



Nucleus Software Exports Limited

Q3 FY19

Earnings Conference Call

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Members of Nucleus Management

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Mr. Ashish Nanda	Chief Financial Officer
Mr. Avnish Datt	Executive Vice President – Global Head Strategy
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[Note: This transcript has been edited for improved readability]



Gaurav Agarwal:

Good afternoon everyone! This is Gaurav from Investor Relations team at Nucleus Software. A very warm welcome to all of you for the Nucleus Software earnings conference call for the third quarter and nine months ended December 31st, 2018. For discussions, we have here from the management team Mr. Vishnu R. Dusad, our Managing Director; Mr. Ashish Nanda, CFO; Mr. Avnish Datt, Executive Vice President, Global Head – Strategy; Mr. Pankaj Bhatt, Executive Vice President, Professional Services; Ms. Debyani Sinha, Global Head Human Resource and Mr. Prakash Pai, President – Financial Inclusion.

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 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 ended December 31st 2018, from the M.D. and post that we would be available for the Q&A session. I now pass it over to Vishnu.

Vishnu R. Dusad:

Thank you, Gaurav, and good afternoon, ladies and gentlemen. I'm pleased to connect with you at this earnings call for the third quarter and nine months ended December 31, 2018.

Q3 continued to build on the momentum we have seen in the first two quarters, with 4 new customers, 5 new product orders and 27 product module implementations worldwide. As businesses all over the world continue to grow in their journey for digital transformation, our investment in new technologies has positioned us well to deliver more value to our customers. We witnessed solid traction for our corporate banking solution – FinnAxia, as there has been a marked increase in engagement with many leading banks and other financial institutions globally.

We are also encouraged by the continued growth and adoption of FinnOne Neo Cloud in the market. We are delighted to win the 'Best cloud lending solution' and also one of our cloud implementations received 'Best Lending Technology Implementation of the Year' at BSFI Innovative Technology Awards 2018. It demonstrates the tremendous impact that the combination of innovative technology and customer-centric business strategies can have on financial services.

Over to you Ashish for financial updates.

Ashish Nanda:

Thanks Vishnu and good afternoon everybody. I welcome you all to this conference call.

Key Highlights from Financials are:

REVENUE

- **Our Consolidated revenue** for the quarter is at Rs. 122.9 crore against Rs. 121.5 crore QoQ and Rs. 106.0 crore YoY. **For the Nine Months** it is Rs. 357.0 crore against Rs. 300.8 crore for the corresponding Nine Months of the previous year.
- **Overall Revenue in foreign currency including India Rupee revenue** is US\$ 17.2 million for the quarter, against US\$ 17.8 million QoQ and US\$ 16.3 million YoY. **For the Nine Months** it is US\$ 52.0 Million, against US\$ 46.2 Million for the corresponding nine months of the previous year.
- **Product revenue for the quarter** is at Rs. 96.7 crore, against Rs. 96.0 crore QoQ and Rs. 85.1 crore YoY. **For the Nine Months** it is Rs. 282.9 crore, against Rs. 237.1 crore for the corresponding nine months of the previous year.
- **Revenue from projects and services** for the quarter is at Rs. 26.2 crore, against Rs. 25.5 crore QoQ, and Rs. 21.0 crore YoY. **For the Nine Months** it is Rs. 74.1 crore, against Rs. 63.7 crore for the corresponding nine months of the previous year.

EXPENSES

- **Cost of delivery including cost of product development for the quarter** is **65.3%** of revenue, against **66.1%** of revenue QoQ and **65.4%** of revenue YoY. In absolute terms this is Rs. 80.2 crore against Rs. 80.3 crore QoQ and Rs. 69.3 crore YoY. For the nine months, it is Rs. 236.8 crore (66.3% of revenue) against Rs. 203.2 crore (67.6% of revenue) for the corresponding nine months of the previous year.
- **Marketing & sales expense** for the quarter is 8.7% of revenue, against 7.0% of revenue QoQ and 8.2% YoY. In absolute terms this is Rs. 10.7 crore against Rs. 8.5 crore QoQ and Rs. 8.7 crore YoY. For the nine months, they are at Rs. 28.2 crore (7.9% of revenue) against Rs. 26.2 crore (8.7% of revenue) for the corresponding nine months of the previous year.
- **G&A expense for the quarter** is 8.0% of revenue, against 8.1% of revenue QoQ and 8.9% YoY. In absolute terms this is Rs. 9.8 crore against Rs. 9.9 crore QoQ and Rs. 9.4 crore YoY. For the nine months, they are at Rs. 28.7 crore (8.0% of revenue) against Rs. 29.0 crore (9.6% of revenue) for the corresponding nine months of the previous year.
- **EBITDA for the quarter** is at Rs. 22.2 crore (18.0% of Revenue), against Rs. 22.8 crore (18.8% of Revenue), QoQ and Rs. 18.6 crore (17.5% of Revenue), YoY. For the nine months, **EBITDA** is at Rs. 63.3 crore, (17.7% of revenue), against Rs. 42.4 crore, (14.1% of revenue) in the corresponding nine months of the previous year.

- **Other income from investments and deposits** is at Rs. 6.1 crore against Rs. 3.7 crore QoQ, and Rs. 5.7 crore YoY. **Total other Income for the quarter** is Rs. 5.9 crore against Rs. 3.8 crore QoQ and Rs. 5.4 crore YoY.
For the Nine Months, other income from investments and deposits is at Rs. 15.9 crore against Rs. 20.2 crore for the corresponding period of the previous year. **Total other Income for the nine months** is Rs. 16.7 crore against Rs. 21.3 crore for the corresponding period of the previous year.
- **Total taxes** are at Rs. 3.0 crore against Rs. 5.5 crore QoQ and Rs. 4.1 crore YoY. **For the nine months, Taxes** are Rs. 14.4 crore, 20.0% of PBT against Rs. 13.1 crore, 22.4% of PBT in the corresponding period of the previous year.
- **Net profit** is at Rs. 20.7 crore for the quarter, 16.9% of revenue, against Rs. 19.1 crore, 15.8% of revenue QoQ and Rs. 18.1 crore, 17.1% YoY. **For the nine months** it is at Rs. 57.5 crore, 16.1% of total revenue, against Rs. 45.3 crore, 15.1% of total revenue in the corresponding period of the previous year.
- **Other Comprehensive Income** is at Rs. 2.3 crore for the quarter, against Rs. (3.1) crore QoQ, and Rs. 2.0 crore YoY. **For the nine months** it is at Rs. (0.5) crore against Rs. (2.3) crore, in the corresponding period of the previous year.
- **Total Comprehensive Income which includes Net Profit and other comprehensive Income** is at Rs. 23.0 crore for the quarter, against Rs. 16.1 crore QoQ and Rs. 20.1 crore YoY. **For the nine months** it is at Rs. 57.0 crore, against Rs. 43.0 crore in the corresponding period of the previous year.
- **EPS** for the quarter is at Rs. 7.14 as against Rs. 6.59 in the previous quarter and Rs. 6.24 in December'17 quarter. **For the nine months** it is at Rs. 19.78 against Rs. 14.58 in the corresponding period of the previous year.
- In terms of **foreign currency hedges**, on Dec 31, 2018 we had USD 6.50 million dollars of forward contracts at an average rate of 72.57. There is a mark-to-market gain of Rs. 123.9 lakhs which is taken to hedging reserve in the balance sheet.
- **Revenue contribution from the top 5 clients for the quarter** is 38% against 39% previous quarter.
- **The order book position** is Rs. 372.6 crore including Rs. 332.8 crore of products business and Rs. 39.8 crore of projects and services business. **In September 30, 2018** the order book position was Rs. 377.9 crore including Rs. 330.9 crore of products business and Rs. 47.0 crore of projects and services business.
- **Total Cash and cash equivalents** as on December 31, 2018 are Rs. 480.4 crore against Rs. 466.9 crore as on September 30, 2018. This includes balances in current accounts of Rs. 32.0 crore, various schemes of mutual funds Rs. 187.4 crore, Rs. 62.9 crore in fixed maturity plans, fixed deposits with

banks of Rs. 51.3 crore, investments in tax free bonds of Rs. 87.1 crore and Rs. 59.7 crore in Preference shares.

- With regard to **receivables**, we are at Rs. 76.3 crore against Rs. 80.2 crore previous quarter.
- During the quarter, **there is a gross addition of fixed assets** of Rs. 1.1 crore, consisting primarily of Rs. 0.7 crore on Computers equipment's and Rs. 0.2 crore on software.

Now, I will hand it over to Avnish for sharing the updates.

Avnish Datt:

Thank you Ashish and a very good afternoon ladies and gentlemen! Thanks for joining our investor call this afternoon. I am happy to share with you some updates both on our go to market as well as some marketing interventions. Vishnu talked about our cloud offering winning awards both on implementation and disruptive technology. Well our cloud business also continued to add new logos in this quarter as it has been doing in the last few quarters. On top of that, we also experienced a continuous reduction in the implementation go-live timelines which indicates the maturity of both the offering as well as the methodology that we follow. In addition, we had a very significant win on our transaction banking product from South East Asia from one of the large banks in that region. On our flagship NEO product, we continue to have build pipeline especially for large value opportunities.

On the marketing side, our theme remains thought leadership and deepening our presence in outside geographies. We cosponsored an event in Philippines which was basically the event for rural banks of Philippines. Around 450 bankers attended and we presented on how the rural banks in Philippines can use technology to transform the business in situation where they are facing consolidation and a little bit of challenge from the macro economic scenario. In India in one of the flagship events for the NBFC industry, the event called 'NBFC 100', we spoke on how NBFCs can use technology to face the challenge of higher cost of funding and drying liquidity. This was close on the heels of the ILFS episode. We also attended an event called 'Enterprise FinTech' event in Dubai. It's a very interesting global event. More than 400 bankers and technologists participate from more than 30 countries. This is the event where a lot of the leading financial technology companies come and present their technologies. We showcased both our lending technology as well as the transaction banking technology and we made a presentation on transforming financial services beyond digital, very well acclaimed and received. In Australia, we continue to invest in market development. We had our fourth roundtable. This was as I had shared with you in our earlier updates, we had these roundtables right through the year. The fourth roundtable again co-hosted by us along with the Dun and Bradstreet was on the opportunities created by some recent stipulation for the Royal Commission in Australia which is the regulator there.

So I'll keep informing you on our marketing updates and sales updates as we go along. I am now handing it over to Prakash.

Prakash Pai:

Good evening to you all. Let me give you an update on the new product PaySe. As you are aware that PaySe has been targeted as a solution for the rural markets and its specialty is in the offline payment space. This year along with the offline payment space which is our USP, we also added the online flavors to it. So today we are probably one of the unique solutions which is both online as well as offline.

Our solutions today have been implemented along with the rural livelihood mission in about 18 villages in Haryana, in one of the districts wherein we have helped more than 3000 women participate in this program and it's helping the rural livelihood mission and encouraging people to save their money in the savings account as well as collect their loan installments in a completely cashless environment. This program has been implemented and running successfully for the past couple of months. We also got merchants on board in that area so that a truly cashless village can be created in that place.

We also got the recharge and the bill payments module up and running. Again the uniqueness is that while most competitors allow you to make bill payments and recharges in an online environment, we have successfully implemented the solution wherein the rural women whom we have issued the cards, they would be able to use the cards and make bill payments etc. in an offline environment. This is something that will get rolled out in a larger scale in the coming months.

We would also like to inform you that we have successfully completed our RBI audits as you are aware that PaySe being a PPI license product, RBI conducts audits of this particular product and we have successfully completed our RBI audits in the last month itself. Our focus would be to build use cases which will be useful to the end consumers and payments will be an integral part of it. So this would be the strategy with which we will be focusing on PaySe and taking it to the masses going forward.

I hand it over to Gaurav.

Gaurav Agarwal:

Thank you sir. With this, we are now open for the Q&A session.

Deepan Shankar:

Good evening everyone. Congratulations first of all for the good set of numbers and congrats once again for the good transaction deal. So just we wanted to understand what is the size of the deal and also how is our deal pipeline looking in case of transaction banking?

Avnish Datt:

As I think we mentioned a little bit earlier the pipeline continues to be fairly good and we are having engagements with different banks at different levels right now. We unfortunately won't be able to divulge a number but it's a deal from a fairly sizeable bank.

Deepan Shankar:

Okay, and also why the contribution from India region has declined to QoQ by 4 crores, so any specific reason?

Ashish Nanda:

So it is only in this quarter that if you look at on a sequential basis on a QoQ, yes there is a decline but if you look at on a nine-month basis of a Y-o-Y, there is a significant improvement. However, in this quarter only because you understand that we are on a percentage completion, so there were certain orders which are from previous quarter completion on the other side of the globe which were there and that was the main reason of the decline in the revenues currently, it's a temporarily decline. Hope to recover it back but if you look at on a sequential nine-month basis of last year versus current year, there has been a significant improvement on an overall revenue basis in India segment.

Deepan Shankar:

Okay, and one more question to Ashish, specifically the depreciation amount has gone up by 2 crores. Any specific reason?

Ashish Nanda:

Yes, there is a one temporary provision which you have taken on a diminution of one of our investments which are there. That was the main reason of the high of 2 crores which was there. We hope to perform better in that investment and hopefully this will get reversed in may be three to four quarters coming down the line.

Deepan Shankar:

Okay, so 2 crores is the sustainable run rate right for depreciation.

Ashish Nanda:

Yes, that is correct. This is a one time exceptional 2.5 crores to be precise which was there and that also on a conservative basis, management had taken a call looking at the overall performance till today but management is very hopeful to recover it back in shorter period may be three to four quarters.

Deepan Shankar:

One more last question from my side. Are we seeing any slowdown in decision-making process or client conversion in NBFC market in India?

Avnish Datt:

Yes, now actually our experience is that the NBFCs that are the ones that we deal with. They have a fairly robust business model. Their asset base is fairly robust. The principles they apply in terms of credit



scoring, in terms of on-boarding customers, they are very consistent. So yes I think sentimentally there is probably a flight sense of concern in general but most of the NBFCs that we deal with are engaging in our current discussions. There isn't any sense of alarm.

Deepan Shankar:

Okay. So pipeline getting more and more stronger. That sense we can take it.

Avnish Datt:

Yes, I would say so.

Deepan Shankar:

Okay sir. Thank you and All the best.

Avnish Datt:

Thanks.

N. Puranik:

Hi Vishnu.

Vishnu R. Dusad:

Hi Puranik. How are you?

N. Puranik:

Good, Couple of questions. One is you have FinnOne on-premise suite of product and FinnOne Cloud, both have achieved the status of maturity, stability and growth. Isn't it? Am I right to say that?

Vishnu R. Dusad:

Absolutely.

N. Puranik:

In terms of their product features, functionality, the way they work at the customer premises and the cloud solution particularly the time to market in terms of implementation is quicker and faster. So you have achieved high degree of maturity in this. My question is when the product reaches high degree of maturity in terms of customer acceptance and there are many referenceable sites for its endorsement. So why don't we go little more aggressively in terms of selling it? Does it call for investment in sales marketing or precise targeting larger clients for relatively few hundred thousand dollar to million dollar clients? Do we need to hire a few key account managers who can deliver this because it's important to realize the potential of a product when it is hot and when it has reached the level of maturity, the sales

dollar has to grow greater than the R&D dollar? So does it make sense for you to make more investment or are you constrained by the market or what exactly is that?

Vishnu R. Dusad:

Excellent point Puranik. Thank you very much for raising it and we have, in fact, initiated this process in a particular geography some 2 to 2.5 years back, thinking we were very clear right that this is a time by which the product would be in an excellent shape and it is already in and whatever marketing that we had initiated 2 -3 years back. I would request Avnish to give you a quick update and then we are hopeful that we are already seeing that it is generating interesting pipeline for us. Over to you Avnish.

Avnish Datt:

Yes, Hi Mr. Puranik. Thanks for asking a very insightful question as usual. So like Vishnu said I think there is an element of some markets being more mature in terms of procuring a technology like this and hence willing to provide the right kind of value against the IP that they're buying and some aren't. At the same time, it also remains true that we have in a way widened the net that we cast through our cloud offering. So on one hand with cloud we are addressing relatively faster sales cycles where there is more agility in decision making. We are also very flexible in the way we are engaging with those customers. Like Vishnu mentioned, we have kind of carved out geographies and segments where we continue to invest in market and business development. For example, I mentioned roundtables, we do events on how can banks digitalize, what are the best ways to make sure that the customer experience is much better and so on. We keep investing through thought leadership through investing in the brand in those geographies because there we think even though the sales cycles are longer, the values we get against the IP are likely to be far bigger and we have already started seeing – I am hesitating to call it a pipeline, but I think the kind of engagement and traction we are seeing in those markets with some of the large banks that is validating our approach of investing in marketing and building the brand and expecting the right kind of return on the IP there.

N. Puranik:

My question is from product maturity perspective. Today, you are in such an excellent situation where you have never been before like this because you have pioneered the cloud part of the product and achieved maturity there. On-premise has been doing very good. So in a situation like this, are you constrained by the market or you're hesitant to make additional sales dollar investment because this is a time for you to go aggressively because you've got everything going right for you. What I think is, I may be right or wrong to say that you need to put lot more key sales guys to get more dollar. You are doing lot of right things in terms of selling by what you talked about the roundtable and some of the banking digitization programs and that's all fine. But how is it translating in terms of pipeline? Some of these initiatives should translate to pipeline and order book and then execution. So how is that? What is it today compared to few quarters ago?

Avnish Datt:



Yes, I mean the thought that we have is that there are organizations like NBFCs who take very quick decisions and then there are ones where the decision cycle especially because the way we sell, the way we engage, there are multiple engagements going on business side, on operations side, on technology side of the bank, there is business case that is being worked on and so on. So the sales cycles don't necessarily shrink. The way we look at it is that it's probably better to then focus on customers and focus on engagements that can give us a much bigger license value with the same kind of sales effort. In the geographies that we are doing that we are very hopeful with the kind of engagement that we are looking at right now.

N. Puranik:

And what is the deal sizes in cloud today?

Avnish Datt:

I would say pretty wide. I think what's interesting is that we are able to do pricing on multiple dimensions.

N. Puranik:

Multiple dimensions.

Avnish Datt:

So aligned with the need of that particular institution. We'll be able to very flexibly design the pricing.

N. Puranik:

You've got 300-400-thousand-dollar kind of deal size or more than that?

Avnish Datt:

I won't comment on the numbers.

N. Puranik:

But has it been getting better?

Avnish Datt:

Yes.

N. Puranik:

Deal size is getting better and you didn't tell me about the pipeline.

Avnish Datt:

The pipeline actually I must say that the pipeline is not only bigger but I think the average opportunity size in the pipeline is growing.

N. Puranik:

Is growing, I see. And people are investing and going forward things can look better in terms of opportunity and conversion.

Avnish Datt:

Yes, that's what we feel.

N. Puranik:

Right. Thank you. I have another question Vishnu regarding your PaySe product. Payments product.

Vishnu R. Dusad:

Yes, please go ahead.

N. Puranik:

So what is the long-term vision for this product? Where has it reached in terms of maturity except in the marketplace? Is it going to be standalone products marketed separately or how is it going to work?

Vishnu R. Dusad:

Okay, once again thanks a lot for raising this very critical question Puranik. The vision has been to make the low-value loans – when we say low-value loans, we are talking about loans of let's say less than Rs. 50,000, less than Rs. 10,000 loan.

N. Puranik:

Into some micro finance kind of loan.

Vishnu R. Dusad:

Yes and even lower than that. The vision has been to make those loans possible and profitable for the banking industry and payment solution essentially was a step in that direction and what is continuing and now accelerating is essentially proof of concept where we are able to roll out this payment solution in limited applicability as of now especially one or two or in fact the third one is just coming up. One is the collections for micro finance installments that ladies from self-help groups give to the rural livelihood mission and the second one is recharge, mobile recharge and third one is bill payment. So this is the proof of concept that is doing reasonably well in a district of Haryana called Fatehabad and when

we expand it beyond Fatehabad to other districts in Haryana and then may be one or two districts in the U.P. What we will be able to demonstrate to all the stake holders is a solution which is actually working on ground because there are now we have seen in fact tens of solutions but very few of them to our knowledge at least are working in rural area and that's the biggest thing and once we are able to digitize those dimensions, then we are confident that the original vision from which we started this payment solution, we would be able to realize that vision because we have already experienced that, one the joy of offline money being getting deposited in a bank account and getting an SMS acknowledgment from the bank is unbelievable. You need to look at the smiles on the faces of those customers when that happens and we still are quite some distance away when it comes to full connectivity and then everyone having a smartphone, etc. So during that timeframe, this solution would be adding value to the society at the bottom of the pyramid and we are getting more and more confidence.

N. Puranik:

You have some anchor customers for this?

Vishnu R. Dusad:

Yes, we have rural livelihood mission as our anchor customer.

N. Puranik:

Right. So you will build this and create this as a business solution.

Vishnu R. Dusad:

It's a business solution, which we feel that would add to our existing suite of FinnOne and FinnAxia.

N. Puranik:

So you're going to partner with somebody to do a broader sales and marketing or you'll do on your own?

Vishnu R. Dusad:

You know, we are not spending any money, any cash back and so on. That's not our way of marketing it. What we are ensuring is the prospective customers or existing customers are able to experience the value and then through word of mouth this solution we are hoping that it will move forward and that is what we are experiencing so far and that is how we are going to take it forward. Yes, there would be some partners who'd come around and let's see who that could be. We are talking to various people.

N. Puranik:

Wonderful. Looking forward to hear better things from this product and also on your cloud. Wonderful. Thank you so much.



Vishnu R. Dusad:

Thank you so much Puranik.

Nishit Shah:

Hello sir. Our employee head counts have increased by around 12% in a year and 35% in last three years. So in which specific areas are we hiring?

Ashish Nanda:

Primarily the head count increase which has happened in both in terms of products which are there as well as some area we have invested in also in sales and marketing and in some areas we have also gone ahead in the delivery side. So it's a mix of all of them but primarily our focus is investment more in the product side if I have to generalize in a certain manner.

Nishit Shah:

Okay. So sir will we experience any non-linearity in the revenue growth and employee cost going forward?

Ashish Nanda:

So our stand has always been that whatever is required to be spent on the product side, we will keep spending it for some more time from a perspective, though as you have listened to Vishnu recently during the conversation with Puranik is the fact that yes we have reached the maturity but again we are also looking at futuristic side of it, innovation and technology is moving really, really fast. So we don't want to compromise anywhere when it comes to investing in innovation and products. So there will be some more investments which will go on the product side further and also in sales and marketing which will be the need of the hour and based on whatever the requirement, we'll decisions as and when they are required to be taken.

Nishit Shah:

Okay and sir the reason for lower tax rate this quarter?

Ashish Nanda:

There is one expense which we have been keeping forward from a conservative basis and with the completion of one of our assessments of two years back, there was something on the withholding taxes in the international side which we have got it back from the government and, therefore, there was a discussion with the auditor while taking on that basis. So that was the main reason on the completion of

an assessment and we have taken the tax based on we have completed assessed amount which is there. It's a one time thing which is there.

Nishit Shah:

Okay. Thank you sir.

Ashish Nanda:

Thanks.

Rahul Jain:

So my question is firstly on the order book size, given that this number is bit static, how we see the visibility going into CY19?

Ashish Nanda:

Hi Rahul, Ashish this side. My personal take and I'll then request also Avnish to add if in case something is required. See very clearly the traction when we look at on the new business side of it, the conversion is slightly lower though the pipeline is looking much stronger than before which is there. We are hopeful that the conversion will be faster in the times to come as far as the order booking is concerned. Though I agree with you when you look at absolute number, the number is slightly static in the current year. But we are very hopeful that the thing which we have not been able to close in the first three quarters. The pipeline looks to be stronger and, therefore, that gives me confidence of a stronger order book as we proceed forward. However, when will that convert and how much will that be is again we don't give futuristic answer, so I'll not be able to comment on that but we are very hopeful looking at the engagements which are happening.

Rahul Jain:

So just to re-ensure the current number is?

Ashish Nanda:

So order book position is at Rs. 372.6 crores including Rs.332.8 crores of the product business and Rs.39.8 crores of the projects and services. So 372.6 is the current order book Rahul.

Rahul Jain:

Right. So if I have to look at especially in the context of this FinnAxia business, I assume the order size would be significantly higher in that space. So given that the contribution mix is also improving and in general pricing has also improved that means the number of win ratios must be lower than what we already saw in the nine month of the previous year because the number on the order book has looked similar.

Ashish Nanda:

So I would say they are slightly different. Now though sometimes the numbers are not reflective of the true situation which is there to be very honest from a perspective but you are right that in our win ratio sometimes we are postponing it to get the best value also. That is also happening in negotiation stage which is there. I can assure you the kind of traction which we are having both on FinnOne Neo, FinnAxia and Neo including the cloud is phenomenally, phenomenally high, interactions with the customers are becoming better, the regions in which they are happening are different from where we have been having in the past and have multiple reasons to be more confident, however, yes reflective of a number you are right that it is static and, therefore, it is slower but my only reason as a finance guy to be confident is about the interaction and the regions in which we are talking and the order size or the order booking value per, as Avnish also mentioned a few minutes back gives me the higher confidence which is there.

Rahul Jain:

So basically in a way the initial order value which is adding in those deals have a much smaller and the potential from a future perspective is much larger and that's why it is not getting on their total book size there but that's where your confidence is.

Ashish Nanda:

To put it slightly differently, I would say that the numbers are not getting closed is the right reason rather than a smaller number getting closed is the reason for order not reflecting the confidence of what I am saying and hopefully in next two to three quarters again not to give any futuristic guidance on it but discussions are looking positive. That's all I can add.

Rahul Jain:

So let's say from a pipeline perspective, how this number looks versus a year back? Is it significantly higher number or any growth number which you can share?

Ashish Nanda:

See Rahul, you and I have had multiple conversations around the same thing and you know me that we don't share those numbers which is there, now even giving the confidence which is there have started a discussion as if I am giving a brighter future but at the same time I would like to rest it there that the conversations are very nice on three reasons. One, the interest of the customer has gone up. The regions where the customer is showing interest is very different from where we have been acting in the past so that gives me more confidence and the last portion is the values of the order which we are talking with the customer, customer has to agree to pay to us is looking to a much significantly different that what we have been discussing in the past. I would like to leave it there if that is okay with you.

Rahul Jain:

Right. Perfect. I got the sense. So lastly from my side on the depreciation front, is this number because of this Avon mobility investment or is it something else?

Ashish Nanda:

Yes, it is primarily because Avon mobility.

Rahul Jain:

So these are kind of a write-off to the investment value on the balance sheet?

Ashish Nanda:

I will not say it's a write-off, it's a provision because again there are, you also know from the accounting fraternity is the fact there is a view of management, and our management is extremely conservative as you would have seen from a perspective. So we would like to take actions before even it is suggested by an auditor or any community because from a perspective we are saying that there is a temporary diminution. We are taking it right now based on the performance and as and when the performance will go up, it can be reversed. It's a temporary diminution in the value of the investment as we look at it. But we have provided it looking at what is the best practice is from a governance perspective from that side.

Rahul Jain:

So before this measure, the position was valued at \$1 million. Are we expected to add more or is this number different?

Ashish Nanda:

I am sorry. From where did you gather \$1 million number?

Rahul Jain:

I guess I have picked it from some of the annual report.

Ashish Nanda:

No, so the way we done it, we have done it from a perspective evaluation. We have provided right now 2.5 crores and we don't foresee even in next one year anything going down from that perspective. Again not to give any futuristic guidance on it but we were on the view that right now it is a right time to take a provision and, therefore, we had taken the provision based on the performance right now. Again, it's a mix of accountants' views, more to do with what happened in the past and there is a view of a business which is futuristic. So it's a mix of both I would say from that side.

Rahul Jain:

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

Ashish Nanda:

Thanks a lot.

Samir Patel:

Yeah thanks for the opportunity. Sir just one question regarding PaySe. Now that we see some ground implementation, has anything started in terms of revenue contribution?

Ashish Nanda:

Not yet Samir. As Vishnu also mentioned about the proof of concept getting implemented, from that perspective we are hopeful to look at once this proof of concept gets more rolled out and get more traction on the ground, we'll be there. The revenues are not significant at all from that perspective. So we are also in a testing mode right now of the concept. The concept has got tested, however, there are many stages in a proof of concept about the longevity as well as scalability. So proof of concept has been well established, however, there are many aspects of the proof of concept which are yet to be tested which we are hopeful to close in very soon from now.

Samir Patel:

Okay and I mean how are we looking at the revenue? Is it like transaction based or is it like area based? How are we looking at it?

Vishnu R. Dusad:

I think at this stage this is a concept which is still very futuristic because we are changing habits which have created over centuries and also that too we are changing these habits from the people who are very slow to change. So I think it's too early to look at the revenue. We just need to make sure that the adoption is wider and deeper and once that happens, we are confident that revenue would not be an issue.

Samir Patel:

Okay sir. All the best.

Vishnu R. Dusad:

Thank you. Thank you for your interest.

Deepan Shankar:

Thanks a lot for opportunity again. On the utilization of cash front, so our cash levels have been continuously increasing. Now it is around Rs.480 crores. If I am right, last time we were around Rs.440 crores that time we have done the buyback. So next when can we expect on that line?

Ashish Nanda:

Deepan again we have mentioned it in the past also. The board is cognizant and leadership is also cognizant on the fact and let me assure you, you will be the first person as an investor you've had a similar kind. I'll personally come back to you but we are cognizant on the fact and there are discussions let me tell you around the board how to ensure that we take the best care of the value of the share holders like one of the most critical stake holders and overall organization and we'll ensure that we'll take the right decision.

Deepan Shankar:

Okay, sure sir. And one more thing on the plans of investment on building front. Any updates on that front?

Ashish Nanda:

We are working on that Deepan and as of now nothing concrete but yes we are on the right direction. Multiple discussions have happened and we are looking into it.

Deepak Shankar:

Quantum, any quantum we can share?

Ashish Nanda:

Not right now. As and when something is coming up, we'll definitely come back with an update to all the investors which are there.

Deepan Shankar:

Okay, sure sir. Thank you and all the best.

Ashish Nanda:

Thanks Deepan.

Samarth Singh:

Thank you for taking my question. Just one of them. In the past, you've talked about getting to critical mass in our cloud business. How exactly do we define the critical mass? Is it in terms of number of clients or percentage of revenue or how exactly does this calculation will happen?

Avnish Datt:

Okay, thanks for asking a question that almost woken me up. I don't know what is the technical way of saying what is the critical mass in a cloud business. I think we develop a feel for the business and the



way I look at it is when referencibility starts working such that it becomes self generative and we are getting a lot of pipeline from just people talking amongst themselves saying, "oh, we had a great experience. Our business got transformed." That to me is one measure. The other measure is how quickly are we able to close the sales discussion and how quickly are we then able to implement and have the NBFC or the financial institutions start releasing value. That is the other one. The third one for me would be when the friction in the discussions starts minimizing, we know that we have between us and the prospect, we have now developed a template whereby we know how to address the concerns. At a very broad business level, I won't be able to define what critical mass means any more than what I have just said.

Samarth Singh:

All right. Thanks. Thanks very much.

Gaurav Agarwal:

So we would like to thank all the investors for joining us today for this earnings conference call. I would now pass it on to Vishnu for his closing comments.

Vishnu R. Dusad:

Once again, I would like to thank you all for your keen interest in Nucleus Software and I would like to close by reiterating our commitment to add value to all our stake holders in years and decades to come. Thank you.