



Q1 FY 15
Earnings Conference Call
August 04, 2014

Members of Nucleus Management

Mr. Vishnu R. Dusad	Managing Director and CEO
Mr. R P Singh	Director & Head, Global Product Management
Mr. Pramod. K. Sanghi	Chief Financial Officer
Mr. Pankaj Bhatt	Executive Vice President, Professional Services
Mr. Avnish Datt	Executive Vice President, Global Strategy

[Note: This transcript has been edited for improved readability]



Meenakshi Sharma:

I would want to welcome all of you to this Nucleus Software Earnings Conference Call for the quarter ended June 30th 2014. For discussions from the management team, we have with us Mr. Vishnu R. Dusad, our Managing Director and CEO, Mr. R. P. Singh, Director and Head Product Management, Mr. Pramod K. Sanghi, CFO, Mr. Pankaj Bhatt, Executive Vice-President, Professional Services and Mr. Avnish Datt, Executive Vice President, Global Strategy.

Nucleus Software does not provide any specific revenue earnings guidance. Anything which is said during this call it will reflect our outlook for the future or which may be construed as a forward looking statement must be reviewed in conjunction with the risk that the company faces and audio and transcript of this call would be shortly available on the investors' 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 straight from the CEO, and post that, we would be available for the Q&A session. With this, I may now pass it over to Vishnu.

Vishnu R. Dusad:

Thank you, Meenakshi and good afternoon, ladies and gentlemen. I am pleased to connect with you at this earnings call for the first quarter of the financial year 2014-15.

Building on our strong product innovation and R&D capabilities, we recently launched FinnOne NeoTM, a suite specifically designed to manage end-to-end lending requirements of the banking and financial services industry. We believe that with this introduction, we will further strengthen our global leadership position. We are committed towards providing our existing and potential customers with competitive and cutting-edge products and will continue to focus on investments in product innovation and business expansion.

We would also continue focus on strategic investments in R&D and product innovation will remain to be one of its top priorities in the coming quarters. With the launch of its robust lending suite- FinnOne NeoTM, Nucleus Software continues the focus to re-energize the existing product portfolio.

A reflection of Nucleus Software's commitment to product innovation was the recent felicitation by The Asian Banker for "The Best Lending Platform Award". The award is an acknowledgement of Nucleus Software's constant endeavor to exploit new technology capabilities to deliver business value to its existing customers.

Pramod K. Sanghi:

Good afternoon everyone. This is Pramod and I welcome you all to this conference call.



- Our Consolidated revenue for the quarter is at Rs. 79.43 crore, against Rs. 87.69 crore QoQ and Rs. 86.32 crore YoY.
 - Product revenue for the quarter is at Rs. 56.39 crore, against Rs. 59.12 crore QoQ and Rs. 62.47 crore YoY.
 - Revenue from projects and services for the quarter is at Rs. 23.04 crore, against Rs. 28.56 crore QoQ and Rs. 23.85 crore YoY.
- Overall Revenue in foreign currency including India Rupee revenue is US\$ 12.90 million for the quarter, against US\$ 14.12 million QoQ and US\$ 15.24 million YoY.
- Cost of delivery including cost of product development for the quarter is 64.4% of revenue, 59% of revenue in the previous quarter. In absolute terms this is Rs. 51.14 crore against Rs. 51.49 crore previous quarter.
- Marketing & sales expenses for the quarter is 13.3 % of revenue, 12% of revenue in the previous quarter. In absolute terms this is Rs. 10.58 crore against Rs. 10.17 crore previous quarter.
- G&A expenses for the quarter is 10 % of revenue, 7 % of revenue in the previous quarter. In absolute terms this is Rs. 7.57 crore against Rs. 5.93 crore previous quarter.

Expenses are after considering annual appraisal effect for the company, effective from April 1, 2014.

- EBITDA for the quarter is at Rs. 10.13 crore, against Rs. 20.10 crore QoQ and Rs. 14.22 crore YoY.
- Pursuant to the Companies Act 2013, the company has revised depreciation rates in respect of computers and data processing unit as per the useful life specified in the Act. As a result of this change, the depreciation charge for the quarter ended June 30, 2014 is higher by Rs. 18.17 Lakhs.
- Other income from investments and deposits is at Rs. 5.52 crore against Rs. 3.78 crore QoQ, an increase of Rs. 1.75 crore due to FMP maturity and higher interest on FDs in the quarter. Other income includes foreign exchange gain of Rs. 0.14 crore against a loss of Rs. 0.65 crore previous quarter. Total other Income for the quarter is Rs. 6.75 crore against Rs. 7.48 crore last qtr and Rs. 5.34 crore in qtr ended June 2013.
- Depreciation is at 2.86 crore against Rs.2.66 crore QoQ and Rs.1.57 crore YoY
- Total taxes are at Rs. 2.36 crore, 16.83% of PBT, against Rs. 6.08 crore, 24.40% of PBT previous quarter. Reduction in subsidiaries where taxes are 0.30 crore against 3.37 crore last qtr



- Net profit is at Rs. 11.65 crore for the quarter, 14.6% of revenue, against Rs. 18.84 crore, 21.4% of revenue QoQ and Rs. 11.17 crore, 12.9% of revenue YoY.
- EPS for the quarter is at Rs. 3.60 as against Rs. 5.82 in the previous quarter and Rs. 3.45 in June'13 quarter.
- In terms of foreign currency hedges, on June 30, 2014 we had USD 10.20 million of forward contracts at an average rate of Rs. 63.31. (As on date, we have coverage of 11.70 million \$ at an avg. rate of 63.28).
- Revenue contribution from the top 5 clients for the quarter is 39% against 41% previous quarter.
- The order book position is Rs. 240 crore including Rs 180 crore of products business and Rs. 60 crore of projects and services business. In Mar 31, 2014 the order book position was Rs. 259 crore including Rs. 195 crore of products business and Rs. 64 crore of projects and services business. In June 30, 2013 the order book position was Rs. Rs. 224 crore including Rs124 crore of products business and Rs. 100` crore of projects and services business.
- Total Cash and cash equivalents as on 30th June, 2014 are Rs. 319.63 crore against Rs. 322.50 crore as on 31st Mar, 2014. This includes balances in current accounts of Rs. 25.42 crore, liquid fund schemes of mutual funds Rs. 90.63 crore, Rs. 105.88 crore in fixed maturity plans, fixed deposits with banks of Rs. 73.63 crore and investments in tax free bonds of Rs. 24.07 crore.
- With regard to receivables, we are at Rs. 58.89 crore against Rs. 41.72 crore previous quarter. The DSR is 67 days against 44 days in previous quarter. The increase in receivables is primarily in the 0-60 days bucket.
- During the quarter, there is a gross addition of fixed assets of Rs. 3.44 crore, with Rs. 2.53 crore additions in hardware and Rs. 0.46 crore software licenses purchased from third parties.

R.P. Singh:

Thank you Pramod. I am happy to announce that we launched the new avatar of FinnOne™, our flagship Lending Product, which we have brand-named FinnOne NEO™ in this quarter in an event in Mumbai. The product highlights were appreciated by a gathering of existing and prospective customers. I am personally very excited about having both the renewed products in the market now, including FinnAxia™ which is a cash management product. We have also started researching new regions for regulatory and business compliances, so that we can start planning for our entry strategy there.



FinnAxia™, our Transaction Banking Cash Management product, has also been moving well. In this quarter we became a front-runner in a large opportunity, a multi-country opportunity, up against tight global competition. I see this as an acknowledgement of the key value features that have been built into the product. The market response has been encouraging.

With the product out in the market now, we need to ensure speed and quality while managing the roadmap, which we have decided to, release an upgrade every 6 months, and that has to happen with speed and quality. For this we are continuously working on making the build process robust and automated using multiple testing, release management, deployment tools, that would enable us to deliver this value to our customers.

Avnish Datt:

Thank you RP. After the successful launches there has been a lot of interest from the existing customer community as well as many large prospects, from across our markets in both FinnOne Neo™, which is the new lending product, as well as FinnAxia™.

We also did some go to market events to consolidate our presence in Japan especially, and in South East Asia and we have got some very good early engagements happening with very large financial institutions and banks. We continue to also add senior level talent in business development, marketing and sales teams.

We also had success stories with some of the large banks, not only celebrating the go live, but also looking at going on with additional modules and additional products. What is also heartening to see is that there is a huge customer acceptance of our evolved model in terms of the license and the IP-centric selling. There is fairly encouraging news from all our existing markets where we are consolidating presence as well as markets where we have recently started operating; but have generated significant interest.

Pankaj Bhatt:

Thank you Avnish, good afternoon ladies and gentlemen. In the quarter ending Jun 2014, a total of 7 product modules were implemented for 4 customers across regions. This includes 2 modules from our FinnOne™ mobility suite.

In the last quarter we also launched a pilot for support helpdesk for our select customer and I am happy to inform that the initial response has been very positive. Continuing our focus on strong focus on project management, we have completed the internal certification of our project managers. To address the scaling up needs, the Professional Services teams have been aligned with the new career growth model with a special focus on cross-skilling.



Meenakshi:

We thank you all for your interest and time in Nucleus Software and attending this earnings conference call. For the closing comments, I would like to pass it on again to Vishnu.

Vishnu:

I would like to convey my thanks for all the support and interest in Nucleus and we reiterate our commitment to make sure that we add value to all our stakeholders in quarters and years to come. Thank you very much.