



Nucleus Software Exports Ltd.

“Quarterly earnings Conference Call for the Quarter and Nine months Ended on 31 December 2021”

February 8th, 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 9 months ended on 31st December 2021. 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. I would like to now hand over the proceedings to Ms. Swati Ahuja; 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 3rd Quarter and 9 months ended on December 31st 2021. For discussion we have here from the



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management team Mr. Vishnu R. Dusad, our Managing Director, Mr. Parag Bhise, CEO, Mr. Anurag Mantri, CFO and Executive Director, Miss Ritika Dusad, Executive Director and Chief Innovation Officer, Mr. Brijesh Khandelwal, Vice President New Business. Mr. Ashwini Arora, Senior Vice President Global Customer Success Team, Mr. Sanjeev Kulshreshta, Senior Vice President Product Bill, Ms. Prema Rajaraman, Chief People Officer, Mr. Tapan Jayaswal, colleague from the Finance Team. As you all are aware Nucleus Software does not provide any specific revenue earnings 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. 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 the company for the 3rd Quarter and 9 months ended on December 31st 2021 from the MD, and post that we would be available for the Q&A session. With this our -- I now pass it over to Vishnu sir, over to you sir.

Vishnu R. Dusad:

Thanks, Swati. Thanks a lot, Swati and a warm welcome to all of you for this investor call ending 3rd Quarter 2022, financial year 2022. This is one of those brief years when despite the huge turbulences in the environment we have taken some of the strongest and boldest steps to continue building the strengths of all our stakeholders. We have continued to innovate for our customers, coming out with brilliant six months full of ultra-flexible and ultra-rich functionality. Opportunities for all the Nuclities to continue growing to the best of their abilities have been further enhanced during this year. And likewise, for our shareholders, we have done a buyback that is the biggest and unprecedented again, by our side so far. This buyback is also an indicator of our confidence in the future of the company, and that is how we would want our investors and all our stakeholders to appreciate this fact. With those words, I would now like to hand over to Parag Bhise, our CEO.

Parag Bhise:

Thank you so much, Vishnu and good afternoon, everyone, and thank you very much for joining this call once again. While it continues to be another tough quarter for us, I'm happy to share that we've been able to recruit a large number of freshers as mentioned in the last day investor call and they are at various stages of onboarding, including many who have started to contribute to our deliveries and hence to our top line. Adding on to the initiatives that Vishnu just mentioned, we have taken the following more initiatives in this quarter to strengthen both the security as well as the convenience of Nuclities, as we call our associates, by providing them with better work environment. We have completely eliminated BYOD that is Bring Your Own Devices, in India. BYOD



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is the concept where we allowed Nucleuities to use their own devices, essentially laptops for work, and it has become mandatory for us when we have to suddenly mobilize our entire workforce to start working from home, we have replaced all such devices with brand new company owned laptops. The large numbers of laptops that we have procured are also being distributed to the new joinings, both freshers and laterals. We are also transitioning to MS Teams, Microsoft Teams, one of the best collaboration platforms that you may be aware of, for all the Nucleuities, for use by all the Nucleuities. This kind of explains a significant investment that reflects in our books in addition to the increase in personal expenses that we spoke about earlier as well. We are otherwise experiencing good traction from the market, both with our existing as well as our new customers, and we have a sizable work in hand as well as strong pipeline. With the measures mentioned earlier, both in terms of upgrading the skills and knowledge of our associates as well as by providing them with better working environment, we are expecting significant productivity gains to come in in the following quarters. Also considering that the market situation still remains very dynamic, in our sector especially, we have taken a decision to advance our next year increments by 3 months to be effective from 1st of January 2022 as against 1st of April 2022 that would -- we would have normally done. Thank you so much once again, and over to you, Swati.

- Swati Ahuja:** Thank you, sir. Now I request Tapan sir, please put some light on the financial highlights, over to you, sir.
- Tapan Jayaswal:** Well, thank you, Swati. Am I audible?
- Swati Ahuja:** Yes, sir.
- Tapan Jayaswal:** Swati, am I audible?
- Swati Ahuja:** Yes, sir. You are audible, please go ahead.
- Tapan Jayaswal:** Yeah, okay. So, key highlights from financials are for revenue, our consolidated revenue for the quarter is at INR 121.6 Crore against INR 114.1 Crore Quarter on Quarter and INR 124.1 Crore Year on Year. Overall revenue in foreign currency including India Rupees revenue is USD 15.3 million for the quarter against USD 15.5 million Quarter on Quarter and USD 16.8 million Year on Year. Product revenue for the quarter is at INR 99 Crore against 93.2 Crore Quarter on Quarter and INR 103.2 Crore Year on Year. Revenue from projects and services for the quarter is at INR 22.6 Crore against INR 20.9 Crore Quarter on Quarter and INR 20.8 Crore Year on Year. As for expenses, cost of delivery including cost of product development for the quarter is 79.5% of revenue against 81.5% of revenue Quarter on Quarter and 67% of revenue Year on Year.



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In absolute terms this is INR 96.7 Crore against 93 Crore Quarter on Quarter and INR 83.1 Crore Year on Year. Marketing and Sales expenses for the quarter is 3.8% of revenue against 3.6% of revenue Quarter on Quarter and 3.3% Year on Year. In absolute terms this is INR 4.6 Crore against INR 4.1 Crore Quarter on Quarter and INR 4 Crore Year on Year. As for GNA expenses for the quarter it is 12.3% of revenue against 10.8% of revenue Quarter on Quarter and 8.7% Year on Year. In absolute terms this is INR 14.9 Crore against INR 12.4 Crore Quarter on Quarter and INR 10.8 Crore Year on Year. EBITDA for the quarter is at INR 5.4 Crore against INR 4.7 Crore Quarter on Quarter and INR 26.1 Crore Year on Year. Other income from investments and deposit is at INR 7.1 Crore. Hello? Suddenly my line got disconnected, okay.

Swati Ahuja:

Go ahead, Tapan Sir. Now you're audible.

Tapan Jayaswal:

Total comprehensive income -- yeah, total comprehensive income which includes net profit and other comprehensive income is at INR 7.6 Crore for the quarter against 7.1 Crore Quarter on Quarter and INR 26.3 Crore Year on Year. EPS for the quarter is at INR 2.77 as against INR 2.95 in the previous quarter and INR 8.55 in December 31st quarter. In terms of foreign currency hedges, on 31st December 2021 we had USD \$4.7 million of forward contracts at an average rate of 76.12. There is a mark-to-mark gain of INR 41.40 lakhs which is taken to hedging reserve in the balance sheet. Revenue contribution from the top five clients for the quarter is 23% which is same as previous quarter. The order book position is INR 563.8 Crore including 541.4 Crore of product business and INR 22.4 Crore of project and services business. In September 30th 2021, the order book position was INR 546.8 Crore including INR 514.8 Crore of product business and INR 32 Crore of project and services business. Total cash and cash equivalent as on December 31st 2021 are INR 543.3 Crore against 724.5 Crore as on September 30th 2021. This includes balances in current accounts of INR 32.4 Crore, various schemes of mutual funds INR 377.1 Crore, fixed deposits of INR 29.9 Crore, investments in tax-free bonds of INR 98.6 Crore and INR 5.3 Crore in preference shares. With regards to receivables we are at INR 83.4 Crore against 77.7 Crore previous quarter. During the quarter there is a gross addition of fixed assets of INR 16 Crore consisting primarily of INR 10.5 Crore on computers and INR 5.5 Crore on software. Now, I will hand it over to Swati.

Swati Ahuja:

Thank you, sir. Sorry for the inconvenience caused. 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 interactive session. So, I request you if you wish to ask a question, please press zero and then one on your telephone keypad. I'll repeat; to ask a question you need to press zero and



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then one. First question of the day we have from Mr. Vaibhav from Honesty and Integrity. Your line is unmuted; please go ahead.

Vaibhav Badjatya:

Yeah, hi sir. Thanks for providing the opportunity. So, I've just first, two -- two questions actually. So, on the buyback I think congratulations that that was a good move. But going forward now, given the promoters are already close to 75% of the stake, we need a radical rethink on the capital allocation. And this is that whatever problems we are currently going through I'm sure you will overcome that, and after that there is no window for buyback unless and until promoters start entering their shares. So, can we expect you know dividend payout ratio to be substantially higher going forward, when things return to normal?

Vishnu R. Dusad:

You know, these decisions pertaining to dividend payout and buybacks, these are taken by the board considering various factors both short term and long term keeping various sectors, both short term and long term at the back of mind. And appropriately then the board would take the decisions. I don't think we will be able to commit anything in this call about this matter. And I would rather want to understand in fact from you, you talked about radical rating on capital allocation, what exactly is meant by that?

Vaibhav Badjatya:

Capital allocation, I mean to say how the -- whatever cash that we generate, how that cash is utilized in terms of what is retained in the business and what is distributed to shareholders. Right, so the more and more cash we retain in the company that gets reinvested into low earning -- low earning investments like debt mutual fund and all of those things versus the distribution to the shareholders. So, that's what I meant by capital allocation.

Vishnu R. Dusad:

Fair, fair. So, we would -- you know, the board will be keeping all these factors in mind when these decisions are taken in future.

Vaibhav Badjatya:

Correct. And then lastly on the passive platform, so good thing that the RBI has approved our product and the regulatory sandbox and now, probably we'll see some more action. So, just wanted to understand where does the potential lie for Payse, and what would be the revenue model? Because at the time when we launched it, we said that there is -- there will be potential on the payments bank, on the e-commerce side, but I think most of that has already been now captured by Google Pay and Paytm and likes of the world. So, I think -- so what is the remaining place where Payse can be relevant, and what would be the revenue model that can be there?

Vishnu R. Dusad:

Yeah, the -- excellent question. So, the places where Payse continues to be relevant is where people do not have smartphones. And that population is quite



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huge. I think, at least there will be anywhere between 200 to 300 million adults who do not have a smartphone. So, that is the target segment, which is still relevant. However, we continue to face challenges in terms of acceptance by the relevant government agencies. And we continue to focus on how do we get them to appreciate the value of this very, very unique offering, and we'll come back to you with the latest in next quarter.

Vaibhav Badjatya:

Okay. Okay, that is it from my side, I will come back in the session.

Vishnu R. Dusad:

Thank you. Thank you so much.

Moderator:

Next, we have Ramesh from Investor First Advisors. Your line is unmuted.

Mr. Ramesh:

Hello. Yes, sir. Hi. Thank you, and, you know, congratulations on a well-executed buyback. There's just a couple of questions from my end. Number one is that, sir, I was going through the results and our operating and other expenses are up year over year from let's say 15 Core to about 21 Crore even on a Q-o-Q basis. I think in one of the comments, you've mentioned that essentially, it was on account of GNA because the sales and marketing was not up that much. So, in the GNA sir, which part of it -- you know, has it expanded? Is it something that's going to continue on a continuing basis at this pace, or is it just a one off thing? That's one of my questions; then I'll come with a few more, sir.

Vishnu R. Dusad:

Yeah, so thanks, thanks for appreciating the buyback. Now, as far as this increase is concerned, mostly it is because of the depreciation that has gone up, thanks to the purchase of hardware and then software. So, this is going to last for quarters to come.

Mr. Ramesh:

This will last? As what; like a license fee or what? What have we paid here?

Vishnu R. Dusad:

See, as I mentioned, this both depreciation as well as license fee, combination of the two.

Mr. Ramesh:

Okay, sir. So, do you think it'll continue at this pace? Or do you think it'll go on increasing also?

Vishnu R. Dusad:

As of now, it should continue at this pace, unless we acquire some very high level, you know, hardware etc. which there is a possibility, but as of now, I would say it will continue at this pace.

Mr. Ramesh:

Okay, okay. So, basically our GNA, we can assume it'll continue at 16 Crore roughly.

Vishnu R. Dusad:

Yeah, yeah. Yeah. Yeah.



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- Mr. Ramesh:** Okay, sir. And sir, in terms of the employee costs, I know that we've had quite a time and we've successfully added a lot more freshers. So, do you think, sir, on the employee cost front we are past the troublesome times at least, and now we are into the steady state period? Or do you still think that we still have some ways to go?
- Vishnu R. Dusad:** I'll request our Chief People Officer Prema to go take this one.
- Mr. Ramesh:** Yes, sir.
- Prema Rajaraman:** Yeah, sure. Thank you, Vishnu sir. So, the trend that we've seen in the past year and more than a year actually, the -- you know, whatever you're reading in the market, it appears like the trend is likely to continue for anywhere between 12 to 18 months. So, it's -- this is something that the entire industry is seeing and definitely, it's not unique to our organization. And yeah, so we are just preparing for that. With the induction of freshers, we do see that we will be able to manage on the cost front and hiring related costs that one would normally incur. So, yeah, the trend we do see is likely to continue for 12 to 18 months.
- Mr. Ramesh:** Got it, got it. And just one question from my end again, on another point, if I see your segmental results that there seems to be you know -- I mean, some -- in Southeast Asia, sir, we seem to be both losing revenue momentum as well as there's a PBT loss or segment loss. So, just to understand again, is it a one off? Or was it some project roll-off, and that's why our fixed costs have come out here, or what is the situation there, sir, in Southeast Asia?
- Vishnu R. Dusad:** I'll request Anurag to do this question.
- Anurag Mantri:** Hi, good afternoon. Can you repeat your question, please? There was a slight bit of disturbance.
- Mr. Ramesh:** Anurag, hi. So, essentially -- yeah, no worries. No worries. Yeah. So, Anurag, essentially, if you were to see the segmental reporting that's there, we did about 24 Crore of revenue with a segmental EBIT of about negative 78 lakhs in December 2020. And December 2021, that's moved to about two and a half Crore segmental loss. And there's been de-growth even in the revenue as well from 24 to 21 Crore. So, is it something to read through in that sense that some projects are rolling over and that's why our fixed cost is now coming out, or do you think this is a temporary thing? Or do you -- or is this something that's happening in Southeast Asia?
- Anurag Mantri:** So first of all, regret the inconvenience that you have to repeat the question.
- Mr. Ramesh:** Don't worry. Don't worry.



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Anurag Mantri:

Slight disturbance at my end, yeah, yeah. So, first of all, it's actually a very, very temp-- though it has lasted for two quarters, but it's a very, very temporary situation, I will still say. But the reasons for -- reasons are again related to the overall industry situation that we have a good number of projects and business pipeline in our hands. Having said that, as the immigrations for Singapore have been closed for almost 18 months now, the talent paucity has increased here and we are not able to execute all the projects to the extent we wanted them to be executed. In addition to that, there is a significant increase in the personal cost here; as you can imagine, it's an island which is closed from everywhere. So, the talent scarcity has increased, and that has increased our personal cost and lead to this type of change in the financial, but we are expecting a few innovative methods to increase our revenue. And at the same time, once the borders are open, we will be easily getting the talent as we used to it in the past and this situation will be surely reversed.

Mr. Ramesh:

Under-- got it. And last question from my end; is similar situation in the Middle East? Because Middle East also 8 Crore EBIT has come down to about 2 Crore. So, is that also because of the closed borders?

Anurag Mantri:

To large extent yes, and the personal culture or personal cost has increased, so that phenomenon is omnipresent. So, that has caused everywhere and Middle East was also closed for the -- from the immigration perspective. Recently it has opened up and that's why we will be seeing the differences there as well.

Mr. Ramesh:

Got it, and there should be more products in Dubai and Saudi and things?

Anurag Mantri:

Predominantly in the UAE region. And yes, there are a couple of in the GCC rest of the Middle East Region.

Mr. Ramesh:

Yeah, got it. Thank you very much, Anurag. Thank you, and just if I may just ask, you had mentioned the cash -- total cash on books, and I know the signal fell at that time, so if you just don't mind repeating the total cash on books. That's all. Thank you very much and wish you the very best of luck.

Anurag Mantri:

Thank you.

Moderator:

Next we have Rishi Modi from Barsala Investment. Your line is unmuted.

Rishi Modi:

Yeah hi, can everyone hear me?

Vishnu R. Dusad:

Tapan, you may want to -- just a sec, just a sec. Tapan, you may want to just repeat the cash on book situation on the 31st December.



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- Tapan Jayaswal:** Sure, sir. Okay, total cash and cash equivalent as on 31st December 2021 are INR 543.3 Crore, sir.
- Vishnu R. Dusad:** Yeah. Okay. Thanks, Tapan. And back to you. Sorry, I had to interrupt.
- Rishi Modi:** Yeah, no problem. On -- so I have a few questions, first on this, the numbers front. I think in the past con calls also, I think the ma-- people have suggested we could have a segmental revenue based on On-Premise and FinnOne Neo, and similar for FinnAxia, also might on cloud. So, do we have those numbers with us right now, or should I reach out offline for those numbers?
- Vishnu R. Dusad:** Look, we don't have those numbers offline and we may not be able to give you the offline either.
- Rishi Modi:** Okay, so just like you could give a brief guidance on how FinnOne Neo's clientele and revenues have grown; like just the Neo, and has grown over the past three-four years, and how much of that has been from shifting of On-Premise to Neo versus new additions, if you could give a brief overview of that?
- Vishnu R. Dusad:** Brijesh, would you like to take this or Parag?
- Parag Bhsie:** Yeah. I'm okay. Yeah, Brijesh, go ahead.
- Brijesh Khandelwal:** Yeah, thanks for the question. We will not be able to give the product wise and the deployment methodology-wise bifurcation. I can only say that 15th these days, the 15th one coming out on 1st of February this year.
- Rishi Modi:** Sorry to interrupt you here. Is it just me or is your voice breaking for anyone else?
- Vishnu R. Dusad:** Yeah, Brijesh, it is not audible (Overlapping Conversation) Parag, you may want to answer.
- Parag Bhise:** Okay. Okay. So, maybe I hope my voice is audible, this is Parag here. So, yeah, segmental revenue as -- product price, as Vishnu said, and Brijesh said that that's not what we'd be able to give. But I would like to -- since you talked about last few years, I would like to mention that FinnOne Neo is going strong, both on On-Premise, as well as in the SaaS model. We have 50 Odd customers on the SaaS model already and some big names on On-Premise, some of our existing customers have started to migrate from FinnOne to FinnOne Neo. So, yeah, if that answers the potential for FinnOne Neo is very promising. That's how we look at it.



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- Rishi Modi:** Okay, all right. And if you could give me just a couple of numbers, before we move on to the qualitative questions, do we have revenue from repeat clients as a percentage of revenue or renewal rate for the clients on a Year on Year basis? Hello?
- Vishnu R. Dusad:** Yeah, this number, there's a precise number we would you know, make it available offline and next quarter onwards, it will be -- we will be talking upfront about it. Our guess is as of this quarter, it will be in the vicinity of 90% to 95%.
- Rishi Modi:** Okay, that's great. That's helpful. Now coming onto the qualitative end of the questions, if I could get a brief idea about what -- do we have any products in the pipeline and any new technological capabilities that are being built into the staff or even in within the company, like the blockchain or any other sort of decentralized system that we are building our capabilities on?
- Vishnu R. Dusad:** Brijesh, would you like to take that?
- Brijesh Khandelwal:** Yes, I can take this question. Is my voice clear?
- Rishi Modi:** Yeah, this is clear.
- Brijesh Khandelwal:** So, recent developments on the technological front; one is AIML, we are investing into AIML, we have come out with some solution offering leveraging this capability and we see more that would be done on this front. Apart from that, if I talk about the business technology, we have come out with a "buy now pay later" offer, which handles the scale required for the massive lifestyle financing that is happening in these days.
- Rishi Modi:** Okay, all right. And one more thing, we were trying to re-price our contracts or even in renewal case or new contracts with new clients. If we could get an overview of how successful the re-pricing has been, like how much percentage increase in the contract value on an average has taken place, and are we facing any pushback from the clients? That would be helpful to know.
- Brijesh Khandelwal:** Thanks for asking this, but this is too specific, I can only say that a client-wise appropriate pricing strategy has been worked out to ensure that it is a win-win for both client and us. Beyond that I will not be able to share the specifics.
- Rishi Modi:** Okay, understood. All right, this is helpful and yeah, that's it from my end. Thank you.
- Moderator:** Next, we have Vivek from Nine Rivers Capital. Your line is unmuted.



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Mr. Vivek:

Thank you for the opportunity. We understand from the commentary that you gave that, and in the past commentaries that you have made, that you all have given a significant raise to your current employee base and also hired new people who are yet to go online, so to say. We appreciate you know, that's a forward looking and a requisite step that you all have taken. What we want to understand is, correspondingly why have we not seen a growth in revenue? Is there still some lingering effect of the ransomware attack that you all had. And I'm asking this question specifically because some of the peers who are listed in this space, they have come out and shown a significant top line growth or traction in their revenue profile. So, this is something -- is this something that is likely to get corrected in short order or is this -- you know, while we work with elevated cost structure, the top line will take much more a longer time to start showing traction, that is what we wanted to understand.

Vishnu R. Dusad:

Clearly -- thanks for a very meaningful question. Clearly, the way we would like respond to this question is, there are two approaches that we are following; one is the long term approach, which would take a few quarters, it could be couple of years also to demonstrate this, and parallelly we are working on the short term measures. How well do these measures pan out in terms of numbers etc., that remains to be seen, this is more of a -- I would say experimental work that is happening, but we are extremely confident that the results of these experiments are going to be very, very meaningful for our -- certainly for our customers and then in turn for other stakeholders as well.

Mr. Vivek:

So sir, when you say these experimentations, what are these experimentations that we're referring to? The delivery, marketing or you know, how we manage our cost structure, people cost. What exactly are we referring to, if we can be a little more precise that will be very helpful?

Vishnu R. Dusad:

Yeah, these are experiments that we are conducting in across the board right from concept stage of a product through validation of those ideas into the marketplace and then converting them into a meaningful architecture design, testing implementation, the entire lifecycle and making sure that the customers are able to derive value out of the world-class intellectual property that has got created. So, it is the experimentations across the entire end-to-end value stream.

Mr. Vivek:

So if I -- if I can just draw upon what you said and please grant me this request, is -- it is more from the delivery, product development delivery model. But even -- and that is futuristic in nature. There is a cost involved, we understand that, but even otherwise you all had a good set of products, which you all were delivering to the customer. So, why aren't we seeing a traction there? Is there something that has come up, which is hampering you all from even showing a marginal growth, even single digit, higher single digit growth. Is there's some



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clip somewhere, which is holding you back and it is kind of confidential or it has some strategic importance from a business point of view, which you all are not -- you know, it's not so much the cost structure, but it's also the top line the inability to accelerate the top line that is what we want to understand.

Vishnu R. Dusad:

No, no, it is -- it is essentially those setbacks that we got, and that is what -- you know, in terms of the COVID and ransomware attacks and attrition, which is what is holding us back.

Mr. Vivek:

So going forward, how are we making this, because while COVID might be out of the way; attrition, it is going to last, ransomware, you know what happened. The last place we would expect a ransomware to happen is the tech company, but all the same it happened. So, are these -- are there any lingering effects of the ransomware because of which certain projects are on hold, while you all have deputed people the execution is not happening, billing is not happening. Where exactly is the hold up? And again, this is in reference to you know, people have gone through the same -- you know, the external macro factors, and have shown growth. They have had ups and downs and -- temporary and we assume that is also temporary in the case of Nucleus. But even in the last one year, they have shown growth. So, that's why we were trying to understand, what exactly is holding back the top line growth?

Vishnu R. Dusad:

Yeah. So, once again, let me reiterate that when it comes to -- there is some ransomware attack, no lingering effect whatsoever. In fact, I'll request Anurag to elaborate for your benefit and everyone's benefit how we have emerged much, much more stronger than whole of players. And yeah, so likewise, we are confident that we will come, we will bounce back. The client will bounce back soon enough as our experimentations become -- start becoming more and more successful. Over to you, Anurag, to just give a perspective on how we have grown stronger on cyber security?

Anurag Mantri:

Sure, Vishnu ji, thank you. So, after -- see, first of all, when we were hit with the ransomware or cyber security breach, we could contain it to a maximum extent, that is one. Second, our you can say recovery was quite faster in comparison to generally what organizations take to recover after these type of attacks. So, this is the second thing. After that we have gone for a very comprehensive assessment; we have engaged unarguably the best cyber security consulting firm in the South East Asia. They have been our cyber tech advisory, and our internal team and that cyber tech advisory had actually gone for very comprehensive measures on extending our cyber security posture. We -- I can tell you that our - all our digital assets are currently protected with best of the class cyber security platforms and tools. We have gone for a different type of multi-factor controls, multi-layer controls in our environment. As a good practice what we have done



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precisely to add -- still, to our cyber security, I will not be able to share those details but I can tell you that one of the top four consulting organization, in addition to that, our cyber tech advisory has gone for a detailed discussion with us as assessment. And they -- they have mentioned that right now, probably, we are among the top 3% IT organizations having the proper cyber card. So, that's the level. And as we had to update our customers about this incident and our recovery, just to add, how strong we have become is also evident from the fact that many of our customers have gone for detailed discussions with us what we have done. They have also consulted the same consulting organization and gone for -- gone for quite a few detailed exchanges with us to see whether they can also follow the same type of measures and put the same type of controls. So, that's the level that for this also we have got multiple appreciations from our customer, that what type of guards we have put in after the incident.

Mr. Vivek:

I think that that's all from my side. Yeah, yeah, thank you.

Moderator:

Next is Rahul Jain from Daulat Capital, your line is unmuted.

Rahul Jain:

Hi, thanks for the opportunity. Hope my line is audible. Firstly, if you could share the order book data, I think I missed if you shared that in the opening comments and then I have a follow up question to ask.

Vishnu R. Dusad:

Tapan, can you please field this?

Tapan Jayaswal:

Yeah, yeah. Am I audible enough?

Rahul jain:

Yes, I can hear you (Overlapping Conversation).

Tapan Jayaswal:

The order book position is at INR 563.8 Crore including 541.4 Crore of product business and INR 22.4 Crore of project and services business. In September 30th 2021, the order book position was INR 546.8 Crore including INR 514.8 Crore of product business and 32 Crore of project and services business.

Rahul Jain:

Right. Thank you. My second question is, is there any three specific things on the positive side that we can highlight and sell to these three good development has happened in the business in last 12 odd months? Because how -- and you know, because if you look at some of the comments that we shared in this quarter as well, like on the supply side, you said that is not going to normalize in anytime near future. And also from the demand side, we're not able to scale up despite very strong expense scenario by the DFSS (ph) segment that we are witnessing in case of many Indian services as well as software peers. So, anything we want to highlight as a positive thing that has happened?

Vishnu R. Dusad:

Parag, would you like to take that?



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- Parag Bhise:** Yeah, I've will, but what do you -- because you made a few observations. Could you repeat them? Because some of them, I can share the positives, which we've done, but then some of the observations if you could repeat because -- yeah, that will help.
- Rahul Jain:** So, actually -- okay. So, if you want I can rephrase my question. What I am essentially trying to understand --
- Parag Bhise:** Yeah, that will be better because --
- Rahul Jain:** Okay, okay. I'll do that. So, on the supply side, we are saying that the supply side is going to be tight for some time. So, that is not going to resolve in a hurry, that we all know right, that that is something which everyone else everywhere else is also talking about. From a demand side, what we have delivered in the last couple of quarters is also not very exciting, which is different from what others are experiencing, where we are seeing one of the best growth for many of your peers and that peers, I am counting on the product peers as well as services peers. So, I'm saying the demand does not look like good for us. Supply side we are going to see challenges. So, what -- in this kind of a situation what are the three big positive that you can highlight is happening in the business?
- Parag Bhise:** Okay. So, I'll respond with a perspective, look, I'll kind of repeat what I shared in my opening remarks that the good thing is we are able to hire a good number of faces from the market. You know, that's a positive, and it's in hundreds, it's not just a few numbers. They are in different stages of on-building, including some who have already been deployed on projects, on our implementation and projects, and starting to contribute to our top line. Yes, if you're talking about supply side in terms of manpower being a level, that's going to be very -- continues to be a challenge. However, so to be frank, lateral hiring, we have been facing challenge. However, fresher hiring, there is a very good traction. Now, as regards deliveries, you talked about revenue growth also. So, I mentioned in my initial comments that we have good tractions, both with our existing customers as well as the pipeline; the challenge remains execution. And the primary reason I agree that, as Vishnu sir answered that ransomware was kind of one time phenomenon, COVID also one time or a couple of times, these are like -- but what is having a lasting impact is the serious attrition that we faced. Now, while we hired so many people from -- in the fresh segment, you'd appreciate, especially in the product domain it takes longer for us to get those people to understand our products, and then start to deliver as compared to what we would do in a normal services situation or in a project situation. So, while they got those people, it will take us some time for them to delivering. There is no dearth of work in that side of the both work in hand as well as good traction from the pipeline, which I am meaning the new orders. Now, some of the



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experimentation that Vishnu sir talked about is, just to give you some quick examples, we've had this fresher strong market, it takes us a few months to claim them, the experiments we are trying is how can we make them productive in lesser time. So, that's one simple example. Those are the things which you have, because they need to and they will -- they come with some technology bandwidth background, but we have a program where we bring them up on the technology front, and more challenging is we bring them up on the production. So, we are trying to see how that can be reduced. So, the project we start we got good traction from the -- on the fresher hiring, we're getting good traction from our existing because a lot of our customers are wanting to migrate to a newer platform. Execution; yes, it is a challenge at the moment, but with the fresher hiring that we have done and with the productivity gains, the tools and the platform that we talked about, I talked about the MS Teams, I talked about huge number of new laptops that have been hired and given to people and process improvement and the training that we are doing. We expect that to give us benefits in the coming quarter. I'm not sure if I'm able to answer you, may not be directly to your precise question, but I wanted to give you a perspective of how the business is looking to us. So, we are quite hopeful and upbeat about it. The kind of -- the situation is not -- I don't know if you meant that, but it's not such a -- I can't comment about other competitors how they're doing. We don't know their business model, how they go about it. The other aspect which we just touched in the very beginning as a response to one of the questions is we are also working on our pricing, which Brijesh also kind of answered, it's early. But then that is an area of focus which we are working on. Because it's -- customers do realize that the costs have increased. More than the cost, we also are getting into the new discussion with them; we tell them what values we're giving to them, how is that vendor benefiting from our products, which is something which we were probably not doing so in the past. So, these are the kind of experiments that we are trying. I hope I'm able to answer your question in a larger perspective.

Rahul Jain:

See, I understand and appreciate your detailed thoughts on it. But what essentially we are seeing as an end outcome is that in FY-22, we are going to close our revenue which we did in FY-19. And incidentally, this is the same period where most of the companies are talking of a common word, which is the most common -- commonly used word which you might have also come across is digital acceleration. And I don't see that acceleration; we being a beneficiary of it, in fact looking at the numbers and not spending any energy or understanding your business, people would say that probably we are a very traditional business, and that's why we are getting disrupted in such a scenario. While I know and I've spoken to your clients, they speak very highly about your product. But somehow you're -- the kind of product that we are having, and the



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kind of numbers which we are delivering does not look like that people at the helm are doing the right justice. Maybe it's much easier said than the situation on the ground; I understand hyperinflation and hyper-accretion is a real worry, which every company in your industry is facing right now and also in many other industries. If that is your biggest concern, because you have, as you said, there's no dearth of work, right? So, you have the right positioning for your product, you have demand for that kind of product, but you're not able to deliver. If the issue is completely on the supply side, not on the demand side, then why we are not able to take some very, very aggressive steps, because it's not one quarter, two quarter, it's been two years and we are getting in a third year where we are not -- possibly we will not grow. So, is there something that somewhere we need to do introspection into and come out to be? And maybe you already have seen those early signs, as you rightly said that some of the things have started falling in place. So, can we say that FY-23 is going to be a very good growth year, because some of these challenges will be behind us? Can we give that kind of comfort, if not do we see any challenges in the current situation that way?

Parag Bhise:

I would say, we hope to but as Swati mentioned in the beginning, we don't give any predictions. So, I will not talk about it. Of course, I'll only say that the kind of things that we are working on the basics. Basics in terms of getting good, intelligent, fresh people from the institutes working on infrastructure, our product is anyway strong, and you kind of validated that. You're also considered one of our customers; you could consult more customers in -- on the technology front. Look, we come up with product releases every six months. And one, there is a functionality component where -- in the current circumstances where there is a very strong technology component to it. So, product releases are not only functionally enriched, but they're also technology equally. And Brijesh talked briefly about the AIML, because we're slowly -- which are certainly getting into our products. So, saying that -- maybe you made that statement saying that the product is very traditional and not up to speed on technology is probably not fair, because you would know, we talked about it earlier, this new product that we have created has been completely re-architected which probably no one or very few in the industry would take such a big Step we completely rewrote this product, because we want it to always remain on the latest technology and this is what. So, I would -- in summary I would respond that probably some more patience is required. We are very sure of what we are doing and unless the market dynamics again change very, very unfavorably, we should be making good progress. But I would like to conclude.

Rahul Jain:

No, I completely agree. Just one last point I would like to say, I have heard only good things about your products, there's no question about it, but if in the same market we say that our product is superior to other, but probably the companies



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with lesser superior products or inferior product for that matter on a relative scale are delivering better numbers than ours, then there is something wrong between having a good product and having a good market. So, that is something, as you said, you cannot comment on others performance, but I think you need to look into what others are delivering, they're delivering their best ever numbers in these years. But on the contrary, we are seeing the worst performance in last five-six years happening right now with that, so which is very conflicting with what is happening in the marketplace. So, that is something which I wanted to highlight your attention to. Thank you, that's it from my side.

Parag Bhise:

Yeah, thank you, thanks for those inputs. We'll -- we are anyway reflecting upon these things, we will keep your inputs in mind. Thank you so much for these critical inputs.

Moderator:

We have one last question of the day from Vaibhav Badjatya from Honesty and Integrity investment. Over to you.

Vaibhav Badjatya:

Yeah, thanks for providing follow up. Just one for Employee number; so what was the number of employees in this December '21 quarter ending and December '20 quarter ending?

Unknown Speaker:

Prema, if you could take --

Vishnu R. Dusad:

Prema or Tapan?

Tapan Jayaswal:

Hello, yeah, yeah, we are having -- we are having a headcount of 1,689 as of 31st December 2021. And we were having 1,998 as of 31st December 2020.

Vaibhav Badjatya:

Okay, and lastly on the -- see, I understand the pressure that we are seeing on the employee cost front and you also highlighted that you affronted the increments from Jan. So, it's obvious that the employee cost will keep increasing, but apart from the employee costs do you see any other place where costs can be managed or reduced, if you can highlight which are those areas where we can probably reduce costs, so to offset some of the margin impact that is coming from the employee cost?

Vishnu R. Dusad:

Okay, we are trying the productivity measures and that is how we can hope to reduce the costs. Otherwise, in percentage terms-wise, but otherwise, you know, as the industry is experiencing, it's a very tough situation as of now.

Vaibhav Badjatya:

Got pundits, and that's it. That's it from my side. Thank you.

Vishnu R. Dusad:

Thank you.



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- Moderator:** With this, I would like to now hand over the floor back to Swati for final remarks; over to you, Swati.
- Swati Ahuja:** Thanks, Harpreet. Now we would like to thank all our investors for joining us today for this call. I will now pass it over to Vishnu sir, for his closing comment, over to you, sir.
- Vishnu R. Dusad:** I would you like to take this opportunity to thank all of you for your continued interest in Nucleus Software and would like to reiterate our commitment to ensure that we deliver value on long term to all our stakeholders. Thank you so much.
- Moderator:** Thank you so much, sir. Thank you so much, all the speakers and investors for joining the call. That does conclude our conference call for today. You may all disconnect now. Thank you, and have a pleasant day.