



**Nucleus Software Exports Ltd.**

**“Quarterly earnings Conference Call for the Quarter and Year Ended on 30 June 2021”**

**August 13<sup>th</sup>, 2021**



**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 30th June 2021. For the duration of the presentation, all participants' lines will be in listen-only mode. We will have a Q&A session after the presentation. So I would like to now hand over the proceedings to Ms. Swati Ahuja. Thank you and over to you, Swati.

**Swati Ahuja:**

Thanks, Harpreet. Good afternoon everyone. This is Swati from Investor Relations team at Nucleus Software. A very warm welcome to all of you for this Nucleus Software earnings conference call for the first quarter ended as on June 30th, 2021. For discussion, we have here from the management team Mr. Vishnu



*Nucleus Software Exports Ltd.  
“Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021”*

*June 13th, 2021*

R. Dusad, our Managing Director; Mr. Parag Bhise, CEO; Mr. Anurag Mantri, CFO and Executive Director; Mr. Tapan Jayaswal, colleague from the finance team; Ms. Prema Rajaraman, Global Head HR and Mr. Ashish Khanna, Business Consultant – Financial Inclusion. 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 risks that the company faces. And audio and transcript of this call would be shortly available on the investor section of our website, [www.nucleussoftware.com](http://www.nucleussoftware.com). With this, we are now ready to begin with the opening comments on the performance of the company for the quarter ended on June 30th, 2021 from the M.D. and post that we would be available for the Q&A session. With this, I now pass it over to Vishnu, sir. Over to you, sir.

**Vishnu R. Dusad:**

Thanks Swati and warm welcome to the investor call for the first quarter ending 30th June 2021. The first quarter, this year was one of the toughest for us as we were barely recovering from the COVID-19 second wave. As we had mentioned in our investor call on 4th of June, we were hit by a ransomware attack that almost crippled us for a couple of weeks during the month of June 21. Thanks to the phenomenal effort by our leaders and our partners. We are fully back on our feet and as emerged wiser and stronger. The other challenge that we as an industry are facing is that of industry wide attrition due to huge increase in digitization work to the country. To ensure that Nuclides continue to add value to our customers in uninterrupted manner, we took some major steps. The compensation has been raised sufficiently. While this has affected our profitability, we are confident we will be able to get back to our standard profitability in not too distant future. We believe that this is an investment in our future. With those words, I would now like to hand over to our CEO, Parag Bhise. Over to you, Parag.

**Parag Bhise:**

Thank you very much, Vishnu, for your comments. Yeah, echo Vishnu's sentiments. The quarter that has gone by is arguably one of the toughest quarter that I have seen in my 30 plus years of association with the company and the industry for that matter. We were hit by three major problems in quick succession within the same quarter. The last one of them being something that the entire industry is facing, the severe resource demand stroke challenge [in the industry], we have responded to all these three - all three of these challenges appropriately. And while it is still not sure, we have the bloodbath caused by the extreme surge in demand of trained technical people will stop there [and when it will stop]. We are obviously closely monitoring the situation and we will respond to it as required. When our profits have been impacted due to the rise in personnel cost with the business opportunities shaping up that are visible to us



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

and already in our hand, we are quite confident that we'll be back on track soon. That's all from my side. Thank you.

**Swati Ahuja:**

Tapan, sir. Please highlight the financial.

**Tapan Jayaswal:**

Hello. Yeah. Yeah. Thank you, Parag, Key highlights from financials are: We have a consolidated revenue for the quarter is at INR 108.4 crores against INR 124.2 crores quarter on quarter and INR 128.4 crores year on year.

Overall revenue in foreign currency including India rupees revenues USD 14.8 million for the quarter against USD 16.9 million quarter on quarter and USD 17.3 million year on year.

Product revenue for the quarter is at INR 89.9 crores against INR 105 crores quarter on quarter and INR 107.1 crore year on year.

Revenue from the project and services for the quarter is at INR 18.5 crores against 19.2 crores quarter on quarter and INR 21.3 crores year on year.

Moving on to the expenses side of it, cost of delivery including cost of product development for the quarter is at 81.2% of revenue against 63.6% of revenue quarter on quarter and 62.6% of revenue year on year. In absolute terms, this is INR 88.1 crore against 79 crore quarter on quarter and INR 80.3 crore year on year.

Marketing and sales expense for the quarter is 5.7% of revenue against 3.7% of revenue quarter on quarter and 1.6% year on year. In absolute terms, this is INR 6.2 crores against 4.6 crores quarter on quarter and INR 2 crore year on year.

Moving on to general administration expenses for the quarter is 11.8% of revenue against 7.3% of revenue quarter on quarter and 6.9% year on year. In absolute terms, this is INR 12.8 crores against 9.1 crore quarter on quarter and INR 8.9 crore year on year.

EBITDA for the quarter is at INR 1.4 crores against INR 31.5 crore quarter on quarter and INR 37.1 crore year on year.

Other income from investment and deposit at INR 8.8 crore against INR 6.7 crore quarter on quarter and INR 10.7 crore year on year.

Total other income for the quarter is INR 10.8 crore against INR 7.2 crore quarter on quarter and INR 13 crore year on year.

Total taxes are at INR 3.1 crore against INR 8.2 crore quarter on quarter and INR 10.1 crore year on year.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

Net profit stands at INR 6 crore for the quarter against INR 27.4 crore quarter on quarter and INR 36.3 crore year on year.

Other comprehensive income is at negative 3.2 crore for the quarter against negative 1.5 crore quarter on quarter and INR 2.4 crore year on year.

Total comprehensive income which includes net profit and other comprehensive income is at INR 2.8 crore for the quarter against INR 25.9 crore quarter on quarter and INR 38.7 crore year on year.

EPS for the quarter is at INR 2.07 as against INR 9.42 in the previous quarter and INR 12.51 in June 20 quarter.

In terms of foreign currency hedges on June 30th, 2021, we had USD 5 million of forward contracts at an average rate of 75.14. There is a mark to market loss of INR 3.69 lakhs which is taken to hedging reserve in the balance sheet.

Revenue contribution from the top five clients for the quarter is 26% as against 27% in the previous quarter. The order book position stands at INR 534.9 crores including INR 490.4 crores of product business and INR 44.5 crores of project and services business. In March 31st, 2020, the order book position was INR 477.9 crores including INR 445.9 crores of product business and INR 32 crores of projects and service your business.

Total cash and cash equivalent as on 30th June 2021 are INR 734.3 crores against INR 692 crores as on 31st March 2021. This includes balance in current accounts of INR 35.1 crore, various schemes of mutual funds amounting to INR 528.1 crore, fixed deposits of INR 29.6 crore, investment in tax-free bonds of INR 113.2 crores, INR 28.3 crores in preference shares.

With regards to receivables, we are at INR 69.5 crores against INR 85.7 crores previous quarter. During the quarter, there is a gross addition of fixed assets of INR 2.62 crores consisting primarily of INR 0.34 crores on plant and machinery, INR 1.18 crores on software and INR 1.10 crores on computers. Now I hand over to Swati.

**Swati Ahuja:**

Thank you, sir. With this, we are now open for Q&A session. I will now hand it over to Harpreet. Over to you, Harpreet.

**Moderator:**

Thank you, Swati. With this, we will open the floor for Q&A interaction. So participants, if you have any questions, please press '0' and then '1' on your telephone keypad. And wait .I'll repeat, you need to press '0' and then '1' to ask a question. First question of the day we have from [Audio Cut] from HMC Private Limited. Your line is unmuted. Please go ahead.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Unknown Male Speaker:** Am I audible now?

**Moderator:** Yes, you're audible.

**Unknown Male Speaker:** Yeah, so I have a couple of questions, sir. First is, so I'll put together if you want. So, sir, are we still seeing difficulties in NBFC sector as you said in the last call? If you see, as of now the most of the NBFCs now stand at a pre-COVID level and the collection efficiency also is nearly stands at 90%. So we are still facing difficulties, please, please could you give some color on it?

**Vishnu R. Dusad:** Parag, do you want to make it?

**Unknown Male Speaker:** Hello? Hello?

**Parag Bhise:** Yes. Should I respond, Vishnu?

**Vishnu R. Dusad:** Yeah, yeah, yeah. Please go ahead.

**Parag Bhise:** Yes. This is Parag here. Thank you for your question. So NBFC [stand] from business perspective [or other perspective] now we are not seeing any challenges. We are, as I indicated in my initial comment that the business perspective looks good, including NBFC. To be specific, we're not now facing any challenges. We're getting the traction.

**Unknown Male Speaker:** Okay, okay. So, we are not facing any difficulties now from the NBFC.

**Parag Bhise:** No, not [at NBFC].

**Unknown Male Speaker:** Yeah. Okay. And the second question, we can see that is a like huge jump on employee benefit expense, which stands at 85% as a percentage of sales during the quarter and the last quarter was 59%. So will it continue for the coming quarter, sir? We are quite accurately higher than the peers on the employee expense?

**Parag Bhise:** So you're talking of personal expenses, right?

**Unknown Male Speaker:** Yeah, yeah, yeah. I'm talking about the personal expenses like employee benefit expense.

**Parag Bhise:** Okay. So this quarter is exceptional, because if you note our revenues are also down because of the problems that Vishnu sir talked about. [We faced] problems in succession. COVID, we were impacted severely because then followed by ransomware. Because of it, three weeks we were not operational and the huge demand because of it, the attrition is [added] which is an industry wide phenomenon but we are also facing it. So this quarter, we were hit by, on one



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

side, the revenue shortage. On the other side, we had to revive our salaries significantly. So there was a dual impact. We don't expect the same in next quarter. At least that is what is the expectation because, as I said, the business is looking good. At least the other two problems are behind us, and we should be probably doing much better on the revenue side at least. That's my belief.

**Unknown Male Speaker:**

Okay, so we'll still maintain 64% on a year basis.

**Vishnu R. Dusad:**

We are not very sure whether, you know, as Parag has highlighted. This is Vishnu. As Parag has highlighted, we do hope to recover from obviously this. Hopefully, this is the worst quarter. We will certainly recover, but how much, how long will it take for us to get back to, you know, the same ratios, we are not in a position to comment right now.

**Unknown Male Speaker:**

Okay, sir. Okay. Thank you.

**Vishnu R. Dusad:**

Thank you.

**Moderator:**

Next we have Divyesh Mehta from Daulat Capital. Your line is unmuted. Please go ahead.

**Divyesh Mehta:**

Hello, thank you for taking my question. Am I audible?

**Vishnu R. Dusad:**

Yes, you are.

**Moderator:**

Yes, you are audible.

**Divyesh Mehta:**

Okay. My first question is that even in the last quarter, you had seen some revenue decline, which was due to supply side factors or lower attrition from the order book. Is this the same case this time? Even if it is the same case, I think the declining revenue is a bit steep. If you can give some clarity on that. And what is the current status in July and August? How are things going on right now? And how do we expect to, again get traction from the order book because our order book is increasing, but the revenue is not? And can you share the quantum of the bonus and high given and what is the attrition percentage? That's it, thank you if you can answer this.

**Vishnu R. Dusad:**

Okay, as far as the attrition percentage is concerned, I think it is [ a worth] of 30% annualized. And in fact, in one month, it was really close to 40%. How is it? Thanks to the substantial increase that we have given. It is certainly somewhat under control and we are keeping, as Parag has mentioned, we are keeping a close eye on how things are improving at the industry level and we'll be taking steps accordingly. So, broadly, this is what we can say at this juncture. If there's anything else that you'd like to understand, please let us know.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

- Divyesh Mehta:** If you can give an idea that why there was such a steep decline and how are we planning to recover from this? And how would the again the orders would fall into the revenue?
- Vishnu R. Dusad:** Right. So, as far as the steep decline is concerned as we have mentioned earlier, the COVID second wave and the ransomware attacks, these were the two main reasons along with the attrition that I have talked about. And as far as the order book is concerned, it is a combination of both immediate term, short term and long term orders that are there and that's how you see you know, these are in increase in order book. However, part of it may or may not be visible immediately. So that is the reason for while order book is higher, partially we may not execute it. I hope that answers your question about steep decline and the order book.
- Divyesh Mehta:** Okay. That's it. Thanks a lot. I'll come back later in the queue.
- Vishnu R. Dusad:** Thank you. Thank you.
- Moderator:** Next we have Rahul Jain from Daulat Capital, Your line is unmuted. Please go ahead.
- Rahul Jain:** Yeah, hi. Thanks for the opportunity. Vishnu ji, from the ransomware side, could you a little bit elaborate in terms of what was the precise impact? Is it some client side revenue recognition which could not happen for some period? Is it some revenue reversal or it is a loss of time which led to this impact from ransomware on revenues?
- Vishnu R. Dusad:** Essentially, it was loss of time that, you know, for some of the customers, thankfully we were able to recover within days for some other customer, it took us a couple of weeks. So, it was essentially, you know loss of time where some of our teams could not work and that is what has resulted into drop in the revenue because of the ransomware. And of course, as we have mentioned earlier, other part of the and of course, we did recover in fact in timely manner from the ransomware. There is a partner who helped us out in this recovery. They have mentioned that, you know this is one of the fastest recovery that they have seen. So, clearly you know, we have, you know, come out, as I had mentioned, wiser and stronger. We need to be far more vigilant than we were. And that's what now, we're very closely working on to make sure that we have learned from this incident.
- Rahul Jain:** Sure, sure. And, of course, you said that how you would recover over a period of time and difficult to gauge, I can understand that part, but just simply from a pure supply side factor and ransomware side factor, which is more like a, you



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

know, more like a one-time kind of an impact. So, is it fair to assume from a July-August run rate basis, we are at least back to our, let's say Q4 kind of a run rate or it is too early to even conclude that.

**Vishnu R. Dusad:**

Yeah, it is too early to conclude even that because, you know, while we have started functioning fully, you know, by end of June or first week of July, the impact that, you know, the suspension of work by whatever days, weeks that happened, that we are still working out, how is it going to impact the revenue for this quarter as well as [next quarter].

**Rahul Jain:**

Right, right. And on the attrition side, as you said, it went alarming all the way to 40% monthly run rate on annualized basis. So, is this new hike effective month of July and if yes, then has this helped in some curtailment of the attrition in the July data so far.

**Vishnu R. Dusad:**

Certainly. This hike is effective April 21, you know, however, because of the issues that we were facing, you know, the communication was done in the month of July and then yes, we too feel that the worst is behind us even on this front.

**Rahul Jain:**

Okay, so, you are essentially trying to say that ki, although the salary was revised up from April, the first quarter, the increments were rolled out, the arrears were rolled out in the month of July from a cash flow point of view?

**Vishnu R. Dusad:**

It was not cash flow point of view. It was, you know, cash flow was not an issue. The entire forces that –

**Rahul Jain:**

Yeah, understand, so –

**Vishnu R. Dusad:**

Yeah, yeah.

**Rahul Jain:**

So, people who received this money for increased salary was paid eventually in July, so people didn't receive that increased salary in April, May, June, as those months happened before that communication itself happened in July, although it is effective from April.

**Vishnu R. Dusad:**

You got it absolutely right.

**Rahul Jain:**

Okay. Okay. Okay. So that's why even any benefit from an attrition point of view, the decision making could have helped only in July, not earlier, right, because they were not aware of the site.

**Vishnu R. Dusad:**

You got it absolutely right.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

- Rahul Jain:** Right. So that way again, moving back to my original question, which is like has July attrition cooled off to a normalized level or the market is still fought and that's why it will take some more time for us to normalize.
- Vishnu R. Dusad:** Okay, let me put it this way market. This used to be hot. We are keeping a very, very, very close eye on how things are unfolding. As of now, we feel the worst period is behind us. But we will let you know when we connect in the month of October or early November whenever the next board meeting.
- Rahul Jain:** Right and sorry if I can squeeze one more. Just last question. Have we done any kind of analysis in terms of who we are losing this talent to? Is it going to startup ecosystem or more going toward IT services, which is again hiring big time? Given the nature of the talent we may have could be a little more specialized on the product side so where we are losing this people, which kind of company we are losing to this people?
- Vishnu R. Dusad:** Prema, would you like to take this?
- Prema Rajaraman:** Sure, sir. Thank you. So, they are very kind of companies that there is no specific, you know, place that I can name. There are multiple of them. There are miss size and also the big size that people are going to. And, of course, the compensation is the major factor for which people end up chasing. It's startup as well as the big size that people went to.
- Rahul Jain:** Sure, sure. Thank you. That's it from my side.
- Prema Rajaraman:** Thank you.
- Vishnu R. Dusad:** Thank you. Thank you so much.
- Moderator:** Next we have Himanshu from PGIM Mutual Funds. Your line is unmuted. Please go ahead.
- Himanshu Upadhyay:** Yeah. Hi. Good afternoon. I have two-three very basic questions related to the business. theme, one of the calls, we stated that existing product has huge opportunity and we've only done a very small portion of it. Okay. In the steps, we said that we need to expand geographically and in few markets where one or two customers only hence we need to gain market share in those markets. Okay. Generally, in this business, what leads the customer to change is vendor or add a new service line? Okay. What is your strategy besides good product to gain market share in these geographies? And what progress have you made in last one year? Because I think this was stated in Q1 FY21. Yeah.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Vishnu R. Dusad:**

Yeah. Thanks for the question. I think right through the year that has gone by, we have been reaching out to our prospective customers through various web conferences. And thanks to that, you know, there is there is adequate amount of inflow of inquiries for our solution. And what is happening is while the inflow is adequate, inflow of inquiries is adequate, the decision-making cycle is slightly longer. We do have some models coming in, but we don't see them at the pace that we would like to, but at the same time, we are confident that. you know, as things start settling, we would be able to see, you know, upsurge in the orders coming our way.

**Himanshu Upadhyay:**

No, see my question was sir, this is what you are seeing, but my question was on our strategy to gain market share and what needs your customer to add changes vendor or let's say, add new products to system, okay. So in many of the markets where you stated that you have only one or two customers, hence the focus has to be to gain market share in these geographies. So just on those aspects, if you can elaborate, I wanted to - my question is to understand the business.

**Vishnu R. Dusad:**

Yeah, sure. Okay. The way I would, you know, answer this part of the question is with our implementations whichever markets we have, we are demonstrating the value that is getting delivered to the prospective customers from the existing customers that we have in those geographies. And then we encourage them to look at, you know, a line of business getting starting to use our solutions, and once they are able to see one month that goes live, they are able to see the value and over a period then we visualize that other lines of businesses, they would be able to see the value in our product. For example, buy now pay later is a functionality or is a need that is rising in a substantial way. And there are adequate number of queries on that part of the functionality, which we are talking to at least, you know, maybe five to 10 customers. Now, once these customers who want to, you know, start offering buy now pay later functionality product to their prospective customers, they see how easily they can offer that to their customers, we're confident that they will use our product for the automobile offering, their mortgage offering and so on. That's the way we are approaching this situation. Himanshu, I hope I have answered your question now.

**Himanshu Upadhyay:**

Yeah. Can I ask two more questions [just now]?

**Vishnu R. Dusad:**

Yeah, please, please.

**Himanshu Upadhyay:**

We had said –

**Vishnu R. Dusad:**

Please move ahead.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Himanshu Upadhyay:**

We had said that we have three modes of business growth, okay. One is product, the second was up trading and third was service business from Chennai and Singapore where we do customize products, okay, services business. How is this business services doing in terms of growth? Because what we understand with digitization and so many things improving and we being more specialized, are we getting higher traction? Or do you think that business can also have a higher growth or what are you seeing ahead in that?

**Vishnu R. Dusad:**

I would request my colleague Anurag Mantri, who looks after this business as well apart from his CFO hat to answer this question.

**Anurag Mantri:**

Hi, this is Anurag. Thanks for your question, and you're absolutely right, that in these days, services dimension is actually is gaining a lot of traction. And we are also leveraging on the same; we are expanding our digital services offerings in services business and in recent times, we have received some very good traction from Southeast Asia market as well as Middle East and we are seeing some -- we are expecting some significant increase in services business around the digital transformation offerings. And one more thing, because of --

**Himanshu Upadhyay:**

Yeah, but are the margins also improving in such businesses, where the customized solutions are there? And are you able to differentiate [between] being because it is in financial domain.

**Anurag Mantri:**

Definitely yes. So the way I even like to answer is that the margins are not that great in the traditional IT services business. In last two years, we have predominantly moved towards the transformative services business and there we are taking a unique blend of our functional and domain knowledge as well as technical expertise to our customers, and that is helping us to demand a premium or higher margins.

**Himanshu Upadhyay:**

Okay. And my last question, as investors our understanding in the product business is it's a steady business; in cash flow term, our revenue line will be more volatile, but once customer is logged in it will remain with the company for a long period of time. And incremental costs are low for getting or selling the product and such companies will pay good dividend. Okay, so we see Oracle or let's say and all these companies where dividend would be more than 60% of the profits. Why and what risks does the board see and we as investors are not able to see, can you elaborate on that? Because I think there's a lot of questions historically has been asked and -- but as investors we come with such a mindset because we look at other product companies in such domains behaving in this way and this company behaved in a different way. So I think the difference is the way you see this and we are not able to comprehend. So can you elaborate on 3-4



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

minutes on the risk which board and management is able to see and we investors are not able to see the in the business?

**Vishnu R. Dusad:**

Okay, let me attempt answering it this way that you know, we are scheduled to have a board meeting essentially on this single topic alone in the near future and when we connect next quarter we will be able to give you a comprehensive perspective on how board is looking at this, as you have very correctly said, longest standing question.

**Himanshu Upadhyay:**

One thing just elaborating on this, so do you think the risk we are seeing or do you think we have a proper -- as investors we have some decent understanding but it is this conservativeness of management the risks -- are able to understand the investors, or do you think there are gaps between our understanding of risk itself, the way the management and board thinks and we investors think is very different.

**Vishnu R. Dusad:**

Fair enough. And I thought that I would just like to repeat that board is meeting essentially to discuss these issues in the near future. And then when we connect next quarter to update you about the current quarter in the month of October or early November, that is the time we'll bring you up the [cause].

**Himanshu Upadhyay:**

Okay, thank you, I respect your answers, and I really appreciate the way you conduct the con-call. Thank you.

**Vishnu R. Dusad:**

Thank you. Thanks for the appreciation.

**Moderator:**

Next, we have Deepan Shankar from Trustline TMS. Your line is unmuted. Please go ahead.

**Deepan Shankar:**

Yeah, thanks a lot for the opportunity. And firstly I'd like to understand outlook on our business, specifically on the export side. So how is the outlook looking under current business environment?

**Vishnu R. Dusad:**

Outlook as far as our business is concerned continues to be good; we -- as we have been mentioned in last call also and earlier today also, we continue to get good queries and very serious queries, both on our products and services part of the business. We obviously are, you know, facing the challenges that the industry is facing in terms of attrition, for which we are taking necessary steps and we see a much stronger company coming out of this difficult period. That's the way I would like to describe the outlook of our business.

**Deepan Shankar:**

Okay, and the implied cost, this current quarter run rate, will it continue in future also or are we expecting some more increase in these costs?



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Vishnu R. Dusad:**

That's an excellent question, Mr. Shankar. I think we are keeping a very, very, very close eye on the developments in the marketplace. You know, you are tagging the industry, so you know that 300,000 people, companies are trying to hire 100,000 people and so on and so forth. As my colleague Parag mentioned, it is really a bloodbath. So it is difficult for us to say anything about where the costs are going to be, what the ratios are going to be. All I can say is we're keeping an extremely close eye and we would respond to the developments in the market place appropriately and we are absolutely confident that will come out stronger.

**Deepan Shankar:**

Okay, that's good to hear. And lastly, during our AGM discussion, we also discussed about getting more inputs on our disclosures on cloud business, so can we expect any action print in the coming quarters in getting more [Audio Overlap]

**Vishnu R. Dusad:**

Yes certainly, you can expect, you can certainly expect more disclosures on cloud business.

**Deepan Shankar:**

Okay, sure sir. Thanks a lot and all the best.

**Vishnu R. Dusad:**

Thank you, thank you for your continued interest.

**Moderator:**

Before taking next question, I'll announce, participants if you still have any questions, you may please press zero and then one. Next, we have Vaibhav from HNI Investment. Your line is unmuted. Please go ahead.

**Vaibhav Badjatya:**

Hi, thanks for providing the opportunity. So I have one observation or comment to offer and then two questions probably. So in terms of upcoming board meeting before next quarterly result is for the deciding on pay or deciding on cash distribution of capital allocation, whatever topic is said. So, we would prefer that whatever you decide in terms of whether it's buyback, whether it's additional payout or whatever it is, it has to be a long term policy. It should not be that one reasonable says dividend declared and then again, our payout is reduced again to 20%-30% or so. I think given the nature of the business and cash generation, as one of the earlier participants said, the dividend payout has to be higher on a constant basis, given that the fact that we have already accumulated, I mean 734 Crore of cash and I can't imagine where we are going to deploy that. So I would request management and board to think on that front rather than just giving one time thing to satisfy investors it has to be a continuous capital allocation policy rather than just one time policy. So that's an observation. Now on the question front, you know, so when you have this revenue decline, obviously some of the installations at client end have been delayed or because we are not able to deploy it means that we are not able to work and if we are not able to work over a plant,



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

they also suffer to some extent. So are there any penalties or any revision in contracts that can happen due to this or you're not foreseeing this as of now?

**Vishnu R. Dusad:**

Thank you. Thank you further for the comment, as well as the question. Let me just assure you that your preference of having a long term policy rather than one time, certainly we can communicate it to the board. And now coming to revenue decline, thankfully, I would like to say because of the value that this company continues to deliver to all of our customers, all our customers have been understanding enough, appreciative enough, of whatever – Hello? So no reversals or no penalty whatsoever and my colleague Parag to give you a deeper update on this topic.

**Parag Bhise:**

Yeah. Yeah thank you for that question and thank you, Vishnu. So, no, we have of course, there has been a temporary impact that customers have faced [no doubt about it] Are you able to hear me?

**Vaibhav Badjatya:**

Yeah, it's not, I think just some voices are mixing up. Probably I think there's some problem in Vishnu's line if I'm not wrong.

**Parag Bhise:**

So this is Parag here.

**Vaibhav Badjatya:**

I had to ask Vishnu Sir that while –

**Vishnu R. Dusad:**

Yes, because of the challenges we faced there was temporary impact on some deliverables at customers but continue -- all of our relationships with customers are very long, and they are understanding. We are of course keeping them very regularly updated on how things are moving. So there have been certainly no penalties or anything of that sort. And as we bounce back, we expect that everything will be normal. But the answer is specifically there have been no penalties.

**Vaibhav Badjatya:**

Okay. And second question is around the employee costs, for which the numbers are in front of us. But maybe I missed the number of employees count if you've provided earlier, if you can provide the number of employees at the end of June and at the end of March, and June 2020; all the three numbers, that would be really helpful.

**Tapan Jayaswal:**

Sure sir. So we are having 1732 headcount as of 30th June 2021, and 1932 headcount was at 31st March 2021 and 2170 as was 30th June 2020.

**Vaibhav Badjatya:**

Okay. Okay, got it. I think that's it from my side, I will come back in the question queue. Thank you.

**Vishnu R. Dusad:**

Thank you so much.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Moderator:** Next we have Parag from Covalent capital. Your line is unmated, please go ahead.

**Parag Patankar:** Yeah. Hi. Can you hear me?

**Moderator:** Yes, you're audible.

**Parag Patankar:** Alright, thank you. So question for Parag Bhise, so I understand that attrition is high in the industry and our costs will go up. What are we doing long term in terms of making attrition managers; are we looking at increasing the ESOP and other long-term compensation in line with what typical product companies like Oracle or Cisco do? And how would that impact the way our ESOPs are structured at Nucleus?

**Parag Bhise:** So okay, you're talking about the long term, what we are looking at how to tackle this attrition or retention. So one of the long-term strategies and we believe that has not work is that we are going there this time, in terms of recruitment of freshers. So you might have come across our press releases in the media about hiring of 500 professionals in the field, essentially freshers. That's what we believe will help us long term. Whatever we have done in terms of increments we have done, as Vishnu has been saying repeatedly, we are monitoring it very closely. So we will respond as the market responds; we don't know yet, we think we have done significantly, but if that's not enough we'll see what needs to be done. But the long term strategy definitely is of hiring freshers and making them ready at the earliest. That's what we believe is going to help us.

**Vishnu R. Dusad:** And let me just add to that, hello? Let me just add to what he mentioned. Yeah, you wanted to understand also our perspective on ESOP, we are not exactly in favor of ESOPs, but at the same time we are looking at alternatives to ESOPs and we will talk about them in coming quarters.

**Parag Patankar:** Okay, so is there any specific reason why you do not favor [of ESOP]

**Vishnu R. Dusad:** Sorry, repeat it again?

**Parag Patankar:** Is there any specific reason why you do not favor ESOPs as a long term compensation and retention tool?

**Vishnu R. Dusad:** Yeah, that's an outstanding question actually. We want to be – thanks for raising it. We want to be extra careful, when it comes to maintaining the integrity of the system, and we do have a fear that with ESOPs the risk is relatively higher. So that is the reason we are awarding ESOPs as an instrument for taking care of the long term.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Parag Patankar:**

So do you dilution happening? So if you're – if ESOPs are awarded –

**Vishnu R. Dusad:**

No, it is not – it's got nothing to do with dilution, it is -- you know it is more to do with how it is secured and how it can be – that there is the risk of being played around with. We will talk about this maybe in next time when we are ready with our comprehensive report.

**Parag Patankar:**

Alright, thank you.

**Moderator:**

Next we have we have Vivek Ganguly from Nine Rivers Capital. Your line is unmuted.

**Vivek Ganguly:**

Thank you for the opportunity. I had one question. You know, while we were talking about the impact of the ransomware, I got the impression that -- and while we said that it is sorted, I got the impression that there is some lingering impact of the ransomware attack on the company in terms of the ability to execute projects on an ongoing basis. And that's where you said, we'll see over the next couple of quarters how we recover from that. Please, can you clarify on that? What -- is their impact still an ongoing thing or has it been totally sorted? And we are out of that phase, and all necessary actions have been taken post that?

**Vishnu R. Dusad:**

Thanks, thanks for raising this very, very relevant question. We see no -- there's no lingering impact of ransomware attack that happened in the month of -- last two days of May and the entire June, there is no lingering impact from that perspective, from execution of business perspective. However when I said that, you know, it takes some time, there is clearly a few programs which got suspended for a couple of weeks, maybe some would have got suspended for slightly longer period, and ensuring that they are back on track, it can take some time. That is what I meant by this year, in a quarter or two. Okay. Does that answer your question?

**Vivek Ganguly:**

Yeah, absolutely. So my next question is, you know, on the employee cost, so there was an overall last quarter or last year, there was about a 20% hike that you will have given. So has that been done uniformly or a particular you know, where we all want to book people or the set of our class of people you're going to retain, you all have given them disproportionate hikes and it is much lower in the other section? Is that how it has worked out, and going forward is, you know, on a steady state basis these pressures can still be there, but if the attrition and the external macro-pressure were to kind of abate would 92 odd Crores be the steady state number to work with?



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

**Vishnu R. Dusad:**

Yeah, yeah. That's right. That's a reasonable assumption to make, if things are to abate now that's the number that will be -- that we are saying the higher number will be the steady state number to work with. And having said that, your earlier part of the question, yeah, as you have yourself very correctly elaborated the increment that obviously will be given depending upon the market reality. So, and then market reality is different for different set of skills and so on and so forth. Thank you.

**Vivek Ganguly:**

Okay, thank you.

**Moderator:**

Next we have Samarth Jain from TPF Capital. Your line is unmated, please go ahead.

**Samarth Singh:**

Hello, am I audible?

**Moderator:**

Yes.

**Samarth Singh:**

Yes. Hi, this is Samarth Singh from TPF Capital. My question was, you know, I read a recent article regarding the merger between Centrum Group and BharatPe and how Centrum Capital would be using sort of BharatPe's loan origination systems. So my question to you is, do we see that as a risk to our business in the future where NBFC is combined with FinTech players, who sort of have their own loan origination and servicing systems?

**Vishnu R. Dusad:**

You know, let's look at this marketplace as it is unfolding. Clearly, you have FinTech who are wanting to offer their loan origination solutions to our set of customers; there are other players who want to offer similar functionality. And then I think there is more than adequate competition that exists for the solutions that we provide. And now, having said that, the humongous amount of investment that we have been making and we continue to make, that gives our customers kind of the confidence that all their needs will be fulfilled by us and that is what gives us confidence to make the bold statements to -- or a few analysts and investors that yes, you know, this is a long term play, which will continue to deliver value to all its stakeholders and of course, customers being the number one of them. So that's the way I would like to answer your question, I hope you are comfortable with it.

**Samarth Singh:**

Thank you for that. And just, I guess one statement, we appreciate management not giving out ESOPs and rather taking the hit on the P&L, it gives a clearer picture of what the actual, you know, the real P&L is and doesn't dilute shareholder equity. So we appreciate that, and hopefully in the board meeting to be held, as you mentioned soon, there is a talk about a buyback so that we can further reduce the shares outstanding.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

- Vishnu R. Dusad:** Thanks, thanks so much for your appreciation.
- Samarth Singh:** That's it from me. Thank you.
- Moderator:** So the last question of the day we have from Vaibhav from HNI Investment, Your line is unmuted, please go ahead.
- Vaibhav Badjatya:** Thanks for providing the follow up. So just slightly on a longer term impact of this increase in employee costs, which is obviously driven by attrition; so this is a fairly recent phenomenon and this has happened just mostly in last six to nine months, and this has hit the whole industry completely unguarded. I mean, nobody was actually predicting that this would actually happen. And given the kind of our business which is product business, and we have generally long term contracts with our customer for AMC as well and for product maintenance, installation, everything. Do you think the profitability actually has been impaired on a relatively medium or long term basis because of this increase in cost? Or do you have the relevant clauses with.
- Vishnu R. Dusad:** No, please go ahead.
- Vaibhav Badjatya:** Yeah, so the profitability has been impacted on a relatively medium and to long term basis due to this? Or do you have the relevant increment price contract with the customers?
- Vishnu R. Dusad:** That's a brilliant question. Thank you so much. While we do have the adequate clauses in the contract, but even beyond the contract, this is the value delivery that we make to our customers, which gives us the confidence that even if it is not in a contract and if we go and talk to them and explain the logic to them, about how they need to ensure that we remain profitable for their own benefit, for their own long term benefit, we are confident that they will listen to us and will do the needful. I hope that answers your question.
- Vaibhav Badjatya:** Yeah, I think that's helpful. And I will also add to what earlier participants said in terms of ESOPs; I think I completely agree with management on the integrity issues that are involved in ESOPs and it's very essential to have a good long term culture. And ESOPs have a lot of these issues. So I commend the management for having this in mind when deciding on ESOPs. That's it from my side. Thank you.
- Vishnu R. Dusad:** We deeply appreciate your appreciation of some of these long term decisions, they're difficult to make but we see the value getting delivered to all our stakeholders over the coming decades, thanks to these decisions. Thank you. Thank you so much.



*Nucleus Software Exports Ltd.  
"Quarterly earnings Conference Call for the  
Quarter and Year Ended on 30 June 2021"  
June 13th, 2021*

- Moderator:** With this, I would like to now hand over the floor back to Swati for final remarks, over to you, Swati.
- Ms. Swati:** Thanks Harpreet. So we would like to thank all the investors for joining us today for the earnings conference call. I will now pass it over to Vishnu Sir for his closing comments, over to you sir.
- Vishnu R. Dusad:** Once again, this was another opportunity for us to connect with all of you, and we would like to thank all of you for your continued interest in Nucleus Software. And I take this opportunity to reiterate our commitment to build a long term institution, and make sure that we take care of the needs of all our stakeholders. Thank you so much.
- Moderator:** Thank you so much, sir, for addressing this session. Thank you to all investors for joining the call. That does conclude our quarterly earnings conference call. You may all disconnect now. Thank you and have a pleasant evening.
- Vishnu R. Dusad:** Thank you very much. Thank you.