



NUCLEUS SOFTWARE EXPORTS LTD.

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Nucleus Software

Earnings Conference Call

Event Date / Time: 29/01/2025, 15:00 Hrs.

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Moderator

Good afternoon, everyone. This is Pelsia. A very warm welcome to all of you for this Nucleus Software Earnings Conference Call for the quarter and nine months ended on December 31st, 2024. For discussion, we have from the management team, Mr. Vishnu R. Dusad, our Managing Director; Mr. Parag Bhise, CEO and Executive Director; Mr. Surya Prakash Kanodia, Chief Financial Officer, Mr. Ashish Khanna, Chief of Staff and Chief Marketing Officer; Mr. Mukesh Bangia, Vice President; Mr. Abhishek Pallav, Vice President; Ms. Swati Patwardhan, Chief Human Resource Officer; and Mr. Tapan Jayaswal, Financial Controller.

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 company's outlook for the future, or which may be constructed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. An audio and the transcript of this call will be shortly available on the investor session of company's website, www.nucleussoftware.com.

With this, we are now ready to begin with the opening comments on the performance of the company. And post that, we would be available for the questions and answer session. With this, I now pass it over to Mr. Vishnu. Over to you, sir.

Vishnu R Dusad

A warm welcome to all of you to this conference call on our performance for the Q3 FY25. We are very happy to let you know that the quarter has been a reasonable quarter, and we are looking forward to more exciting news in coming quarters. With those words, I would hand it over to Parag.

Parag Bhise

Thank you, Mr. Vishnu, for opening this call. A warm welcome to everyone who has joined the call. I would like to reiterate that the initiative that we have been talking about in the past few quarters of Hoshin Kanri is continuing, and we are also starting to observe some initial benefits from it. Some of our customers have also started to noticing it. So, we are committed to this, and we expect that these kinds of initiatives will drive us a significant productivity gains in the quarters to come. Thank you so much. I will hand over to Tapan now to give the financial update. Tapan, over to you.

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Tapan Jayaswal

Thanks, Parag, and good afternoon, everyone. As for revenue, our consolidated revenue for the quarter is at Rs. 205.7 crores against Rs. 202.2 crores QoQ and Rs. 204.1 crores YoY. Overall revenue in foreign currency including India rupees revenue is USD 24.4 million for the quarter against USD 24.1 million QoQ and USD 25.1 million YoY. Product revenue for the quarter is at Rs. 174.8 crores against Rs. 171.4 crores QoQ and Rs. 175.4 crores YoY. Revenue from projects and services for the quarter is at Rs. 30.9 crores against Rs. 30.8 crores QoQ and Rs. 28.8 crores YoY.

As for expenses, cost of delivery including cost of product development for the quarter is 70.7% of revenue against 71.4% of revenue QoQ and 61.8% of revenue YoY. In absolute terms, this is Rs. 145.5 crores against Rs. 144.4 crores QoQ and Rs. 126.1 crores YoY. Marketing and sales expenses for the quarter is 5.6% of revenue against 4.5% of revenue QoQ and 6% YoY. In absolute terms, this is Rs. 11.6 crores against Rs. 9.1 crores QoQ and Rs. 12.3 crores YoY. G&A expenses for the quarter is 7.6% of revenue against 8.5% of revenue QoQ and 8.9% YoY. In absolute terms, this is Rs. 15.6 crores against Rs. 17.2 crores QoQ and Rs. 18.2 crores YoY. EBITDA for the quarter is at Rs. 33 crores against Rs. 31.5 crores QoQ and Rs. 47.4 crores YoY. Other income from investments and deposit is at Rs. 14.8 crores against Rs. 18.5 crores QoQ and Rs. 11.8 crores YoY. Total other income for the quarter is Rs. 15.6 crores against Rs. 19 crores QoQ and Rs. 12 crores YoY. Total taxes are at Rs. 10 crores against Rs. 13.5 crores QoQ and Rs. 14.6 crores YoY.

Net profit is at Rs. 35 crores for the quarter against Rs. 33.1 crores for the quarter end and Rs. 41.3 crores YoY. Other comprehensive income is at Rs. (1.7) crores for the quarter against Rs. (2.7) crores QoQ and Rs. 1.6 crores YoY. Total comprehensive income, which includes net profit and other comprehensive income is Rs. 33.3 crores for the quarter against Rs. 30.4 crores QoQ and Rs. 42.9 crores YoY. EPS for the quarter is at Rs. 13.28 as against Rs. 12.35 QoQ and Rs. 15.43 YoY. In terms of foreign currency hedges on December 31st, 2024 we had USD 4.25 million of forward contract at an average rate of Rs. 84.95. There is a mark to market loss of Rs. 0.6 crores, which is hedging reserve in the balance sheet.

Revenue contribution from the top five clients for the quarter is 28.1% against 28.2% in the previous quarter. Total cash and cash equivalent as on December 31st, 2024 are Rs. 877.9 crores against Rs. 895.1 crores as on September 30th, 2024. This includes balances in current accounts of Rs. 33.6 crores, various schemes of mutual funds Rs. 613.8 crores, fixed deposit of Rs. 196.4 crores, investments in tax free bonds of Rs. 34.1 crores. With regard to receivables, we are at Rs. 109.6 crores against Rs. 99.7 crores previous quarter. During the quarter, there is a gross addition of fixed assets of Rs. 2.45 crores, consisting primarily of Rs. 1.17 crores on computers and servers, Rs. 0.69 crores on software, Rs. 0.56 crores on furniture and pictures and Rs. 0.3 crores on office equipment. Now I hand it over to Poonam.

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Poonam

Thank you, Tapan. So, Pelsia, you can take the question-and-answer session.

Moderator

Thank you, ma'am. With this, we are now open for the question-and-answer session. If you wish to ask a question, please press * and 1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press * and 1 again. I repeat, if you wish to ask a question, please press * and 1 on your telephone and wait for your name to be announced. First question comes from Vaibhav Badjatya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjatya

Yes. Hi, sir. Sorry, I missed the order book number, if you can repeat that. And secondly, the number of employees for September '24 quarter end and December '24 quarter end. That's it from my side.

Surya Prakash Kanodia

Yes. So, this is Surya here, Vaibhav. Thanks for your question. So, the order book that we have to be executed in the remaining part of the tenure is around Rs. 700 crores. So that is in the order book side. And in terms of the employee size, by end of September 2024, it was around 1,938, which was reduced to 1,903 by December end.

Vaibhav Badjatya

Yes. That's it for me. Thank you.

Moderator

Thank you. Next question comes from Sanjay K, an individual investor. Please go ahead.

Sanjay K

Hello. Good evening, sir. Just want to know how many new customers are added in last quarter? And how the traction looks like? I do not want any guidance or numbers, but how the traction looks like for the Q4 and going forward?

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Ashish Khanna

Hi, Ashish, this is side. Thank you for the question. Can you hear me?

Sanjay K

Yes, I can hear you now.

Ashish Khanna

Right. So, a lot of traction when it comes to upcoming banks and NBFC in terms of digital transformation. We are getting a lot of traction not just in India, but in different countries, including Southeast Asia, Middle East, Australia. So, we are in kind of a close coordination with all these stakeholders in different institutes and we are very optimistic about some good number closer by end of this financial year. So, we are very optimistic, and I think the new tech stack is coming out well and we are getting very positive feedback from the customers who are using it and getting a value out of it.

Sanjay K

Sure. How about the new question added in this last quarter?

Ashish Khanna

So as of now, since this sales cycle is a bit longer, so we are still in kind of a closer stage, so I won't be able to comment on that number right now. So, we are still kind of in a very closer stage, but yes, so to answer that, I think a lot of good traction. But our sales cycle is a little bit longer as compared to previous years, so I think it is taking a little time, but I think we are in a good shape.

Sanjay K

All right. Yes. Wish you all the best

Ashish Khanna

Thank you.

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Moderator

Thank you. Next question comes from Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah

Yeah. Thank you for giving an opportunity. I want to understand across our key products, if you could give some color as to how the growth has been over nine months and how is the order book break up between these three products?

Parag Bhise

Yes. You'll need to repeat. We could not hear the question clearly.

Grishma Shah

Yes. So, I am keen to understand how the three products have fared on a nine-month basis for us and what does it look like in terms of our order book going ahead?

Ashish Khanna

Hi Ashish, this side. If I understood your question correctly, you want to understand how the nine months was, right, for us in terms of the product business, right, in both the lines in FinnAxia and FinnOne So, I think as I mentioned, I think it's been a very good and a positive financial year for us till now. And a lot of our products are -- a lot of our customers, existing customers appreciated the new features and new products offering which Nucleus is bringing on table, especially with respect to the value we are adding in improving the efficiency at the bank front or NBFC front and also helping them in an agile way to offer new financial product to the market. So, I think we are getting a good traction.

Similarly for the new customers, with our lot of participation now in a lot of different industry events, we are getting a lot of queries from different players in different geographies where we are also very optimistic. Some of them are good big player who want to transform from their legacy system. So, we are very hopeful about the time which is ahead of us in terms of transformation.

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Grishma Shah

Okay. So, I believe that we have taken a substantial price increase in one of our key products and we were waiting for their acceptance of the customers end over the last three to four quarters. Now, while I understand that, there has been a good response, is there a roadmap to which you can say that over the next two to three quarters, we will start seeing growth in a yearly, you know, numbers for the product, or it is still some time given the longer conversion cycle from the customer?

Vishnu R Dusad

Yeah. This is Vishnu here. As we have been maintaining all these years. We do not give any guidance as such, but at the same time, we remain highly optimistic about our future.

Grishma Shah

I get that, but is there an acceptance even in the top 5% of our customers in terms of our price increase? What's the color on that if you could give us some sense on that, sir?

Vishnu R Dusad

Sorry. You will have to repeat. What did you want to know about pricing, please?

Grishma Shah

Sir, we had taken a price increase in our key product, right, which was one. So, I mean, how is that acceptance, what percentage of our customers were accepted or converted to the new platform? If you could give some color on that.

Vishnu R Dusad

Okay. So as far as that is concerned, we had price increase on our existing platform because as we have been mentioning, because the prices were ultra-deep discounted. Our customers have been understanding enough to realize this point. And they continue to look forward to implementing our new solutions as well. Some of them are getting implemented already, and the others, we are confident, would like to implement and derive benefits out of the new product.

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Grishma Shah

Okay. Because the BFSI product sales across various companies is seeing a phenomenal growth in the current environment. So, I'm just trying to calibrate that maybe next year is when a larger percentage of our customers have accepted the new product and we would start seeing growth. Is that a fair assumption?

Vishnu R Dusad

Yes. It's a fair assumption.

Grishma Shah

Okay. And, in terms of order book, this is executable over what time frame?

Vishnu R Dusad

I think over 5 years.

Tapan Jayaswal

Yeah. I mean, different phases are there for different customers. But on an average, you can assume around 3 to 5 years.

Grishma Shah

The initiative that you have been talking in your opening remarks, I mean, what is it pertaining to? And what are the numerical benefits that we would derive out of this?

Vishnu R Dusad

Yes. Thank you for that question. Very important. So, we have updated in the past, essentially, the organization has adopted lean journey in a way. Lean is a concept you would all know from manufacturing. It was initiated by Toyota, then was adopted in various manufacturing units and now service companies are also adopting it. So, we have also adopted this concept. It's a change management process. We look at essentially anything and everything in the company, whether it is engineering, whether it is implementations, whether it is HR processes, sales processes and look for improvements in that.

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So, the current year going, we had prioritized five to six initiatives, which are primarily customer focused in terms of improved SLAs, improved turnaround times, so those kinds of initiatives and on which, we started to see now some benefit. Essentially, these are in terms of productivity improvements, reductions of wastages, etc.

Grishma Shah

So, will that lead to improvement in our operating margins or gross margins or reduction in headcount? How do you quantify that?

Vishnu R Dusad

Okay. So, reduction in headcount is something which we're definitely not looking at, but definitely using the same headcount to do more and more work. Now it's too early to say. When I said that we are getting some feelers that our customers are appreciating it, it is more in terms of turnaround time in SLAs, whether it is for deliveries or for fixes. Now for this to convert into financial numbers, I think it's still some time away. But ultimately, yes, that is what we are expecting in due course of time.

Grishma Shah

Is it, like, 2 years, 3 years initiative?

Vishnu R Dusad

It will be difficult to, say it in land terms, but I'm sure, yes, 3 years is a reasonable time, but how much we can't quantify right now. But we are all very excited about the results that we are seeing on some of our engineering and process improvements.

Grishma Shah

Okay. Fine. Thank you and good luck.

Thank you.

Moderator

Thank you. Next question comes from Vinay Nadkarani from Hathway Investments Private Limited. Please go ahead.

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Vinay Nadkarani

Yes. Good afternoon. Just wanted to check out for the last time when you had increased sales, it was in March 2023. Since then, your sales have been more or less the same between Rs. 200 crores to Rs. 205 crores every quarter, but your employee expenses have continued. Are you looking at newer areas of development, which can help you generate more revenues in future? Or how is this employee expenses rising so much when your sales are stagnant?

Vishnu R Dusad

Thanks for this very meaningful question. The way I would like to respond to this is two ways: One, our customers, as we have mentioned earlier, customers are taking longer time to take their decisions, and that is how the top line has remained static for almost eight quarters. And the other aspect I would like to talk about is the employee expenses we are more than confident that as our prospective customers and existing customers start taking decisions, we will be able to leverage all the strength that we have in terms of our human capital and the investment that is going in would be more than paid off. So that's how I would like to respond to this.

Vinay Nadkarani

Yes. But are you looking at expanding your product base to add new products? Or are you looking at only one range of products that you are working on? Or any new sectors that you are wanting to add?

Vishnu R Dusad

No. As of now, we will continue to focus on these two sectors, that is transaction banking and lending. However, areas like AI are something where substantial part of our existing human capital would start getting deployed in the months and quarters to come.

Vinay Nadkarani

Okay. Thanks a lot. I'll join the queue.

Vishnu R Dusad

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Moderator

Thank you. Next question comes from Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh

Yeah. Thank you for the opportunity. So, I just wanted to understand on the customer decision side. Like you mentioned, customer is taking more time than expected. So, what kind of feedback now we are getting, if we have done, like, with the sales team, maybe had a discussion? So, what kind of, feedback we are getting when a customer will be going to start taking this decision faster? Now most of the things that was expected already happened on the macro side. So, what's your feedback on that side?

Vishnu R Dusad

See, typically, the sense we get is that our customers want to be very cautious about the solutions that they are choosing. And hence, their selection cycles have moved from typical 6 months to a year, sometimes 2 years and so on. And that is about the only sustained feedback that is coming. I just wanted to add another aspect that what we are observing is even for such decisions. Now even Boards are getting involved, which is something which we have not experienced in the past. So that is one where all financial institutions now have IT steering committee, they have to make presentations. So that has kind of added to the cycle. That is one, I think, another observation.

Jyoti Singh

Thank you, sir. And also, sir, on the guidance side, as you mentioned, you are being optimistic. But if you can give us some idea what kind of visibility we are seeing for the company?

Vishnu R Dusad

No. I don't think, we will be, like, want to talk about any numbers, because that is what been in our policy, and we'd like to stick to that policy.

Jyoti Singh

Thank you so much.

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Moderator

Thank you. Next question comes from Samar Singh from TPF Capital. Please go ahead. They've withdrawn his question. Next question comes from Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain

Yes, hi. I hope my line is audible.

Vishnu R Dusad

Yes, Rahul. Thanks for joining in.

Rahul Jain

Yes, hi. Vishnu ji, I have couple of questions. Firstly, just to try to understand the environment and situation slightly better. We've been seeing some challenges in terms of adding new customer, decision making and all is what you've been highlighting for some time. And recently, we also did some leadership addition in the Southeast Asia in the A&Z market. So, whether first of all, to understand were this replacement and that's why we had a period where we didn't have this kind of leadership? Or this is more like strengthening of manpower from a sales point of view that has happened with the induction of these two gentlemen in Southeast Asia and ANZ?

Vishnu R Dusad

Yes. Clearly, both these were replacements. We did not have these positions filled for some time and that's what we've done. And we have a couple of more senior positions that we are in the process of filling it.

Rahul Jain

Right. So, in a way, is it safer to assume that either market is also not great and plus we had this kind of gaps in the key roles, which also could have caused some opportunity misplacement?

Vishnu R Dusad

That's a very meaningful assumption to make.

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Rahul Jain

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Right. Also, since this situation may be evolving in a slow and steady manner, is there a change in stance we would like to do on our F&M side of the spend? Because that number has scaled up quite materially, while in the interim, we have not seen any progress on the revenue side. So, do you think the need of the investment would mean that number would remain healthy while revenue may lag here?

Vishnu R Dusad

We strongly believe that our story has not been told at all. To use a phrase, we have not gone to rooftop and shouted about our achievements. So, we will need to continue to talk about our achievements. Whenever we start talking about them, only question we hear is where were you? Those are the kind of remarks that we hear. So, we will continue to focus on marketing and letting the relevant audiences know what is it that they can get from us. And post that, I'm sure we'll generate the returns on the investments.

Rahul Jain

Right. And in terms of EBITDA margin and of course, as you said, investment might continue. But if you look at our profitability for 9 months, it has now reached a little over 15% mark, which is something we used to do in the previous decade as an average, but we had a lot of plus and minus in this last couple of years where we saw a lot of movement. So, you think this 15%, our long-term profitability is the right benchmark for us for the next couple of years? Or you think this is an over investment and a weak year and our operating level of profitability is much better than this number?

Vishnu R Dusad

We will want to move to profitability much better than this number. How soon that happens is that remains to be seen. But clearly, this is not our benchmark. Benchmark would be much higher.

Rahul Jain

Yes. So, my question was more in terms of as a business leader, when you don't see growth, will you go towards optimizing profitability for that period to ensure the base minimum level of profitability? Or you would see that, in the interim, it could go to even a lower number than this and then it might pick up when we see a growth traction?

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Vishnu R Dusad

Okay. The way we would respond to that is, though we do not expect anything of that sort to happen, but if required for a quarter or two, maybe if it goes below this, we would allow that to happen, but continue to focus on the investments that we make for the long-term value that our customers expect from us. So, we are making substantial investments in areas like AI and our solutions have now in some manner started delivering value to some of our customers using AI. So, we will want to rather accelerate that in months and quarters to come.

Rahul Jain

Sure. And just last one bit, which is more about bookkeeping. I think there was this mention of INR 700 crores order book number. It would be great if you could give the breakup in terms of product and services here.

Surya Kanodia

Yes. So, most of it is in product, almost like more than 90% would be in the product territory. The balance is for the services.

Rahul Jain

You said 90% or 95%, sorry?

Surya Kanodia

90%. 90% plus will be on the product side. The balance would be on the services.

Rahul Jain

Okay. Thank you. That's it from my side.

Moderator

Thank you. Question comes from Samar Singh from TPF Capital. Please go ahead.

Samar Singh

Good afternoon. Thank you for the opportunity. We recently announced a new FinnAxia deal. I just wanted to know how many customers we have for FinnAxia post this deal announcement?

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Ashish Khanna

I think you're talking about, Ashish, this side. You're talking about Federal Bank going live, am I right?

Samar Singh

Right.

Ashish Khanna

So, yes, I think we get this deal a few months back. We replaced one of the solutions, which was not giving them value enough for their corporate customers. So, they have grown live absolutely on time, and I think that's what jointly both Federal Bank and Nucleus done a press release about that win or achievement in terms of going live. And so, we are growing very strong with them. And similarly, there are a couple of more deals when it comes to transaction banking product, which is FinnAxia, which we are pursuing with some of the big banks. So, we are definitely seeing a lot of tractions on that particular product. And definitely, Federal Bank achievement on time delivery and quality delivery will also help us to get those deals faster. So that's what we are kind of anticipating at this stage.

Samar Singh

Right. I think historically, we focused a lot on FinnOne Neo and FinnAxia, at least for the last couple of quarters, hasn't really come up at least in the call. So, I was just curious to know if you could one... I mean, I think our number of FinnAxia customers we have are far fewer than the FinnOne Neo customers. So, if you could talk about why that is, why FinnAxia has not been able to scale up and why we have not been able to cross sell to our FinnOne Neo customers? And do you see any changes happening in that in the near future?

Ashish Khanna

Right. So maybe so let me talk about the product a little bit. So FinnAxia is a very different product, which dealt with the corporate customers and mostly big banks and institutions require this kind of a product. And today if I talk about, I'm not talking about the number of customers, but if I talk about the kind of a transactions, it is handling. So, we are handling more than \$15 trillion worth of transactions a year through this platform, which also talk about a size of the kind of volume this platform is handling today. And we are operating with this platform in 20 countries as of now.

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I think with more digital journeys or digital payments coming into the ecosystem not just in India but across, I think we are seeing ourselves very well placed in picking up those yields and in bringing those efficiencies or enablement system to the banks and institution so that they can kind of process those kind of volumes and heavy payments with the robust solution. So, I won't compare it with the number of logos from FinnOne Neo because it's a different product. But in terms of value, I think we are seeing a lot of traction, a lot of value. And we are hopeful that now with more focus on the digital payments, we will be able to make more reach of this product to different financial institutions.

Samar Singh

Just wanted a clarification on, I mean, this product is not a new product, right? It's been there with us for a long time. I'm just wondering if something has changed either in the product or in our marketing that is that we expect now to for the purchase to better going ahead?

Ashish Khanna

So, changes are on both side. I mean, one, we have also re-architect our product. So, it is now API first strategy in the technical architecture front. So, product architecture definitely got enhanced with a lot of new features and new functionalities, stitched around an API-driven architecture. Second, I think you mentioned about the market. Market also is showing a lot of responsiveness when it comes to digital payments with a direct focus from a lot of governments from different countries and also cross border payments. So, we see a lot of traction from both the sides. One, we have also changed ourselves from a production standpoint. And second, market is also becoming more responsive, more open to such kind of a transitional transformational projects or products.

Samar Singh

Got you. Okay. And just a question on our profitability. It seems like the domestic business has the steadiest profitability in terms of the bottom line. There's slight fluctuation, but more or less stable, while altogether geographies seem to have a lot of volatility in terms of profit, sometimes a large profit number seems to sometimes negative. So just help us understand why that happened? And do we see any of the other geographies becoming more stable like our domestic business?

Vishnu R Dusad

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Yes. As you understand from our response to the previous question, we did have challenge in terms of the sales and account management bandwidth for some time, and that is what has resulted in uneven profitability in some of the geographies. But going forward, we are confident that we'll be able to maintain and further grow the profitability.

Samarth Singh

But, Vishnu ji, just to push back on that, this is not a recent phenomenon, right? The swings and profitability have been around for many years now in the non-domestic business. So, I mean, is it more implementation revenue in those geographies and that's of sort of AMC revenue? Is that why these swings happen?

Vishnu R Dusad

No. It varies from geography to geography.

Moderator

Dear participants, kindly stay connected while we connect the management team back on the call. Dear participants, kindly stay connected while we connect the management team back on the call. I welcome back the management team. Please go ahead, sir.

Vishnu R Dusad

I'm not too sure till what time you hear us.

Samar Singh

So, you were just answering the question. The question was that the volatility in the other geographies in terms of profits has been around I mean, that's not a recent phenomenon. That's been going on for some time now. And so, I was hoping to get some more clarity on that.

Vishnu R Dusad

Yes. So, as I was explaining, we've been having implementations in certain geographies and at the end of the time, the revenue may go up, profitability may come down. And then there's other geographies at some other point of time where AMC revenue will be there and that's where the profitability is higher. So, this has been the case. However, going forward, we are confident that we'll be having steady profitability in all the geographies, which would keep growing.

Okay. That's it from my end. Thank you.

Moderator

Thank you. We have a follow-up question from Sanjay K, an individual investor. Please go ahead.

Sanjay K

Thank you for the opportunity. I have two questions. Recently, company has participated in this exhibition where they demonstrated vehicle finance product at AFSA in U.S., I think, on that. So, is this a new product? And how was the response to this product demonstration? That's first question. And second question is about Q4 is generally better compared to Q3 for the product companies. So, are we seeing the same thing happening here or just better or you can just give that idea?

Ashish Khanna

Okay. Hi, Ashish, this side. So let me attempt answering the first one. So, AFSA event, definitely, I mean, so one of the major product or line of business for us is the captive auto finance market. So, we are already working with some of the big players in captive auto finance market in multiple countries. We are trying to enter into North America as a reason. General Motors Finance, for instance, is our customer from last 25 years now. They are using our captive auto finance product, which is an offshoot of new FinnOne Neo product. And they have been using this product from last 25 years in multiple countries. We have implemented it across part of Europe, part of Latin America.

We are in talks with multiple players in North America right now in the captive auto finance area to enable them with our product. So that's the reason why we are also focusing on North America in terms of participating in industry events and sharing our perspective, sharing our thought leadership in lending space and especially in captive auto finance space, that's the reason. So, there are a lot of tractions and it's a very good industry connect. So, we are hopeful of doing business in North America. Sorry can you repeat the second question?

Sanjay K

Yes, second question is generally all these product companies have Q4 generally are better than Q3. So, I just want to check whether it's at least the same thing will be happening for this Nucleus or it's going to be different?

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Ashish Khanna

Sure. Thank you for the question. I think, again, as Mr. Vishnu mentioned, we are very optimistic, but at the same time, we don't give guidance that's not part of the policy and we want to stick to that policy. But yes, we are very positive. We are very optimistic as an organization.

Sanjay K

Thank you and all the best.

Ashish Khanna

Thank you.

Moderator

Thank you. Next question comes from Hardik Bora, an Individual Investor. Please go ahead.

Hardik Bora

Hi, good afternoon. Am I audible?

Vishnu R Dusad

Yes, you are.

Hardik Bora

Okay, good. First of all, I think it's commendable that you continue to focus on spending for growth rather than prioritizing profitability for the moment and that's good for long term wealth creation. If I look at the segmental numbers, the geographical break up that you provide, my assessment is that the incremental costs are being spent for Indian geography. Is that correct to summarize from the segmental numbers?

Surya Kanodia

Can you repeat the last part of your question?

Hardik Bora

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Yes. If you look at the segment geographical breakup, if you subtract the revenue minus the segmental profit, it looks like India's geography has seen majority of its incremental cost increase that we have seen in the last three quarters. So, is it correct to assume that large part of this growth-oriented cost is incurred for India?

Vishnu R Dusad

No. So, see, I would like to kind of clarify on this. See, there is a cost increment is happening in India, but the efforts are going for the overall growth. So obviously, the activities are happening for growth in India and therefore, we are seeing the expenses in India. But so far as the growth and the efforts are concerned, it is for throughout the world, not only limited to India.

Hardik Bora

Okay, understood. And sorry, you might have given this clarification. Is there a broad split you are providing? How much of this cost is being spent on sales and marketing and how much of it is on further product development and improvement?

Surya Kanodia

Yes. So, the breakup of that would be available as part of our results. And Tapan, at the beginning of the call also mentioned about the individual component of the cost.

Hardik Bora

Okay. All right. All the best. Thank you.

Moderator

Thank you. We have a follow-up question from Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya

My question has been answered. So that's it from my side. Thank you.

Ashish Khanna

Thank you.

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Vishnu R Dusad

Thank you.

Moderator

Thank you. If you wish to ask a question, please press * and 1 on your telephone and wait for your name to be announced. I repeat if you wish to ask a question, please press * and 1 on your telephone and wait for your name to be announced. Follow-up question is from Vinay Nadkarani from Hathway Investments Private Limited. Please go ahead.

Vinay Nadkarani

Yes. Just wanted a breakup of revenue between license, implementation and AMC, if you can provide us.

Vishnu R Dusad

So, the line is a little bit disturbed. So, you will have to repeat the question.

Vinay Nadkarani

Sorry. Can you hear me now?

Vishnu R Dusad

It is better.

Vinay Nadkarani

Can you give us a breakup of how much from licenses, how much from implementation?

Moderator

I'm sorry to interrupt, sir. Your voice is not clear, sir.

Ashish Khanna

So, if we understand your question well, I think you are asking for a breakup between license and implementation in terms of revenue. Am I right?

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Moderator

Sir, there is no response, sir.

Ashish Khanna

Sure. Okay. No worries.

Moderator

Next question comes from Lakshay Agarwal from Growth Ventures. Please go ahead.

Lakshay Agarwal

Hello, sir. Thanks for taking my question. So, you had earlier mentioned that you're exploring the new product offerings, particularly in AI and investing efforts over there. So, I just wanted to understand that what exactly would you be developing using this, and how will it impact?

Abhishek Pallav

Hi, I'm Abhishek Pallav. The idea is to generate data driven insights and hyper personalized in this era. And there are use cases in each part if you look at the way connections are happening, security or the follow ups that agents are doing. So, I'll not be talking about use cases, but there is a plethora of use cases that we are working upon, a plethora of business problems. So, the idea is to enhance the customer efficiency and agents' efficiencies and enable customers and decision makers to take right decisions instantly as well as with lots of information that can help them to look at the way decisions are being made in the right direction, number one.

Number two is right prospect. And certain times, there are cases wherein when to follow-up, what is the right time to follow-up. Hyper personalization to data driven insights and segment-based cross-sell, upsell, there are so many use cases that we are working upon. We are also using capabilities from large norm models, lineal models to convolutional models, deep model network, deep neural networks, etc. So, any specific area that you're looking for?

Lakshay Agarwal

So actually, I just wanted to understand that is any of these segments implemented right now in our product or we are working towards it yet?

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Ashish Khanna

No, no. Our product offering has this. So, we have AI enabled in our product from almost more than 3, 4 years now. So as Abhishek mentioned, so our transaction management product. FinnAxia, is already enabled with an AI fraud detection module, which helps to detect the fraud in the transactions. Similarly, we have multiple use cases, as Abhishek mentioned, in the entire life cycle of our lending product, lending enterprise product including the origination, servicing and collection model. So, there are a couple of use cases which are already kind of explored live in the system and some we are developing.

Lakshay Agarwal

Okay. Understood. And, like, while implementing all of these solutions, is it possible that we are able to charge a premium from our customers due to this?

Ashish Khanna

Absolutely. I mean, see it's not about charging a premium, but I think, so we believe in a lot of value creation when it comes to customers as a partner, right? So, I think lot of use cases only customers are adding the operational efficiency for their business or enable the next set of customers or unlock the next set of customers for them or create a new set of financial products for their end customers. So, I think we are seeing a lot of value. And that value creation comes definitely as part of our pricing strategy. So, I mean, we don't call it out as a separate premium pricing product at this stage, but maybe we are not sure how this will unfold or unwrap in the future. So as of now, it bundles up within the product offering.

Lakshay Agarwal

Okay. Thank you.

Ashish Khanna

Yes. So, the idea is to increase the efficiency and help customer see insights from the data they already have and take decisions for the business.

Lakshay Agarwal

Got it, sir. Thank you.

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Thank you. Now I pass it over to Mr. Vishnu for his closing comments.

Vishnu R Dusad

Thank you very much for your continued interest in Nucleus Software, and I would like to reiterate our commitment to long term value addition to all our stakeholders. Thank you very much once again for your interest.

Moderator

That concludes our conference for today. Thank you for participating you may all disconnect now.

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