



Nucleus Software Exports Ltd.

“Quarterly Earnings Conference Call for the Third Quarter & Nine Months Ended 31st December 2020”

January 29th, 2021



SPEAKERS:

Management, Nucleus Software Exports Ltd.

Moderator:

Good day ladies and gentlemen. I'm Rudy, the moderator of this call. Thank you for standing by and welcome to Nucleus Software quarterly earnings conference call for the third quarter and nine months ended on 31st December 2020. For the duration of presentation, all participants' lines will be in listen-only mode. We will have a question-and-answer session after the presentation. I would like to hand over the conference to Ms. Swati Ahuja. Ms. Ahuja, welcome to the program. You're now ready to begin.

Swati Ahuja:

Thank you, Rudy. 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 third quarter and nine months



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ended on December 31, 2020. For discussion, we have here from the management team, Mr. Vishnu R. Dusad, our Managing Director; Mr. Parag Bhise, Executive Director; Mr. Anurag Mantri, Executive Director and CFO; Mr. Tapan Jayaswal, colleague from the finance team; Ms. Debyani Sinha, Global Head HR and Mr. Ashish Khanna, Business Consultant – Financial Inclusion. Please note that Mr. R. P. Singh could not join because of some personal emergencies. 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 the 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. With this, we are now ready to begin with the opening comments on the performance of the company for the quarter and nine months ended on December 31st, 2020 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:

Good afternoon, ladies and gentlemen. First of all, apologies for starting the call slightly late. This is essentially because of some technical glitches that we were facing. Okay, we just wanted to make sure that, you know, ringing that was going on what heads up. So warm welcome once again, to quarter three investor call. As we've been mentioning, you know, this is a tough period for the industry, for the global economy and also for us as a company. And it is in that background that we can very confidently say on behalf of management and on my personal behalf that our number one priority continues to be helping our customers successfully execute their digital transformation programs while delivering tremendous value to their business. We are proud to report that during the quarter, we added three new customers and our solutions were successfully implemented by nine financial institutions worldwide. In addition, we launched the latest version of our award winning digital lending platform FinnOne Neo 5.5 which is designed specifically to help leaders rapidly expand business operations and generate new digital revenue streams by targeting new customer segments. We were also delighted to win the Best Technological Innovation in Payments B2B Award for FinnAxia at Seamless Middle East 2020 conference in Dubai. We launched the latest version of our integrated global transition banking solution FinnAxia 7.5 to help banks increase corporate supply chain resiliency in COVID-19 world. I'm proud to report that our digital care solution PaySe has been selected by the Reserve Bank of India for inclusion in India's first regulatory sandbox on retail payments. PaySe is one of only two solutions that were ready to immediately start testing under the program. The other important announcement that I would like to make is that as we had announced through two stock exchanges that the board of directors have appointed Parag Bhise as



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the new Chief Executive Officer effective from April 1, 2021 as R.P. retires, having reached his retirement age. He will continue as executive director of the company. On top of that Anurag Mantri, Additional Executive Director, has been appointed as the Chief Financial Officer with immediate effect. Both Parag and Anurag have been with Nucleus Software for more than two decades. In fact, Parag has been with the company for more than three decades and Anurag has been with the company for two and a half decades, and we are certain that under their leadership, Nucleus will continue to focus on what it does best, helping our customers succeed by developing innovative technologies. With these words, I would now like to invite my colleague from finance team, Tapan Jayaswal to share with all of you the numbers. Over to you, Tapan.

Tapan Jayaswal:

Thank you, Vishnu sir. Key highlights from the financials are: Our consolidated revenue for the quarter is at INR 124 crores against 137 crores quarter on quarter and INR 130.3 crores year on year. Overall revenue in foreign currency including the India Rupees revenue is US Dollar 16.8 million for the quarter against US Dollar 18.6 million quarter on quarter and US Dollar 18.4 million year on year. Product revenue for the quarter is at INR 103.2 crores against 114.7 crores quarter on quarter and INR 103.9 crores year on year. Revenue from project and services for the quarter is at INR 20.8 crores against INR 22.3 crores quarter on quarter and INR 26.4 crore year on year. As for expenses, cost of delivery including cost of product development for the quarter is 67% of revenue against 65.9% of revenue quarter on quarter and 67.8% of revenue year on year. In absolute terms, this is INR 83.1 crore against 90.3 crores quarter on quarter and INR 88.4 crores year on year. Marketing and sales expense for the quarter is 3.3% of revenue against 3.6% of revenue quarter on quarter and 6.1% year on year. In absolute terms, this is INR 4 crores against INR 4.9 crore quarter on quarter and INR 8 crore year on year. General administration expenses for the quarter is 8.7% of revenue against 6.1% of revenue quarter on quarter and 8.2% year on year. In absolute terms, this is INR 10.8 crores against INR 8.4 crores quarter on quarter and INR 10.7 crores year on year. EBITDA for the quarter is at INR 26.1 crore against 33.4 crore quarter on quarter and INR 23.4 crore year on year. Other income from investments and deposit is at INR 9.2 crores against INR 7.7 crores quarter on quarter and INR 7.4 crores year on year. Total other income for the quarter is INR 10.3 crore against INR 9.1 crore quarter on quarter and INR 9 crore year on year. Total taxes are at INR 8.1 crore against INR 9.5 crores quarter on quarter and INR 5.3 crores year on year. Net profit is at INR 24.8 crores for the quarter against INR 29.5 crores of revenue quarter on quarter and INR 23.2 crores year on year. Other comprehensive income is at INR 1.5 crore for the quarter against negative INR 0.5 crore quarter on quarter and INR 1.4 crores year on year. Total comprehensive income which includes net profit and other comprehensive income is at INR 26.3 crores for the quarter against



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INR 29 crores quarter on quarter and INR 24.6 crore year on year. EPS for the quarter is at INR 8.55 as against INR 10.14 in the previous quarter and INR 7.99 in December 2019 quarter. In terms of foreign currency hedges on 31st December 2020, we had USD 4.73 million of forward contracts at an average rate of 75.52. There is a mark-to-market gain of INR 71.1 lakhs, which is taken to hedging reserves in the balance sheet. Revenue contribution from the top five clients for the quarter is 29% as against 28% in the previous quarter. The order book position is INR 460.2 crores including INR 420.3 crores of product business and INR 32.3 crores of project and services business. On September 30, 2020, the order book position was INR 482.4 crores including INR 422.9 crores of product business and INR 39.5 crores of project and services business. Total cash and cash equivalent as on 31st December 2020 are INR 673.3 crores against INR 645.6 crores as on September 30, 2020. This includes balances in current accounts of INR 38.6 crores, various schemes of mutual fund INR 422.6 crore, INR 43 crores in fixed maturity plans, fixed deposit of INR 29.4 crores, investment in tax free bonds of INR 112.1 crores, INR 27.6 crores in preference shares. With regards to the receivables, we are at 80 crores against 78.8 crores in the previous quarter. During the quarter, there is a gross addition of fixed assets of INR 0.70 crores consists primarily of INR 0.37 crores on plant and machinery, INR 0.12 crores on software and INR 0.22 crores on computer and office equipment. Now I'll hand over it to Swati.

Swati Ahuja:

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

Moderator:

Thank you, Ms. Ahuja. Ladies and gentlemen, now I would like to request you if you wish to ask any questions to the respected speakers, please press '0' and '1' on your telephone keypad. Repeating and requesting again, ladies and gentlemen, if you wish to ask any questions to the respected speakers regarding the subject of the conference call, please press '0' and '1' on your telephone keypad. With that said, Ma'am, the first question is coming up from Ritesh Bhagwati from Nucleus. Line has been unmuted. Please go ahead.

Ritesh Bhagwati:

First of all, thanks for taking my question. Can you help us understand what was the reason for the negative top line growth? Other IT players have rather shown a strong pullback. So, that was my first question.

Vishnu R. Dusad:

Certainly, essentially the negative top line growth is because certain projects are getting delayed because of concerns that our customers, you know, because of the while, we are trying to do implementations offline without being there, some customers do find it difficult to proceed in that manner and that is essentially the number one reason. This is Vishnu Dusad. And the other reason is customers are also taking time to take decisions about placement of orders while we have some



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orders. Some of our customers continue to be cautious and they're taking time to place orders.

Ritesh Bhagwati: So the orders have not been canceled is what I understand. It's just a delay of the orders getting executed. Right?

Vishnu R. Dusad: Absolutely, absolutely. No, cancellation of orders whatsoever.

Ritesh Bhagwati: Okay, great. Secondly, can you talk a bit about growth trajectory visibility from near to mid-term perspective for Nucleus as to what lies ahead say for one or two years down the line for Nucleus as a company?

Vishnu R. Dusad: Okay. Response to that is essentially that in terms of numbers, it is a practice in Nucleus that we do not give any guidance. And having said that, we continue to be absolutely bullish about the way our products are being received in the marketplace. So maybe that is only word that comes to mind. Bullish.

Ritesh Bhagwati: That's okay. But then, like what is the strategy of Nucleus going ahead? I understand we don't give forecasting guidance, but then how does strategy pan out for next one to two years?

Vishnu R. Dusad: Strategy is going to be continuing to focus on our existing market, existing customers, make them highly satisfied. And that, in turn, spread the word around and essentially that's how we will grow.

Ritesh Bhagwati: Okay, that's great. Lastly, I just wanted to understand how are we going to utilize this cash and equivalents that we have?

Vishnu R. Dusad: Yes. You know, that has now become almost a routine question and maybe we can then dare to answer that question. Sorry. But we are, you know, essentially being both conservative in preservation of cash, as we had done a year back or 10 months back when we were entering the pandemic. On top of that, we would want to keep ourselves comfortable with cash for years to come. And that's our strategy as far as the cash is concerned.

Ritesh Bhagwati: So conserving is okay, but then how are we going to monetize to utilize like, are we looking at some M&As or something or some?

Vishnu R. Dusad: Yeah, M&As are clearly out. We are not planning for any acquisition. But we would be at an appropriate point of time exploring getting into new opportunities where we will put this cash to use. Organic opportunities is we are talking about.

Ritesh Bhagwati: Okay. Okay. Great. That's it from my end for now. I'll join the question.

Vishnu R. Dusad: I just wanted to -- yeah, Ritesh, I just wanted to further add that in our strategy.



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- Ritesh Bhagwati:** Right.
- Vishnu R. Dusad:** Another part of strategy is making use of the latest technologies to make our customers really lead the way. We have - we have done that in the past and we are getting further more aggressive in that direction with the engineering head, now becoming the CEO, someone who's led the, you know, the research and development for last eight years.
- Ritesh Bhagwati:** Right.
- Vishnu R. Dusad:** We are more confident and more aggressive on making use of the technology in the right direction. Thank you. Thank you for your question.
- Ritesh Bhagwati:** Thanks a lot. Thank you.
- Moderator:** Thank you so much. The next question is coming up from Vaibhav, HNI Investments. Line has been unmuted. Please go ahead.
- Vaibhav:** Hi. Hi, sir. Thanks for providing the opportunity. So, sir, you know, last quarter, we made a provision of 15 crore in the employee cost, right? And if I normalize for that, even after normalization, our employ cost has gone up significantly on Q-on-Q basis. So just wanted to understand why it has gone up and are there any additional provisions that you have taken?
- Vishnu R. Dusad:** Thanks a lot for raising that question, Vaibhav. We have like - last quarter, we had taken a provision of 15 crores. This quarter, we have taken a provision of 7.5 crores.
- Vaibhav:** Okay. Okay. So, sir, do you think that now - do you think that now we're done with the provisioning or there can be further provisions going ahead, because now on a nine-month basis, our employee cost is pretty much the same as what we had last year, which is quite a normal year.
- Vishnu R. Dusad:** Exactly. So, you know, just before we got into this investor call, we were having open house and what we have conveyed to all our colleagues is the fact that we would be providing for similar amount in the last quarter also we have approval, in principle approval from the board and unless something completely unthought of comes up in next two months, we would be providing for another 7.5 crores in the last quarter as well.
- Vaibhav:** Okay, okay. So, that's ok.
- Vishnu R. Dusad:** And that would become - sorry, that would become the base for, you know, the compensation for the next coming year which is 2021-22.



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- Vaibhav:** Right, right. So, then basically we are looking at, you know, on a 12-month basis, there will be good reasonable increase in the employee costs and in spite of the fact that our revenue is quite flattish till date. So, just wanted to understand your thoughts around what is driving this willingness to have been rewarding employees in such a manner when the revenue has been flattish.
- Vishnu R. Dusad:** Excellent question. Thanks Vaibhav once again for this such a clear question. You know, we have maintained and we will continue to maintain that we are building this company for the long term and we also want to make sure that we are just doing justice with all our stakeholders. So, when you are doing that dip in a revenue or a flat revenue in a year does not, I repeat does not warrant as far as we are concerned. Any, you know, any implication directly on our employ costs. Yes, some of the productivity gains that we are looking whether they may take time to come. But having said that, we would want to make sure that we continue to begin with retain and then attract the best talent that exists.
- Vaibhav:** Got it. Sir, lastly, on the other operating and other expenses line, we had for the first half kind of declining trend, but now, this quarter it has evolved and it started kind of going up. So do you think this is the new normal or there will be further normalization in the quarters ahead, and there will be a further increase in expenses in operating and other expenses line I'm talking about?
- Vishnu R. Dusad:** No. I think for the time being you can assume this as a new normal.
- Vaibhav:** Right. And, sir, again on the expenses, you know, I think we have the numbers in front of me by employee benefit and operating expenses. But as an R&D, you know, we are very used to give this number. So R&D expenses for the nine month versus the nine months of the previous year, can you give us the numbers for the R&D expenses? For the nine months, not for the quarter, but for the nine months.
- Vishnu R. Dusad:** I would say - I would like to say broadly, they'll be in the same range. Tapan, would you have that number readily available?
- Tapan Jayaswal:** Sir, it's not available readily with me right.
- Vishnu R. Dusad:** Yeah, so, please take it as, you know, our focus and as I have answered just a few questions back that are focus on R&D continues to be high.
- Vaibhav:** Right. So, basically then - so, most of the savings would be coming from the savings in the travel costs that would be the only thing that will be driving this decline in operating expenses, which is basically on the sales and marketing head?



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- Vishnu R. Dusad:** You're absolutely on the dots.
- Vaibhav:** Yeah, okay. That's it from my side, sir. Thank you.
- Vishnu R. Dusad:** Thank you. Thank you for your interest.
- Moderator:** Thank you so much. The next question is coming up from Simranjeet Singh Bhatia, SMC Global Securities. Line has been unmuted. Please go ahead.
- Simranjeet Singh Bhatia:** Yes, thanks. Thanks for, you know, giving me the opportunity. Sir, I first want to ask that you have stated that there is some delay in the certain projects from your customers which have led to this, you know, top line degrowth. I mean, can you assure us or can you give some timeline when this will be get over in the upcoming quarters, first of all? Secondly, I want to ask that in your initial remarks, you have clearly stated that we are facing a tough time in the industry, while other IT players are growing like anything, and you know the same players in your own, you know, segment are going fantabulously. So what is that toughness in the industry going on? Can you elaborate something on that? And thirdly, your employees expenses are, you know, as one of the participant has also stated that we are seeing a very flattish sort of growth in your top line, despite of, you know, increase in your employees expenses. Can you elaborate what's that because means these employees expenses are more in India or in abroad or, means if you can throw some light on this also?
- Vishnu R. Dusad:** Yeah, thanks. Thanks for raising these questions. Hello, I'll attempt answering the last question first. You know, we have, I suppose you've heard my answer about our long-term perspective on being a balance - balancing between all the stakeholders, I hope you heard that. I'll just -- so I'm not repeating that part. But I would only additional point I would like to add is this is across the board, both domestic as well as international.
- Simranjeet Singh Bhatia:** Okay. While, sir, your other players in the same segment are growing phenomenally means, how can you see this means are you going to be aggressive or how you're going to be, you know, counter this thing going forward in terms of your top line growth in the future, at least, you can share some strategy with us because at least -- so that we all have some sort of confidence in your strategies also. So at least, if you can throw some light, because you have a lot of cash in your hand and that's why I'm asking.
- Vishnu R. Dusad:** Yeah, yeah. So, the way this is going to go about is as far as you know, I'll just further clarify my opening remarks on the industry. When I said industry, I was not referring to IT industry alone, I was referring to the industry as a whole and global economy as a whole. Okay, so that's when I say that, the industry is going



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to have a tough time. Now, having said that, our strategy is going to be the same strategy that we have had all these years or decades, satisfy our customers and pick up the latest -- make sure that you deliver the best results from the latest technology that is available and get your products to be the best part and that is what we have been doing that is we'll continue to do that. As far as, you know, the IT industry is concerned, there is a slight difference between IT services industry and IT products industry. I think the growth that our peers in the services side are experiencing may or may not be there in the product industry, our focus on innovation continues to be high and our customers are happy about that fact.

Simranjeet Singh Bhatia:

And sir any margin guidance sort of going forward means can you give, means in terms of whether these margins will be sustainable, which you are posting or means, how can we expect on these margins front from, you know, your side since margins will be going to be like this going forward or it will be going on the upside or at least if you can throw some light on the margin side also.

Vishnu R. Dusad:

Okay, okay. Again, I'll just repeat our position, which is we don't give any guidance.

Simranjeet Singh Bhatia:

I agreed. Okay. Done. Thank you. Thank you.

Vishnu R. Dusad:

Thank you. Thank you.

Moderator:

Thank you so much. The next question is coming up from Parag, individual investor. Line has been unmuted. Please go ahead.

Parag Patankar:

Good afternoon, this is Parag Patankar, question for Vishnu sir. So given the impact of remote working being really acceptable now in the banking industry because of COVID, do you see a structural change in the way both sales and implementation is going to happen in banking software in future? Does this structurally change our cost of spending and implementing, so, I can understand on temporary distortion in terms of sales cycles being impacted, but then longer term do you see remote selling as being more acceptable? Sir, you already said that SGA is already at a new normal of 3% versus 6% earlier. Do you also see this happening in the implementation space where now customers are okay that the implementation is being done remotely from our data center or our premises they have a post to sending an email down to the data centers?

Vishnu R. Dusad:

Thanks. First of all, thank you very much Parag for joining this call and very nice to hear from you after long years. Yeah, what we are experiencing is a very interesting phenomenon. Customers are taking decisions, purchase decisions remotely and most of them are open for remote implementations also. Now,



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having said that, there are certain customers who still feel that no on site presence is highly desirable for implementation, and that is where we are now, moving on to bringing in new ideas and new technologies for training and for support and the kind of training during that we have been able to do in last few months, they are indicating to us that yes, you know, remote implementations should also become a new norm. But, but we are keeping a close watch on how various people respond to these changes and we are sort of preparing ourselves proactively, because we are talking to even when we are making proposals, we are talking to them that ideally we would want to do implementations remotely. So, yeah, there are such changes that are -- some of them are already happening and some of them are on the horizon, which would be then may turn to be permanent

Parag Patankar:

Wonderful, sir. So that will reduce implementation costs. Will it also speed up implementation?

Vishnu R. Dusad:

Certainly, yes. We do visualize those side benefits also.

Parag Patankar:

Okay. Thank you. Sir, follow-up question, we saw RBI came down pretty heavily on HDFC Bank and we've seen worsen of the great financial crisis, most financial institutions have been dragging their feet on core banking infrastructure and even provisioning their data centers. Post that, have you seen any impact for our business or your customers in the way they're thinking about how to plan and provision for their banking software? And is that going to lead to some sort of spike in sales from local customers?

Vishnu R. Dusad:

Again a very, very thoughtful question, Parag. The way I would respond to that is, I think, at an industry level, we have to accept this reality that the economies are going to be more and more digitalized. I think our prime minister also talked about it in Davos meeting recently. So economies are going to be more and more digitalized and hence, the focus that banks, not just banks, anyone and everyone of us that - I mean, every one of us who is a service provider, including banks, has to focus that we have to provide to the continuity of service becomes extremely important. And I guess in some way I would say a blessing in disguise that something like that happened at HDFC Bank, which was really unfortunate, but the regulator responded, the regulated people responded and I think we would be in a much stronger infrastructure situation. That's how I would like to respond and yes, our roles become far, far more responsible given the digitization of the economy.

Parag Patankar:

Thank you. One last question, so, when we provide the split of revenues, would it be possible to split out different product line or is there a strategic reason for



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not disclosing FinnOne versus FinnAxia versus the Neo Digital and analytics initiatives?

Vishnu R. Dusad:

Right, right. We would rather stick to our current method and our strategic reason being while in front, you get to see some of the, you know, offerings that are running with the customers, there is a whole lot of things that are happening at the back. And we want to make sure that experimentation continues, at least continues if not grows, because it's only through experimentation that we can come up with, you know, the powerful applications of the technology that technological advances that are happening by the minute.

Parag Patankar:

Fair enough and I understand that you don't want to show your cards to the competition as well. But if you look at, such as for example, they do talk about the growth in the analytic space, so, maybe not split out numbers, but generic trends, are you seeing traction in analytics and digital?

Vishnu R. Dusad:

Yeah, there is interest in our offerings. I would, you know, just stop at that. Okay?

Parag Patankar:

Sure. One last question, sir, could we get some kind of breakup on new license revenues at least at overall product level, so if not at specific product levels?

Vishnu R. Dusad:

See, as of now, we are most comfortable with this, you know, this level of disclosure and we would like to stay here for the time being at least.

Parag Patankar:

All right. Thank you very much. I don't have any further questions.

Vishnu R. Dusad:

Thanks Parag.

Moderator:

Thank you so much. The next question is coming up from the Himanshu Upadhyay, individual investor. Line has been unmuted. Please go ahead.

Himanshu Upadhyay:

Hi, good afternoon. I have two questions. One was on the questions which Vaibhav asked only. Sir, you see, I understand that on the employee cost we want to have a longer term vision is there and hence we are providing but why do we provide, why not distribute to the employees? Means, what is the rationale, and in the last quarter we stated that if the performance is good, we'll distribute at the end okay? But currently the way.

Vishnu R. Dusad:

Yeah, so, we have already distributed okay. The reason for providing is essentially I mean part of it we have distributed. The reason for providing essentially was to be cautious and as things are opening up we are making a balancing act of committing for those expense. Does that answer your question?



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- Himanshu Upadhyay:** Yeah, to a partial extent. So the Q1 and, so, Q2, Q3, Q4 is what provisions will be making. So, Q2 or half of those things we have already provided, okay? So, that would be the right understanding?
- Vishnu R. Dusad:** No. Three-fourth we have already provided including the provision in yesterday's board meeting.
- Himanshu Upadhyay:** Okay, okay. Okay, so that was one of the things. Second was we are, means, on the growth only okay. We are seeing pretty good growth in various products or under IT services and IT companies only, it's a digital cloud, etc. in financial services, but for us the growth has been lower over okay or the improvement has been much slower okay. Is it because of a product is more matured and well penetrated and hence for last few years we have seen much lower growth rate or how should I should try to understand the growth? What would be the areas? Why our growth or the products growth or where we are present has been lower than others? Just can you throw some light on and just make us understand that thing?
- Vishnu R. Dusad:** Yeah, certainly, I think - yeah. Hello, can you hear me?
- Himanshu Upadhyay:** Yeah, yeah, I can hear you.
- Vishnu R. Dusad:** Yeah. I think the way I would respond to this question about growth is we are as one of -- in I guess in two investor calls back, one of the investors had raised a question about marketing. We have not been able to allow us to admit. We have not been able to do justice to the marketing of our value of our products, which now we are, you know, getting into and once the prospective customers start understanding the value of our product, I see no reason why we would not be able to grow at least at the pace that our competitors are growing.
- Himanshu Upadhyay:** So, sir, the thing is the product penetration or the opportunity still is very big. Would it be right to say? Or it is -- one is taking market share from competitors, the other is the market itself is growing okay.
- Vishnu R. Dusad:** Yeah, yeah. So, your assumption is right. The opportunity continues to be sizable, very sizable.
- Himanshu Upadhyay:** Okay. Okay. And one last thing if, means, let's say at what point of time would you like to add any other product or suite of products because if we see some of the IT product companies also have, they have gone into various other products okay, compliance or analytics or anything else, but they are stuck on to this thing. And despite being the growth has been lower or let's say, our assumption is or means what we are believing to or need to understand is the marketing has been poor. But will there be a time when you would like to also experiment with



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other things, because you know the customer very well and there are maybe newer opportunities also coming up. So, is there any newer adjacencies where we can think of or we are thinking about growing ahead or new products, just some thoughts of yours also, if you can throw on that thing, it could be helpful.

Vishnu R. Dusad:

Thanks, thanks a lot for raising this very intuitive question. Yes, there are clearly adjacencies where we are exploring possibilities and as and when we experience some from real outcomes, we will be sharing it with all of you. So, that is one point I wanted to make. The second point I wanted to make was the depth of our offerings and the richness of the technology that has been made available is so high that it is, you know, one of the - clearly one of the best in the world, if not the best. Now, that being the case, we do need to press full throttle on our marketing and which is what we are in the process of doing and then the results are going to follow they are confident about that.

Himanshu Upadhyay:

Okay, one last question. Sorry. On the marketing where you have stated that there has been weakness and we're making changes or making improvements. In the last few quarters, where have we reached, what have we done and have we added employees in that base? Or what are the things, means, if you can give two-three minutes so just to track what is happening on that side and how should we -- what real improvement you are seeing or anything on that sort it would be helpful.

Vishnu R. Dusad:

I think, I think as far as that is concerned, we are, you know, the board is absolutely cognizant of this. So, we do want to thank the investors for raising these questions, and yeah as far as the costs are concerned, they are being monitored and they are being - their effectiveness is being monitored and if required, they will be increased and while there is some improvement, but we do have a long way to go from our own point of view, when it comes to marketing. So some more time on that.

Himanshu Upadhyay:

Have we increased employees on the marketing side? Each numbers I'm saying, not just cause but numbers also and focus for them or something? Can you -

Vishnu R. Dusad:

Yeah, the focus on communicating the value has gone up, because that is what the customer is keen on and it will be visible in the near future.

Himanshu Upadhyay:

Okay, thank you. I'll join back for any queries further. Thank you, sir.

Moderator:

Thank you so much. The next question is coming up from Umang from EMSECPMS [ph]. Line has been unmuted. Please go ahead.

Umang:

Hi, thank you, sir. Am I audible?



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- Vishnu R. Dusad:** Yes, you are.
- Umang:** Yeah. Sir, could you speak more about the FinnAxia suite? How is it different from FinnOne and how sticky is it?
- Vishnu R. Dusad:** Yeah, thank you, thank you very much, once again for raising this meaningful question. FinnAxia takes care of the corporate side of banking, which is the transaction banking as against conventional FinnOne suite which is only retail banking. Of course, we have now added corporate banking on the lending side as well. Now, coming back to FinnAxia this module helps banks in doing collections and payments business in the most efficient manner and it is I would say, very sticky, because most of the banks, they are keen to have.. they are always keen to lower their cost of funds. And it's through transaction banking that they are able to get contact zero cost. So, yeah, yeah. So, that it's.
- Umang:** Sir, I wanted to just ask sir, the thing is, are you implying that this product is not used by NBFCs, but only used by the large banks? And second is it layered on the core banking system or is it separate from them?
- Vishnu R. Dusad:** Yeah, excellent question once again. Yeah, it is essentially for all banking purposes used by only banks and not by NBFCs and yes, it is layered on top of core banking system.
- Umang:** Okay. So, core banking also - the companies which have the core banking solutions, does it bolt on loaded into the system and it makes it easier or can core banking – does the core banking company have a competing suite with respect to FinnAxia?
- Vishnu R. Dusad:** They do have. They do have and like they have you know, retail lending platforms also, they have - certainly, they have, you know, the functionalities which compete with FinnAxia.
- Umang:** Okay. So, this was one question. Sir, second is, sir, who work with large global banks on one hand while you also work with smaller NBFCs all over the world. So, in terms of implementation, licensing and AMC, could you give the differences between the two of them?
- Vishnu R. Dusad:** Yeah, again, a very good question. The cycles are almost entirely different. The decision times are much longer with the global players, the kind of value that they look at is very different than the kind of value that a small player would be looking at. So -- and the pricing also at the lower end of the spectrum, you know, the transaction based pricing is what is preferred and other system which is on premise solutions which the large players would think that long-term players will - long-term players would deliver that are more. So that is how, you know, in



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fact this is a wide spectrum of offerings in terms of the pricing and implementation cycles and so on that is that. In some of the smaller players, we have been able to implement within, you know, as much as a week or two and of course, at other implementations take much, much longer.

Umang: Right, thank you, sir. But basically, to give more specific data, will you be able to comment on what is the AMC charge as the percentage of initial fee in case of banks in case of NBFCs? Very broad, like. You can give me as a percentage or you can give me the difference between the two.

Vishnu R. Dusad: I know, I'm sorry, we won't be able to do that.

Umang: Okay, sure. Not a problem, sir. And the last question, sir, most of the core banking companies have not been able to make a significant headway in North America because of systems there are very old. So for you as a company, is North America something that you're looking forward to continue working with? Or how would you, like do you even envisage North America as a part of your overall future business? How do you understand that?

Vishnu R. Dusad: Okay, the way I would like to answer this question is, you know, as a player which has implementations in seven continents, there is no reason why or six continents, there is no reason why we should not in the seven continent also and having said that, we have invested time and effort in that direction. And we will keep exploring is what I can say as of now.

Himanshu Upadhyay: Right, sir. Right. Great. Thank you so much, sir.

Vishnu R. Dusad: Thank you so much for your interest.

Moderator: Thank you so much. The next question is coming up from Gautam Gupta from Nine Rivers Capital. Line has been unmuted. Please go ahead.

Gautam Gupta: Good afternoon, sir. Thanks for the opportunity. You know, as a product, company, as a product company, we would have two kinds of revenues, we would have the recurring revenue, which is AMC and cloud, that is my understanding, and we would have one time revenue, which is more in the nature of implementation and license. Would we -- we are going to get some split between these two revenue streams.

Vishnu R. Dusad: As of now - not as of now, Naveen. Your question is certainly relevant, but we are not in a position to make that comment.

Gautam Gupta: Let me ask why sir. I think this is a very basic information that will help us understand the company a lot better. I am sure we have a very rich recurring



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revenue stream, which we are not able to see, you know, today and, therefore, we don't appreciate the company sometimes as well as we should. So I just want to understand what is the difficulty is sharing this?

- Vishnu R. Dusad:** See, Naveen, I am sure there are a whole lot of things which we – you know, any business would want to keep as proprietary information. And that is what.
- Gautam Gupta:** You think this is going to be something which will affect us competitively, if you share it?
- Vishnu R. Dusad:** May be, may be.
- Gautam Gupta:** Sir, all our players share this information and honestly, I'd like you to think just through. If you really feel there's a specific competitive concern, you know, we are happy to understand that from you. But I would request you to think about this. You are not like to give too many details. You need to give only recurring versus non-recurring, that at least gives us one layer of insight into the business.
- Vishnu R. Dusad:** You know, I do accept your perspective, but this is where we are having answered to an earlier question.
- Gautam Gupta:** I know there were some other questions on product wise revenues, all of those, I was listening into the -- fair enough, sir, but just think about this because I'm asking for a very broad and very relevant classification. So you know, I'll leave it to your -- on the marketing side, sir, I have a question. So as part of our future plan, you know, to step up the marketing are we looking at consulting and IFC from partnerships and, you know, where are we there? Is that a relevant challenge for us?
- Vishnu R. Dusad:** Sorry, consulting and –
- Gautam Gupta:** You know, your system integrators, consultants, are they a challenge for us?
- Vishnu R. Dusad:** All those factors are.
- Gautam Gupta:** Sir, any color you can give us in terms of, you know, where are we on that today? Do you think that's like a low hanging fruit for us to look at? Or are we already, you know, pretty well entrenched in that channel?
- Vishnu R. Dusad:** Okay, okay. Let me answer it in this manner. You know, we are making sure to begin with that the breadth and the depth that our product offers to prospective customers. We are trying to communicate with limited effort that we have made, as of now, we are getting, you know, encouraging response from all of them. So



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all that we need to do is make sure that in our defined we are able to tie up with all the right IFCs, right consultants and so on.

Gautam Gupta:

Sure, sure, sure. Fair enough, sir. Sir, I know, I hesitate to say this, because there's been a lot of talk on this already. But, sir, think of some sort of clarity for us on the cash utilization policy. We have 670 crores of cash we are generating at least 25-30 crore every quarter. So, and you know, this is something that I think we have been asking since a long time and we understand your desire to keep a cash buffer and to keep watch list for any marketing or any other investments. But when we're generating 25-30 crores or more every quarter of cash, I really wonder, why are we so scared of distributing it? I'm sorry to - maybe scared is not the right word, but why are we so hesitant of distributing or at least outlining a policy? You know, let us know that this is a cash level that the company needs. Beyond that, we will start thinking distributing. Give us some clarity on that.

Vishnu R. Dusad:

See, Naveen, this question, and let me answer it but thing is whenever we have felt, we have distributed the cash fairly. So, you know, we look forward to our investors considering us to be wise enough to be holding the cash. Despite these quarterly, you know, requests from most of the entities said that. I don't know how long you've tracked us, but -

Gautam Gupta:

Sir, we are a long-term investor. We are very happy with the way you've taken that. I mean, we've been there for more than four years, I think in Nucleus. Yeah.

Vishnu R. Dusad:

Yeah.

Gautam Gupta:

So, we have, you know, you have guided the business and you've done really well as a business. I mean there's no complaints at all. But I think at some point, you should give us some clarity in terms of, you know, what is there in your mind? What is the right cash reserve for the company? For example, if it's a view that thousand crores is where we want to get to after that we can have it - we can think about distributing dividends, which can be buybacks, you know, where the founders don't want distribution, they can, you know, not exercise their buyback, there are ways and means around that.

Vishnu R. Dusad:

So, we have done that in past and suffice is to say that, you know, this company's board is very, very wise board. We are very fortunate to have to wisest women and men on the board.

Gautam Gupta:

Sure, sure.

Vishnu R. Dusad:

And they're applying their mind to balancing the interests of multiple stakeholders.



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- Gautam Gupta:** Fair enough, sir. Please communicate back to us at some point when you can, you know. Sir, I'll just leave with a note of appreciation for Mr. R. P. Singh. I believe he is now retiring as CEO and joining the board. So, just convey our thanks for his leadership over the last few years.
- Vishnu R. Dusad:** Thank you so much, Varun. I really appreciate that and it is colleagues like R.P. and now, you know, our able upcoming CEO Parag Bhise who has given their entire careers to building this institution and we are very proud of the fact and I'm very happy to receive this, you know, communication from you. I wish he was also listening to him this personally, but for the personal emergency that he has not joined the call.
- Gautam Gupta:** Okay, sir, thanks. Thanks for your input, sir.
- Vishnu R. Dusad:** Thank you. Thank you.
- Moderator:** So the next and the last call coming up in the queue is from Vaibhav from HNI Investment. Line has been unmuted. Please go ahead.
- Vishnu R. Dusad:** Yes, Vaibhav.
- Moderator:** Mr. Vaibhav.
- Vaibhav:** Hello, can you hear me?
- Vishnu R. Dusad:** Now, we can hear you. Yeah.
- Vaibhav:** Yeah. Yeah. So I was talking about the revenue buildup and the implementation roadblock that you have kind of highlighted earlier. So in the last quarter, you know, we have seen significant, I mean, at least a reasonable growth in revenue, in spite of the fact that that was a quarter where the restrictions and everything was relatively higher as compared to what it is today and in December quarter. So can you help us understand what are additional problems that you've faced over and above what we faced in the last quarter, which is September quarter, which has led to this - led to this revenue implementation issue? And, secondly, when do you think that it will be normalized and what would lead to the normalization? Because whatever restrictions are today, they will be there for probably next three to six months more?
- Vishnu R. Dusad:** Yeah, so let's look at it this way. Very, very valid question, Vaibhav, and as I was attempting to answer in response to one of the questions, maybe it was question from Parag Patankar, the response to this COVID is reasonably different among different customers. Some of them are converting this into an opportunity and saying that, okay, we will, you know, let us also experience this



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within implementation. And they're, you know, going live without, as mentioned in the opening, going live, without any travel. There are - at the same time, there are other customers who have not been able to get adjust themselves to his new thought and that's where, you know, what would I cannot say with certainty, but what would happen is, in the last quarter, when we had a higher revenue, we came across the customers on the first variety, and in this quarter, you know, our implementations were with the customers of the second, variety. The way I'm looking at it is this phenomenon is there to stay, like digitalization is here to stay. You know, our digital payments are growing exponentially. And likewise, these remote implementations also would grow, but, you know, quarter to quarter, there could be ups and downs. That's how I would like to respond to your question.

Vaibhav:

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

Vishnu R. Dusad:

Thank you. Thank you.

Moderator:

Thank you so much. With that said, sir, there are no further questions at this point of time. Turning the program back to you for your closing comments, sir.

Swati Ahuja:

So, we would like to thank all our investors for being with us in this call and having this discussion with us. With this, I would like to pass it over to Vishnu sir, for his closing comment. Over to you, sir.

Vishnu R. Dusad:

Once again, as always, thank you very much for your continued interest in Nucleus Software and we reiterate our commitment to build a long-term institution that balances the interests of all the stakeholders. Thank you so much once again for your interest.

Moderator:

Thank you so much respected speakers. Thank you your participants for joining the call. Wish you all have a great year and requesting to please stay safe. Thank you so much.