



Nucleus Software Exports Ltd.

“Quarterly earnings Conference Call for the Quarter and Year Ended on 31 March 2022”

May 18th, 2022



SPEAKERS:

Management, Nucleus Software Exports Ltd.

Moderator:

Good day, ladies and gentlemen. I'm Harpreet Kapoor, the moderator of this call. Thank you for standing by and welcome to Nucleus Software Quarterly Earnings Conference Call for the Quarter and Year ended on 31st March, 2022. For the duration of the presentation, all participants' lines will be in listen-only mode. We will open the floor for Q&A post the presentation. So I would like to now hand over the proceedings to Swati Ahuja. Over to you, Swati.

Swati Ahuja:

Thanks Harpreet. Good afternoon, everyone. This is Swati from the Investor Relations Team at Nucleus Software. A very warm welcome to all of you for this Nucleus Software Earnings Conference Call for the Quarter and Year ended on March 31st, 2022. For discussion we have here from the management team.



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Mr. Vishnu R. Dusad, our Managing Director, Mr. Parag Bhise, CEO, Mr. Anurag Mantri, CFO and Executive Director, Ms. Ritika Dusad, Executive Director and Chief Innovation Officer, Mr. Ashwini Arora, Senior Vice President Global Customer Success Team, Mr. Sanjeev Kulshreshta, Senior Vice President Product Build, Ms. Prema Rajaraman, Chief People Officer, Mr. Ashish Khanna, Business Head Financial Inclusion, Mr. Tapan Jayaswal, colleague from the Finance Team. As you all are aware, Nucleus Software does not provide any specific revenue earning guidance. Anything which is said during this call, which may reflect our outlook for the future or which may be construed as a forward looking statement must be reviewed in conjunction with the risk that the company faces. An audio and transcript of this call will be shortly available on the investor section of our website, www.nucleussoftware.com. With this, we are now ready to begin with the opening comments on the performance of our company for the Quarter and Year ended March 31st, 2022. And post that we would be available for the question answer session. With this I now pass over to Vishnu sir; over to you, sir.

Vishnu R. Dusad:

Thanks, Swati. And thanks a lot and warm welcome to all of you for this Investor Call ending 4th Quarter and Financial Year ending 31st March, 2022. It was one of those toughest years when, despite the huge -- these turbulences in the environment, we continued building our strength. And an indication of that is visible in the numbers that you have seen in this quarter. We do hope that we will continue to leverage our strengths of creating credibility in the marketplace through sincere work and continue to provide comfort to our customers and all other stakeholders for years to come. With those words, I would now like to hand over to Parag Bhise, our CEO.

Parag Bhise:

Thank you very much, Vishnu, and good afternoon everyone, and thank you very much for joining this call once again. As Vishnu said, and thanks to the efforts put in by the leadership team and the entire Nucleus team, we've seen a good quarter from financial perspective. Some of the initiatives that we have been taking in the past look like starting to give us results. We continue to groom our fresh hires on our products. You remember we've been talking about hiring 400 plus freshers from campuses, so many of them have become part of our active workforce, while other batches are still under training; we continue to groom them in our products so that they become more and more productive. We have talked about significant increments in the past. We this year, have advanced our annual increment cycle by three months to respond to market conditions. We just finished this exercise a couple of weeks back. We however continue to face challenges on the attrition front. That has not passed us despite two very significant increments that we have given. We are otherwise getting good traction from the market. We have started working from office in hybrid mode;



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some of us are visiting daily, some three days a week and rest still working from home. We also started visiting our customers and have started to maintain face to face connects with them and which is giving us the perspective that they value our partnership, the service that we provide to them, so overall a positive feeling from the market. That's about it from my side, thank you.

Swati Ahuja:

And now I request Tapan Sir to put some light on financial numbers.

Tapan Jayaswal:

Yes sure, Swati. Good afternoon, everyone. Key highlights from financials are Our Consolidated revenue for the quarter is at Rs. 153.0 crore against Rs. 121.6 crore QoQ and Rs. 124.2 crore YoY. For the Year it is Rs. 497.2 crore against Rs. 513.5 crore for the previous year. Overall Revenue in foreign currency including India Rupee revenue is US\$ 20.6 million for the quarter, against US\$ 16.3 million QoQ and US\$ 16.9 million YoY. For the Year it is US\$ 67.1 Million, against US\$ 69.6 Million for the previous year. Product revenue for the quarter is at Rs. 129.6 crore, against Rs. 99.0 crore QoQ and Rs. 105.0 crore YoY. For the Year it is Rs. 411.7 crore, against Rs. 430.2 crore for the previous year. Revenue from projects and services for the quarter is at Rs. 23.5 crore, against Rs. 22.6 crore QoQ, and Rs. 19.2 crore YoY. For the Year it is Rs. 85.5 crore, against Rs. 83.4 crore for the previous year. Cost of delivery including cost of product development for the quarter is 71.2% of revenue, against 79.5% of revenue QoQ and 63.6% of revenue YoY. In absolute terms this is Rs. 108.9 crore against Rs. 96.7 crore QoQ and Rs. 79.0 crore YoY. For the Year, it is Rs. 386.7 crore (77.8% of revenue) against Rs. 332.7 crore (64.8% of revenue) for the previous year. Marketing & sales expense for the quarter is 3.5% of revenue, against 3.8% of revenue QoQ and 3.7% YoY. In absolute terms this is Rs. 5.4 crore against Rs. 4.6 crore QoQ and Rs. 4.6 crore YoY. For the year, they are at Rs. 20.2 crore (4.1% of revenue) against Rs. 15.5 crore (3.0% of revenue) for the previous year. G&A expense for the quarter is 9.2% of revenue, against 12.3% of revenue QoQ and 7.3% YoY. In absolute terms this is Rs. 14.0 crore against Rs. 14.9 crore QoQ and Rs. 9.1 crore YoY. For the year, they are at Rs. 54.1 crore (10.9% of revenue) against Rs. 37.1 crore (7.2% of revenue) for the previous year. EBITDA for the quarter is at Rs. 24.7 crore (16.2% of Revenue), against Rs. 5.4 crore (4.4% of Revenue), QoQ and Rs. 31.5 crore (25.4% of Revenue) YoY. For the Year, EBITDA is at Rs. 36.2 crore, (7.3% of revenue), against Rs. 128.1 crore, (24.9% of revenue) in the previous year. Other income from investments and deposits is at Rs. 5.7 crore against Rs. 7.1 crore QoQ, and Rs. 6.7 crore YoY. Total other Income for the quarter is Rs. 6.4 crore against Rs. 8.0 crore QoQ and Rs. 7.2 crore YoY. For the year, other income from investments and deposits is at Rs. 29.9 crore against Rs. 34.3 crore for the previous year. Total other Income for the year is Rs. 34.7 crore against Rs. 39.6 crore for the previous year. Total taxes are at Rs. 7.7 crores (29.7% of PBT), against Rs. 1.4



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crores (14.7% of PBT) QoQ and Rs. 8.2 crores (23.0% of PBT) YoY. For the Year, Taxes are Rs. 14.6 crore (26.3% of PBT) against Rs. 35.9 crore (23.3% of PBT) in the previous year. Net profit is at Rs. 18.3 crore for the quarter, 12.0% of revenue, against Rs. 8.0 crore, 6.6% of revenue QoQ and Rs. 27.4 crore, 22.0% of the total revenue YoY. For the Year it is at Rs. 40.9 crore, 8.2% of total revenue, against Rs. 117.9 crore, 23.0% of total revenue in the previous year. Other Comprehensive Income is at Rs. (5.7) crore for the quarter, against Rs. (0.4) crore QoQ, and Rs. (1.5) crore YoY. For the year it is at Rs. (10.8) crore against Rs. 1.9 crore, in the previous year. Total Comprehensive Income which includes Net Profit and other comprehensive Income is at Rs. 12.6 crore for the quarter, against Rs. 7.6 crore QoQ and Rs. 25.9 crore YoY. For the year it is at Rs. 30.1 crore, against Rs. 119.9 crore in the previous year. EPS for the quarter is at Rs. 6.67 as against Rs. 2.77 in the previous quarter and Rs. 9.42 in Mar 31' 2021 quarter. For the year it is at Rs. 14.28 against Rs. 40.62 in the previous year. In terms of foreign currency hedges, on March 31, 2022 we had USD 3.45 million dollars of forward contracts at an average rate of 76.88. There is a mark-to-market gain of Rs. 11.01 lakhs which is taken to hedging reserve in the balance sheet. Revenue contribution from the top 5 clients for the quarter is 29%, against 23% in the previous quarter. The order book position is Rs. 562.1 crore including Rs. 515.3 crore of products business and Rs. 46.8 crore of projects and services business. In Dec 31, 2021 the order book position was Rs. 563.8 crore including Rs. 541.4 crore of products business and Rs. 22.4 crore of projects and services business. Total Cash and cash equivalents as on March 31, 2022 are Rs. 542.9 crore against Rs. 543.3 crore as on Dec 31, 2021. This includes balances in current accounts of Rs. 35.8 crore, various schemes of mutual funds Rs. 395.3 crore, fixed deposits of Rs. 30.1 crore, investments in tax free bonds of Rs. 76.7 crore, Rs. 5.0 crore in Preference shares. With regard to receivables, we are at Rs. 83.2 crore against Rs. 89.2 crore previous year. During the quarter, there is a gross addition of fixed assets of Rs. 2.9 crore, consisting primarily of Rs. 2.6 crore on computers, Rs. 0.23 crore on vehicles, Rs. 0.08 crore on Software and Rs. 0.01 crore on Office equipment. Now I will hand it over to Swati.

Swati Ahuja:

Thank you sir; with this we are now open for the question answer session. I will now hand over to Harpreet. Over to you, Harpreet.

Moderator:

Thank you, Swati. For participants, with this we will open the floor for Q&A interactive session. So if you wish to ask a question, please press zero and then one on your telephone keypad and wait for your name to be announced. I'll repeat; to ask a question please press zero and then one. I'll repeat; participants, if you wish to ask a question, please press zero and then one. So we have a



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question from Samarth Singh from TPS Capital. Samarth, your line is unmuted, please go ahead.

- Samarth Singh:** Good afternoon. Thank you for the opportunity. Please, could you. I know you hinted a little bit about the attrition rates still being high and pressure on our employee costs. Could you put that in context with the news that we are hearing now that there's been a slight slowdown in terms of layoffs starting in the US with tech companies there, and will there be some sort of follow on from that in our employee costs as well?
- Vishnu R. Dusad:** Yeah, you know, thanks for raising this important question. The situation continues to be extremely volatile with both the kind of news coming in. You get to hear the news about layoffs, and you also get to hear news about some of the big players increasing the salaries substantially. So we are -- we would say that we are at loss at this Juncture. We're keeping a very close eye; we're trying to optimize things as much as we can. That's about it that we can say with some clarity.
- Samarth Singh:** And Sir what was I'm not sure if I mentioned, what was our attrition rate in Quarter 4 and how does that compare to the Quarter 3?
- Vishnu R. Dusad:** It was slightly better. 36% was our attrition rate annualized, and just better than our earlier renewal rate, earlier quarterly attrition rate.
- Samarth Singh:** 36% was for Quarter 4?
- Vishnu R. Dusad:** Yeah, annualized.
- Samarth Singh:** Okay.
- Parag Bhise:** 36% annualized, not of the quarter.
- Vishnu R. Dusad:** For the quarter 9%.
- Samarth Singh:** Okay, for the quarter is 9%. Okay. Okay, that is. And could you talk about where we are in terms of, given our escalated costs in terms of passing some of those costs on to our clients?
- Parag Bhise:** Okay. So rather than passing on the cost, we have looked at it from an overall perspective, and we are definitely looking at pricing as a significant area to be worked upon. We have started working on it and at the moment, I would say that we have tasted success with a couple of our clients, but then we plan to do it with more clients. Just to clarify, we're not taking it as an initiative to pass the cost to the customers but looking at how our products are valued in the market.



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So it's kind of -- even internally it's an exercise in assessing the value that we are delivering to. Yeah, sorry for that interruption, there was a false fire alarm in the building.

Samarth Singh:

No, I'm just trying to. As you know, in 15-16, I believe we spent a significant amount of money in launching FinnOne Neo and the assumption was that it would be a top of the notch product and a product like that would allow us to get the correct pricing in the market. And, you know, if I'm just -- I'm just looking through the profitability from per region, and I think besides India, there's no other region that's currently profitable. So, I mean, can you just help me explain I mean, I'm not being able to understand why we're not able to get the correct pricing for our product so that we can earn a normal return?

Parag Bhise:

Okay. I would say that the FinnOne Neo product so far, largely the traction is from Indian market. That's what we explained. We have installations outside but they are not in such large numbers. So that's why you don't see that effect. The other part of our business which is revenues around product from earlier product as well as services that definitely has taken a hit because of the attrition that we have faced.

Samarth Singh:

Okay. So what you mean to say is as far as FinnOne Neo was concerned we are getting the correct pricing in the market. It's only our older products where we are not being able to sort of pass on our elevated role.

Parag Bhise:

Yes, that is true. But even for our older product, we are not limiting our pricing exercise to only FinnOne Neo. We are going back to older customers also for revisions.

Samarth Singh:

Okay, thank you. I'll come back.

Moderator:

Next we have Vaibhav Badjatya from Honesty and Integrity Investment; your line is unmuted.

Vaibhav Badjatya:

Yeah, thanks for providing the opportunity. So can you comment on pricing to the order book.

Parag Bhise:

Your voice is a little low.

Vaibhav Badjatya:

Can you hear me now? Can you hear me?

Parag Bhise:

Yeah, it's better, it is little better.

Vaibhav Badjatya:

Yeah. So on the order book, if I kind of relate your earlier comments on pricing to the order book, so the pricing changes does not indicate that on the existing



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orders we have any kind of price revision because our order book is mostly flat. So, when you say that some of the customers we have secured Price Revision so I just wanted to understand why it has not been reflected in the order book?

Vishnu R. Dusad:

Yeah, I think couple of -- as we have just talked about these couple of customers, that that is the reason it is not visible in the order book. We do hope that by next quarter and next to next quarter it will start becoming visible in order book also.

Vaibhav Badjatya:

Got it. And then lastly under revenue for the quarter, we have seen quite a significant jump. So can you explain if there is this kind of a one-off for large orders execution which has met the revenue milestone, or what has sort of in terms of revenue for the quarter?

Vishnu R. Dusad:

All right, as we mentioned it is a combination of slightly better pricing that we've got from a couple of our customers, and then yeah, aggregation of some of the projects also, the regular aggregation of some of the projects. And it also is a reflection of some of our old standing projects, which we completed.

Vaibhav Badjatya:

Okay, yeah, and lastly the number of employees as on 31st March that we have? Total number of employees?

Parag Bhise:

Tapan, you have the number?

Tapan Jayaswal:

Hello?

Vaibhav Badjatya:

Yeah.

Tapan Jayaswal:

So question is how many employees were there on 31st March, 2022 is it?

Vaibhav Badjatya:

Yes.

Tapan Jayaswal:

1,829.

Vaibhav Badjatya:

And what was there in 2021? March 2021.

Tapan Jayaswal:

It was 1,932.

Vaibhav Badjatya:

Okay. Okay, that's it for myself. Thank you. Thank you.

Moderator:

I'll repeat participants. If you still have any questions, please press zero and then one on your telephone keypad. We have a question from Samarth again from TPS capital. Samarth, your line is unmuted.

Samarth Singh:

Thanks for the follow up. In the two geographies of the Far East and -- that we have as Far East and Southeast Asia, it's been loss making for us for the quarter



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as well as for the year. So can you just talk about -- and I think revenues have also dropped? So what is happening in those two geographies?

Vishnu R. Dusad:

Anurag, you want to take this?

Anurag Mantri:

I'll take that. Yeah, so the major impact had been because of the increase in the personnel costs as we have already updated on that. However, while we were having the -- some of the challenges in the bandwidth, the good part is that the customer confidence is quite intact. In these two geographies the immigration has also opened up. As the customer confidence is intact, we are expecting new projects to come up and with the open immigration we will be able to quickly deliver those projects as well to increase the revenue back to the initial level. And that's why in this quarter and the next quarter, we are seeing an increase, we are expecting an increase and the current trend will be reversed for almost -- yes, both these geographies -- Yeah, pardon?

Samarth Singh:

No, no, please go ahead.

Anurag Mantri:

For one and a half years, both these geographies were completely controlled and closed from the immigration perspective. So, earlier we had projects or rather the engagements at hand which we could not deliver, or rather there were deferred plans to deliver the same thing. Now with -- as I mentioned, with the opening immigration, we will not be having any issues in executing these programs which are in end for us, and which are anticipated in coming months. And that's why this trend is expected to be reversed.

Samarth Singh:

Okay. And in terms of marketing, what are our main focus geographies as of today?

Vishnu R. Dusad:

We will continue to focus on our existing geographies for the time being and we are -- we have initiated our market research in let's say, Europe for the time being, and we are getting some queries from the North America also. So we may initiate some research there as well.

Samarth Singh:

So we had spent some significant marketing dollars in Australia, some research there as well. So could you talk about -- I mean, at some point, we had gained a lot of traction, and then it doesn't seem to be converting into revenues at this point.

Vishnu R. Dusad:

Yeah, we will be glad to let you know that our second implementation in Australia has technically gone live. Soon there will be business live also, and then we expect that the third customer also goes live in the next quarter. And with these three customers being live in Australia, we hope to gain next level of traction in that market.



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- Parag Bhise:** Australia is also -- sorry, just wanted to add to what Vishnu said, Australia is also a region which was completely closed for one and a half years. And we have -- they are also now opening up. So with travel starting, both in terms of customer engagement as well as delivery capability, I think what you're referring to that we should see a positive impact on the revenues at those -- in the coming months.
- Samarth Singh:** Got it. So revenue for quarter at least from Australia, that's basically sort of, there's no implementation revenue in there. It's just AMC revenue. Is that understanding correct?
- Vishnu R. Dusad:** Yeah, as of now you know, because of the travel etc., the implementations have slowed down a bit. And one of our customers is going through a merger.
- Samarth Singh:** Okay, so one of the three out of the three customers, one of them is in merging?
- Vishnu R. Dusad:** Yeah, yeah, yeah.
- Samarth Singh:** Okay. And the merger will be with one of our other customers or just, you know.
- Vishnu R. Dusad:** No, no. This is -- yeah, yeah.
- Samarth Singh:** Okay, and is there a possibility of us to get that business as well of the merged entity?
- Vishnu R. Dusad:** We are certainly looking forward to that.
- Samarth Singh:** Okay. And Sir if you could just talk a little bit about our Neo Cloud, how that is shaping up and at what point do you expect to get to some sort of substantial revenue where we will break that out significantly?
- Vishnu R. Dusad:** Anurag, you want to take the Cloud question?
- Anurag Mantri:** Okay, yep. So the second customer we just referred about going live in Australia where the business will be operational towards this month end is on Cloud, and in addition to that in Far East we have gone for multiple Cloud technologies implementation for some of our leading customers. So from both products and services side, we are expecting a significant upside in the cloud line of business in the coming quarters.
- Samarth Singh:** Okay, and anything in India?
- Anurag Mantri:** Definitely India has been our strong customer base and the focus will be in India as well. But in addition to that, the international markets, we will be also



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focusing on Cloud. So India goes by default and in international markets as well. And there was --

Vishnu R. Dusad:

And additionally in India there is an interest from some of our bigger customers also to go on Cloud.

Samarth Singh:

Okay and these are the banks or the NBFCs?

Vishnu R. Dusad:

Both I would say.

Samarth Singh:

I think, you know, currently we had our fourth launch of FinnOne Neo; we were targeting largely new customers. And I think besides HDFC Bank, all the other banks were sticking to our older product. So has that changed now, and is there essentially an opportunity --

Vishnu R. Dusad:

Yes, it certainly is changing now. It will be changing, yeah.

Samarth Singh:

Okay, so is there like -- is there any way to sort of define the scope, what sort of opportunity is there in terms of moving our old customers to FinnOne Neo?

Vishnu R. Dusad:

Yeah, in fact I would like to say that most if not all, they will want to move to FinnOne Neo, because the ultra-rich functionality that our product, our new product brings over and above the rich functionality that FinnOne itself has with 467 APIs; it gives the crazy amount of flexibility to our customers to integrate with the rest of the ecosystem around. And this is on top of very rich functionality, flexibility that has been built into FinnOne Neo, our almost 35 years of experience in retail lending, understanding the retail lending business.

Samarth Singh:

Right. I was just wondering, in terms of the opportunity, if you could tell the number of your clients that are currently on the old platform that will possibly move to FinnOne Neo over the next couple of years?

Vishnu R. Dusad:

Yeah, it could be -- it could be 50 plus.

Samarth Singh:

Okay. And how many clients are there in total on the FinnOne and the FinnOne Neo platform?

Vishnu R. Dusad:

We will not be able to share that number.

Samarth Singh:

Okay, that's it for my side. Thank you.

Vishnu R. Dusad:

Thank you.

Moderator:

Thank you. Next, we have Vivek Ganguly from Nine Rivers Capital. Vivek, your line is unmuted.



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Vivek Ganguly:

Thank you for the opportunity. Y'all had a very good quarter at about 150 crores of revenue, given the challenges that y'all have faced in the past. My question is divided into two parts. One is do we -- going forward do we -- can we expect this 150 crore of revenue per quarter kind of to become the base quarter on which y'all will grow? Second is, you know, y'all are at this \$65-\$70 million range and you have been there for -- in that range for quite some time. So aspirationally and also from the perspective of the market that you all are -- can address, what is possibly the revenue targets that you will have for the company over the next five years timeframe? And what are the threats to those, if you can shed some light on both these things that will be very helpful?

Parag Bhise:

Okay, so firstly, I'll start from the last part. As Swati mentioned in the beginning, we don't give any projections. Okay. But now I will come to the first part of your question. Yes, we had a very good quarter financially. That is thanks to some of the efforts that all of us made, some initiatives that we took. However, as I mentioned, it's not that the challenges are over. They continue to be there, primarily the attrition challenges that continue to be there. So very difficult to predict, of course, the kind of -- I talked about the substantial increase in our personnel costs because of two successive heavy increments that were there so there is -- of course, we have to -- I would say, there is no choice but to grow at a faster pace. But in the situation the market dynamics are, they are so dynamic, it is difficult to predict. In any case, we don't give predictions, but definitely from an aspirations point of view, as we are talking in response to last query, it is part of our plans to move as many customers from FinnOne to FinnOne Neo as possible at a faster pace. We are working on migration toolkits, so that those migrations become very smooth. So a lot of our product focus is now to create that, enhance that migration toolkit to such a level that those migrations -- so we're working on those lines. So apart from the functionality, how those migrations become, so that is going to be one very significant drive that I would say in this year and the years to come. Definitely aspiration is there but where we will head is difficult to say; we're taking it quarter by quarter. Thank you.

Moderator:

We have a question from Vaibhav Badjatya from Honesty and Integrity Investment again; your line is unmuted, Vaibhav.

Vaibhav Badjatya:

Yeah, thanks for providing the follow up. On the employee cost, which is at about 111 Crore that we have, so is there any one time bonus included there? Or are all these like regular normal bonus? Is there -- I just wanted to understand if there is a kind of one time cost that is there currently in the current quarter?

Parag Bhise:

No, it is not one time. These are regular increments. But I'll just repeat what I said in my initial remarks that we have advanced our increments by three



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months. So the increments have been done as of January. That's why the impact has come in this quarter.

Vaibhav Badjatya:

Yeah. Okay, that I heard. Yeah, that's it from my side. Thank you.

Moderator:

I'll repeat participants. If you still have any questions, please press zero and then one. Once again, to ask your question you need to press zero and then one. We have a question from the Dipesh Lakhani from Daulat Capital. Dipesh, your line is unmuted.

Dipesh Lakhani:

Hello. How could we pull out such a large growth in this quarter? Does this include large new licenses in this quarter? Also what is the outlook for near future? Do we have more pent up demand that can be serviced as our execution was weak in the last previous quarters?

Parag Bhise:

Yeah, so as I think Vishnu Sir had responded earlier, that it's a combination of multiple things that gave us this impact in the last quarter, there's not one thing, it's a combination of pricing and completion of some of the -- some of your projects which were long going on. So that's one part. Projections again, repeating that we cannot give. But yes, as I mentioned, again in my initial comments that there is definitely a lot of traction from the market. Almost all our customers have something that we can do for them; a lot of things that we can do for them. Whatever we can deliver, it's limited by that and for that, as I said, the 400 plus freshers that we had hired, we are continuously working on getting them productive at the fastest place. Many of them have already become part of the workforce and the rest we are trying how soon we can get them on boarded, so that they start to deliver what our customers are expecting. But traction point of view there is no dearth.

Dipesh Lakhani:

Okay, and secondly, actually I missed it, what is the current attrition now in Q4?

Vishnu R. Dusad:

9%, last quarter was 9%.

Dipesh Lakhani:

Okay, and expected attrition in the coming quarters?

Parag Bhise:

It's highly unpredictable, because the market is still very dynamic.

Dipesh Lakhani:

Okay, okay, thank you so much.

Parag Bhise:

Thank you. Thank you.

Moderator:

We have a question from Vivek Ganguly again from Nine Rivers Capital. Your line is unmuted.



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- Vivek Ganguly:** Yeah, thank you. I have two questions. One is, in this -- the year ended what has been the spent attributable to sales and marketing, and how do you expect that to grow going forward? The second one is, which are the large consultants like IBM, Accenture that you have in your ecosystem who are also your sales cum implementation technology partners? Thank you.
- Parag Bhise:** Yeah, so attempting to answer your first question, I think we are going to increase our marketing expense substantially this year, essentially to ensure that the positioning we deserve is there in the minds of our existing and prospective customers.
- Vivek Ganguly:** So what was the spend in this year?
- Parag Bhise:** It's around 5 Crore.
- Vivek Ganguly:** And about, you know, the large technology partners that you all work with?
- Parag Bhise:** Yeah, we are -- we have initiated some efforts in that direction and we do hope that during this current financial year, we'll be able to get going with at least one partner.
- Vivek Ganguly:** Okay, thank you.
- Moderator:** Next is Rahul Jain from Daulat Capital. Rahul, your line is unmuted.
- Rahul Jain:** Yeah. Hi. Congratulations to the management for the very strong execution. Just wanted to understand, I'm sure this question has been asked in various forms and it is difficult to give any outlook. What I essentially want to understand is that there has been some disruption that we saw because of headcount issue and some aberration because of the ransomware incidents a year back. Now, I'm sure on the ransomware side we are completely out of that situation and even on the attrition side, things are relatively better. Two-three, your inputs on two-three things would be very, very helpful. First, how we were able to get such a huge revenue in this quarter from a QOQ point of view; is it like there was some culmination of milestone on the implementation side which we were not able to execute and were able to build in this quarter? That is point number one. Secondly, are there significant traction coming from the point of view of overall demand in this quarter as well as in upcoming thing, because you said the environment looks very, very good. And thirdly, from a pure attrition point of view, we are already halfway in this quarter in Q1, so have you seen any moderation versus what you were seeing in Q4?
- Parag Bhise:** So as kind of a repeat, yeah, I agree. So the jump in revenue is the combination. As we said a couple of times earlier combination of pricing and yes, completion



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of some long going projects, some milestones being achieved, definitely. Traction; very strong types traction from the market, I'd said earlier, almost all our customers are wanting us to do a lot of things. So there is no dearth of any demand. And your third point was about?

Rahul Jain: Attrition being half way in this quarter, has it eased down versus March or that quarter?

Parag Bhise: Marginally, I would say, very marginally. Only thing I can say on this is that implement in advance, we will hope that it is better, but you can't say.

Rahul Jain: And also, on the macro side of thing, you think that given the situation that has played out during COVID, and now a few quarters after kind of COVID situation, banks are incrementally -- banks and NBFCs are incrementally looking toward the modernization of the core system and lending application or you think this is general positive, but there's no structural that you could get out of this situation?

Vishnu R. Dusad: Now, clearly, you know, how the banks, or most of them at least, and NBFCs also, they want to leverage on digitalization as much as they can. For example, some of the banks now want to call them this Fintechs with a banking license. So it has gone to that extent, and this is not a case with just one bank, most of them want to leverage technology in a very major way. And the kind of leveraging that we have done in our FinnOne Neo product and FinnAxia product, leveraging of technology, technological advances, they are open to explore this possibility at the earliest, at least some of them.

Rahul Jain: Right. And just last one from my side related to these two products that you said. Firstly, on the FinnOne Neo side, you were also mentioning some bid in terms of how the transition is happening, where you're asking clients to convert from the FinnOne to FinnOne Neo, what are the kinds of an upside that we are seeing if you can give one or two cases where that worked? What were the AMC recurring revenue that we were having versus when they migrate to FinnOne Neo, what kind of an upside we can see in that account?

Vishnu R. Dusad: We will not be able to give you any specific numbers, but we can generically tell you that because the Neo functionality is far more advanced, the tracking is also similar.

Rahul Jain: So sorry, I did -- I could not capture it. So what I'm trying to ask in case my question was not clear, is assuming there was a customer which was paying 100 rupee as AMC being using our FinnOne services for let's say, last 10 years. Now, he intends to move to a much brighter solution, which is FinnOne Neo,



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what could be the potential revenue stream from this customer over the next few years as you may -- he moves to a Cloud version of it?

Vishnu R. Dusad:

All right. So your question was very clear and what I understand the way I responded and what I will repeat is we would not be able to give you that number, except for the fact that functionality that we have on FinnOne Neo is many times more, right? So that's the only answer we will be able to give.

Rahul Jain:

Okay, so essentially, sir, what you're saying is that because it is a far more feature rich and powerful solution, it will give enough reason for customer to migrate from the older version to this version. And of course there could be some upside from revenues but difficult to quantify or share with us. Okay, and lastly, from the FinnAxia perspective, we used to earlier very specifically announce some of the deal when related to product specific success, and we used to feature -- we used to see FinnAxia also featuring in the IBS ranking. Unfortunately, we were not able to see wins coming for this product in that league table for -- and not even in the press releases that you publish for the shareholder, just trying to understand what has been the attraction in last year in this particular solution?

Vishnu R. Dusad:

Yeah, so last two years, you know, the COVID years, we had minimal addition of new logos, but all our existing customers are very happy with what they are able to put to use to service their customers. So now that the COVID is behind us, hopefully we propose to get active on talking to our prospective customers and we hope to come back to you with some news.

Rahul Jain:

Right. Right, and lastly -- sorry for extending my questions. Just one thing on the AMC side, any ballpark estimate you could give that on the total revenue base, what could be coming from AMC component?

Vishnu R. Dusad:

No, unfortunately, we don't give those breakups. So, we will have to -- we will be continuing with the same policy.

Rahul Jain:

Or maybe you could share the total number of active customers who are paying AMC?

Vishnu R. Dusad:

We may not be able to share that.

Rahul Jain:

Okay, okay. Thank you, and I'll fall back in the queue.

Vishnu R. Dusad:

Thank you.

Moderator:

So at this time, there are no further questions from participants. So I would like to hand over the floor back to Swati for final remarks; over to you, Swati.



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Swati Ahuja:

Thanks Harpreet. Now, we would like to thank all the investors for joining us today for this call. I will now pass it over to Vishnu Sir for his closing comments. Over to you, sir.

Vishnu R. Dusad:

Thanks Swati, and I would like to take this opportunity to thank all of you for your keen interest in Nucleus Software. We take this opportunity to reiterate our commitment to add value to all our stakeholders in years and decades to come. Thank you.

Moderator:

Thank you so much sir. Thank you all the speakers and thank you all the investors for joining the call. That does conclude our investor call for today. You may all disconnect now. Thank you and have a pleasant evening.

Vishnu R. Dusad:

Thank you. Thank you all. Thank you