Accountants of India
ICSI	Institute of Company Secretaries of India
IPO	Initial Public Offer
IT	Information technology
ITES	Information Technology Enabled Services
Ind As	Indian Accounting Standards
IP	Intellectual Property
MCA	Ministry of Corporate Affairs
MDA	Management Discussion and Analysis
MD	Managing Director
NASSCOM	National Association of Software and Services Companies
NSE	National Stock Exchange of India Ltd.
NGO	Non Governmental Organisation
OCI	Other Comprehensive Income
PDF	Portable Document Format
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	Reserve Bank of India
SEBI	Securities & Exchange Board of India
SEZ	Special Economic Zone
STPI	Software Technology Parks of India

Nucleus Software recognized as one of the five most significant mobile banking solution vendors by Forrester

300,000 users log in to our systems each day

10 time winner World's best-selling lending solution

3 decades of expertise in banking and financial services

Winner of Celent Model Bank Vendor 2016 Award

SALES@NUCLEUSSOFTWARE.COM
WWW.NUCLEUSSOFTWARE.COM

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