



Nucleus Software Exports Limited

Q2 FY16

Earnings Conference Call

October 28, 2015

Members of Nucleus Management

Mr. Vishnu R. Dusad	Managing Director and CEO
Mr. R P Singh	Director & Head, Global Product Management
Mr. Ashish Nanda	Chief Financial Officer
Mr. Avnish Datt	Executive Vice President, Global Head Strategy
Mr. Pankaj Bhatt	Executive Vice President, Professional Services
Ms. K. B. Prabha	Head, Human Resources

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



Gaurav Agarwal:

This is Gaurav from Investor Relations team at Nucleus Software. I apologise for the four minutes delay to start this presentation. A very warm welcome to all of you for this Nucleus Software Earnings Conference Call for the second quarter and half-year ended September 30, 2015. For discussions, we have here from the management team Mr. Vishnu R. Dusad, our Managing Director and CEO; Mr. R. P. Singh, Director and Head Product Management; Mr. Ashish Nanda, CFO; Mr. Avnish Datt, Executive Vice President, Global Head Strategy; Mr. Pankaj Bhatt, Executive Vice President, Professional Services and Ms. K. B. Prabha who has joined us as Head, Human Resources, during the quarter.

As all of you 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 constructed as the forward-looking statement must be reviewed in conjunction with the risk that the company faces. An audio and the 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 September 30, 2015 from the CEO and post that we would be available for the Q&A session.

With this, I now pass it over to Vishnu.

Vishnu R. Dusad:

Thank you, Gaurav and good afternoon, ladies and gentlemen. I am pleased to connect with you at this earnings call for the second quarter and half-year ended September 30, 2015. I am happy to report that the company is continuing to make steady progress on its strategy. Strategic investment and partnerships in the last quarter have provided us with great opportunities to grow and to continue our mission to help our customers succeed.

In Q2, Magma Fincorp Limited, a leading non-banking finance company (NBFC) became the latest addition to our growing customer base of innovative companies. Magma Fincorp will implement FinnOne Neo™ to power its loan origination and loan management operations.

During the quarter we released new versions of our key products targeted specifically for credit mutual and NBFC. We have further strengthened our leadership team with



senior appointments. I am confident of the quarters ahead, as we continue to build on our sales and marketing activities around the world.

Over to you, Ashish.

Ashish Nanda:

Good afternoon everybody. This is Ashish and I welcome you all to this conference call. Key Highlights from Financials are:

REVENUE

- **Our Consolidated revenue** for the quarter is at Rs. 84.7 crore against Rs. 84.8 crore QoQ and Rs. 86.8 crore YoY. **For the Half Year** it is Rs. 169.5 crore against Rs. 166.3 crore for the corresponding half year of the previous year.
- **Overall Revenue in foreign currency including India Rupee revenue** is US\$ 13.1 million for the quarter, against US\$ 13.3 million QoQ and US\$ 14.1 million YoY. **For the Half Year** it is US\$ 26.4 Million, against US\$ 27.0 Million for the corresponding half year of the previous year.
- **Product revenue for the quarter** is at Rs. 62.8 crore, against Rs. 62.8 crore QoQ and Rs. 62.0 crore YoY. **For the Half Year** it is Rs. 125.6 crore, against Rs. 118.3 crore for the corresponding half year of the previous year.
- **Revenue from projects and services** for the quarter is at Rs. 21.9 crore, against Rs. 22 crore QoQ, and Rs. 24.9 crore YoY. **For the Half Year** it is Rs. 43.9 crore, against Rs. 47.9 crore for the corresponding half year of the previous year.

EXPENSES

- **Cost of delivery including cost of product development for the quarter** is 67.8% of revenue, against 64.7% of revenue QoQ and 57.8% of revenue YoY. In absolute terms this is Rs. 57.4 crore against Rs. 54.9 crore QoQ and Rs. 50.2 crore YoY. For the half year, it is Rs. 112.3 crore (66.3% of revenue) against Rs. 101.2 crore (60.8% of revenue) for the corresponding half year of the previous year.
- **Marketing & sales expense** for the quarter is 15.5% of revenue, against 18% of revenue QoQ and 13.4% YoY. In absolute terms this is Rs. 13.2 crore against Rs. 15.2 crore QoQ and Rs. 11.6 crore YoY. For the half year, they are at Rs. 28.4 crore (16.8% of revenue) against Rs. 22.2 crore (13.4% of revenue) for the corresponding half year of the previous year.
- **G&A expense for the quarter** is 14.7% of revenue, against 12.3% of revenue QoQ and 10.9% YoY. In absolute terms this is Rs. 12.4 crore against Rs. 10.4 crore QoQ and Rs. 9.5 crore YoY. For the half year, they are at Rs. 22.8 crore (13.5% of revenue) against Rs. 17.2 crore (10.4% of revenue) for the corresponding half year of the previous year.



- **EBITDA for the quarter** is at Rs. 1.7 crore (2% of Revenue), against Rs. 4.3 crore (5% of Revenue), QoQ and Rs. 15.5 crore (17.9% of Revenue), YoY. For the half year, **EBITDA** is at Rs. 6 crore, 3.5% of revenue, against Rs. 25.7 crore, 15.4% of revenue in the corresponding half year of the previous year.
- **Other income from investments and deposits** is at Rs. 5.4 crore against Rs. 6.1 crore QoQ, and Rs. 4.9 crore YoY. **Total other Income for the quarter** is Rs. 7.0 crore against Rs. 7.7 crore QoQ and Rs. 6.8 crore YoY.
For the half year, other income from investments and deposits is at Rs. 11.5 crore against Rs. 10.5 crore for the corresponding period of the previous year. **Total other Income for the half year** is Rs. 14.7 crore against Rs. 13.6 crore for the corresponding period of the previous year.
- **Total taxes** are at Rs. 1.1 crore, 18.9% of PBT, against Rs. 2.1 crore, 23.9% of PBT previous quarter, Rs. 6.6 crore, 33.9% of PBT in Sept 14 qtr. **For the half year, Taxes** are Rs. 3.2 crore, 22% of PBT against Rs. 9 crore, 26.8% of PBT in the corresponding period of the previous year.
- **Net profit** is at Rs. 4.5 crore for the quarter, 5.4% of revenue, against Rs. 6.8 crore, 8% of revenue QoQ and Rs. 12.8 crore, 14.8% YoY. **For the half year** it is at Rs. 11.3 crore, 6.7% of total revenue, against Rs. 24.5 crore, 14.7% of total revenue in the corresponding period of the previous year.
- **EPS** for the quarter is at Rs. 1.40 as against Rs. 2.10 in the previous quarter and Rs. 3.97 in Sept 14 quarter. **For the half year** it is at Rs. 3.50 against Rs. 7.57 in the corresponding period of the previous year.
- In terms of **foreign currency hedges**, on September 30 we had USD 9.65 million dollars of forward contracts at an average rate of 66.52. There is a mark-to-market loss of Rs. 19.6 lakhs which is taken to hedging reserve in the balance sheet.
- **Revenue contribution from the top 5 clients for the quarter** is 47% against 45% previous quarter.
- **The order book position** is Rs. 348.2 crore including Rs. 285.1 crore of products business and Rs. 63.1 crore of projects and services business. **In June 30, 2015** the order book position was Rs. 346.6 crore including Rs. 292.6 crore of products business and Rs. 54 crore of projects and services business.
- **Total Cash and cash equivalents** as on September 30, 2015 are Rs. 342.6 crore against Rs. 351.5 crore as on June 30, 2015. This includes balances in current accounts of Rs. 16.7 crore, liquid fund schemes of mutual funds Rs. 93.6 crore, Rs. 32 crore in fixed maturity plans, fixed deposits with banks of Rs. 136.8 crore, investments in tax free bonds of Rs. 53.6 crore and Rs. 9.9 crore in Preference shares.



- With regard to **receivables**, we are at Rs. 83.8 crore against Rs. 87.6 crore previous quarter.
- During the quarter, **there is a gross addition of fixed assets** of Rs. 2.4 crore, consisting primarily of Rs. 1.2 crore on computers equipments and Rs. 0.9 crore on software licenses.

Over to you, R. P. Thank you.

R. P. Singh:

Thank you, Ashish, and good afternoon to all.

I am happy to announce that Release 2.5 of FinnAxia that I talked about in my last update that we had launched it at end of the previous quarter. The release went live at one of the leading African banks; it was an existing customer and we were upgrading it and this upgrade actually further strengthens our vision of delivering continuous business value to our customer through regular innovation. We also won a new order for upgrading one of our existing customers from our earlier solution Cash@Will to the latest FinnAxia release. This is in the Southeast Asian region. We are progressing well for the implementation.

I just want to add that we had a very successful event at SIBOS, which was held in Singapore this year. This is the annual event which is focused on corporate and transaction banking and we have got excellent feedback on FinnAxia, had potential customers come and look at it and also generated new leads, people who are interested in the solution. This has further charged our confidence in the direction that we have taken.

On the FinnOne Neo side, I have two pieces of good news. First, the latest release of NEO went live at our first site. We have already upgraded them to the next release. And the second news is that one of our largest maybe one of the earlier customers has signed off for the upgrade for the Neo. This not only is a significant acknowledgement of the product, but also an opportunity for us to further enhance the value that the subsequent releases can deliver. We also bagged a Japanese customer for our rollout in their international business.

Hope to have more promising news next time, as we are working on multiple fronts at this moment.

This is all from my side. Over to Avnish who is in Singapore.



Thank you, RP and Good afternoon, everybody. Continuing on the same theme, I am happy to share some progress on some of the themes that I have touched upon over the last few investor calls. So we continue to develop our new markets in line with our stated strategy for expanding through our new market intervention. So in Japan the team continues to build up and we are getting more and more local talent. Also, we got a new logo in Japan for our lending solution. I would also want to highlight that we are focusing in Japan along with the secular market segment. We are focusing on large Japanese companies who are investing in Southeast Asia. I am also happy to share that we are building a pipeline, so you would continue to hear about that a little bit more in our subsequent calls.

As Vishnu shared, we won Magma Fincorp, which is one of the leading NBFCs and is now deploying FinnOne Neo to differentiate themselves from the rest of the competition. We also won one of the largest lenders in India to move from our old product to the new product, so some of our existing customers are moving to the new products, but also we are seeing activity from new customers. In Europe, we are in very interesting discussions both on the automotive finance side with a large Central and Eastern Europe organization and also on the transaction banking side with one of the leading banks globally, so activities that are a result of some active pipeline build-up that we are doing. We did around seven events in the last quarter focusing on the new geographies as well as some of existing markets, so we had three events in Africa both on lending and transaction banking side, two in the Manila in Philippines. We had one very interesting event in Australia focusing on credit mutual and tier 3, tier 4 banks and we had our two participations in events in Mumbai and they all resulted in very good conversations and good preliminary pipeline which is in the process of being qualified. We are also in the final stages of discussions for our first Cloud engagement with an Indian non-banking financial company. So these are some of the things that I wanted to share. We continue to add sales bandwidth in the new markets and that is also resulting in promising opportunities that we would see maturing in the subsequent quarters. So that's all that I had to share.

Thank you so much and I would now pass it on to Pankaj Bhatt.

Pankaj Bhatt:

Thank you, Avnish and Good afternoon, ladies and gentlemen. In the quarter ending September 2015, we implemented 11 product module successfully and they have gone live across the global including two for our customer in Latin America. These include eight modules from our FinnOne suite, one from FinnAxia and two from our mobile



product suites, so I would say a combination of multiple product suites. So in total in H1FY16 we have done 18 module implementations across the global for our customers.

That is all from my side. With this I will hand over to Gaurav.

Gaurav Agarwal:

Thank you, Pankaj. With this, we are ready for the Q&A session.

Deepan Sankar:

Good evening, Sir. Just want to understand that Indian banking landscape overall has been shifting now towards payment banks and small banks, so particularly want to understand with related to our transaction banking, so how do you see these opportunity and how are we targeting these kind of segments?

R.P. Singh:

So just to reiterate that the two product lines that we have in lending and transaction banking, obviously in payment banks the lending would not participate or be of any trade relevance. However, on transaction banking we are in engagement to look at opportunities that they would pursue with on boarding SME customers on either processing the payment capabilities or even participating in larger financial supply chain operations. However, once again in the financial supply chain they may not be able to offer loans or overdraft, but that definitely becomes one area of interest to us and I think that is with the line in which we are engaging with them.

Deepan Sankar:

But we have even smaller banks, right?

R.P. Singh:

For the smaller banks and smaller non-banking finance companies what we have started doing is moved our solution on to the Cloud and, in fact, we are in active talks with the couple of our customers who are wanting to take up those offerings and the idea is really to make our product which is, of course, a top end ERP solution to some, make it available for smaller NBFCs and banks so that they can actually extract value from the solution.



Deepan Sankar:

Post Q3 FY15 our products order book has almost doubled from Rs. 170 odd crores to Rs. 300 odd crores, but still we haven't seen any improvement on revenue terms. So when do we expect that to reflect in revenue terms?

Ashish Nanda:

See, the revenue recognition policy which we have based on that itself the revenues are recognized. And very soon as we progress on the implementation side, the revenues will be listed accordingly from the license side also. So executability is anywhere ranging from six months to two years depending on the size of the project which is there.

Deepen Sankar:

Okay, sir. Thank you.

Puranik:

Hi, Vishnu. It is nice to see a lot of progress on FinnOne Neo product development and maturity and also on the sales and marketing initiatives apart from building people, various initiatives on marketing front, holding various summits and meets have been pretty useful. I want to understand when will you equally call the FinnOne new version reaching a full maturity, is it when large percentage of your clients are getting to the full operate cycle or when you have new client wins or when you sell more peripherals around that, when will that happen? And also, in terms of revenue growth cycle, so when do you see a sustainable revenue coming in, so now you have addressed the product development cycle and also you have come out with a newer versions for mutual and India NBFC segment, so when do you see that mature, sustainable revenue growth coming in?

Vishnu R. Dusad:

Thank you, Puranik, for the good words. I think we would call our product mature to an extent now and when one of our major customers migrates on to this product, we will call it even more mature. But as we have mentioned, as of this moment we are having four parallel implementations on the new products that are going on and even before the implementations we are getting very good review. So I think that is how I would, want to define the maturity.



And, yes, the next point that you mentioned about peripheral systems around the product that would be, I guess, a year or two from now.

Puranik:

But do you have the full suite of those products like the analytics, compliance, risk management, treasury, money market all these which are relevant to this?

R.P.Singh:

So risk management, analytics as well, but money market and others are not relevant to us.

Puranik:

So you have more on analytics and risk and compliance?

R.P.Singh:

That is right and basic servicing and accounting. So the lending product, for instance, starts with supporting sales in originating loans, then it goes on to supporting credit for taking the credit decisions and approving loans. Thereafter, it gets into the servicing cycle where the accounting and the provisioning and all special transactions during the terms of the loans are processed and finally on to even bad debt collections is what we do. So the process part that is the flavour. We brought now mobility suites for all of these on one side and the analytical backbone which either we use which is already running in larger bank, so our solution then provides the analytics for the same. So that is about the lending side.

On the cash management side the whole focus is on banks taking over account receivables and payables of corporate along with liquidity management. So the entire treasury support to the corporate. Large corporates is what that focus is all about.

Puranik:

So with these products you will go on Cloud and SaaS model or you will do an outrage to it?



Yes, both models. Technically we have at site deployment as well as Cloud for lending, not necessarily initially for the cash management because that is a little impractical, but the lending we have already started Cloud offering. Of course, pricing models are variants and maybe Avnish could throw light on that.

Puranik:

On the upgrade cycle when do you see the majority of your clients complete and getting it through the process?

R.P.Singh:

So we are being a little selective. We are keeping the mix of new customer on boarding and upgrading current customers in parallel. Of course, we started with upgrading current customers because the comfort levels are with our customers is also higher. Once those are done, then it helps us show our credibility to new customers especially with the new product and I think we will pace it over the next couple of years, but it is basically to balance both these movements.

Puranik:

And when do you see the significant growth in order book position, Avnish?

Avnish Datt:

The pipeline build-up has happened quite well and some of our conversations including the conversation that I mentioned about, the first Cloud engagement, some other conversations are in the phrase, so I am happy with the way the pipeline is shaping up and I think we should start turning them into orders very soon now. You know, what we started, Puranik, which was something that I shared even three quarters back was selling around business value and not feature and functionality and partly it is a more matured way of selling, but it also requires us to get very early into our sales cycle, almost sometimes at the time when the customer has not even articulated the need. So what we do is we research the business and we come up with how is the customer lagging behind the industry matrix or their own competition and where could we make a difference through the product. So the sales cycles are relatively longer.



So you said you will look at the customer, what exactly he needs and then package a solution to him around his need, so can you give some example?

Avnish Datt:

So we don't build a product solution specifically for the customer. What we do, Puranik, we would look at the customers' business, we would then also interview some of the people from the customer organization especially on the business side, off site, technology side and based on that what we do is we do an analysis of their current state. And we also look at the comparative matrix with other competitors or other players of the same size and that is how we get into business value discussions with the customer on how could our product make a difference as the customer deploys our products. So the nature of those discussions is that we are covering multiple stakeholders in the customer organizations. It is no longer selling purely through RFP process and that is why the sales cycle is of a different nature.

Puranik:

The typical order sizes are what currently, has it gone up to significant million dollar plus?

Avnish Datt:

So it still depends across markets. So, for example, if we are in smaller markets of Southeast Asia, it would still be tier 2 bank, tier 1 banks would still do million dollar plus and there would still be tier 3, tier 4 banks who would be in the range of 700K, 800K type. Similarly, in Middle east a little bit higher, but hovering around similar medium values. Then we are looking at Europe, the individual pipeline items are higher in value. It is basically predicated on two or three elements; one is the market that we are looking at, two is the segment in that market. So, for example, even in India we would have deals which are multi-million dollars, but also deals like the Cloud-based deals for the smaller NBFC which would be inside of, let's say, sometimes half a million dollars or thereabout.

Puranik:

And the pipeline has many million dollar deals?



Pipeline has more than a few million dollar deals.

Puranik:

So I want to understand what is your desirable licensing and maintenance mix. What is it currently and what do you expect it to stay at?

Avnish Datt:

Okay. I will let Ashish comment on the current one and then I will talk a little bit about how I see that shaping up.

Ashish Nanda:

So from a mix perspective we don't track it specifically to that extent. However, the AMC depends upon the kind what the customer is asking for and as far as the license is concerned various kinds are there. So we don't track it separately that what should be an average AMC towards the license. However, there are many models which we work on the customers in which the percentages to license vary.

Puranik:

What is it currently?

Ashish Nanda:

Currently, we don't track it separately from that perspective. What I was saying was that AMC has multiple models based on the SLAs and the requirement of the customers to what extent they would need our help once the product gets implemented. So therefore there are multiple models on which we work on.

Puranik:

So irrespective of the multiple models you will have a licensing revenue coming from your customers, is that 10%, 20%, 30%?



Even multiple deals or different kinds of licenses models itself are so many that we don't track it on that basis.

Puranik:

What do you call it as? Do you call it as implementation revenue, maintenance revenue or what do you call it?

Ashish Nanda:

If you look at our revenue number also products and services, we take it at that level and that is there in our financials also.

Puranik:

So you don't sign it as a licensing revenue? This is not a part of your contract?

Ashish Nanda:

The contract may have multiple things, there are multiple models. In multiple customers, multiple geographies there are different kinds of models which we signed on to that. Sometimes even licenses are embedded in multiple ways itself that we recover license on.

Puranik:

No it can be multiple ways, finally he will pay you as license or he will pay you as service or he will pay you as maintenance, isn't it?

Ashish Nanda:

He may pay me as a component fee also for transaction sometimes.

Puranik:

What is that percentage?



So that we don't track. What I am trying to say, Puranik, is the fact that there are multiple models which we build to the customer and license as a percentage of that is not tracked on a deal-to-deal basis.

Puranik:

No. I am just trying to understand, the revenue has to come in some form, what is that form in a majority? I am not asking you five different mix of those revenues, at least, dominantly what is that called?

Vishnu R. Dusad:

I think let me put it this way. Puranik, as of now, we have not been tracking, as Ashish is saying. We have not been tracking these different sub-lines of product with precision. We have been all clubbing them as the product revenue be it license, be it AMC, be it services implementation, support and so on and that's what we are doing as of now.

Puranik:

No. Vishnu, you know it better the character and DNA of a product company is reflected in the licensing and maintenance revenue. At some point in time you need to get in there. I am just trying to understand, you know, when you see that visible.

Vishnu R. Dusad:

Yes Puranik, we are moving in that direction.

Puranik:

At some point in time you will call it as licensing revenue?

Vishnu R. Dusad:

Yes.

Puranik:

Thank you so much.



Thank you so much, Puranik.

Anant Jain:

Hello, sir, and thank you for the opportunity. I have a few questions, one is that if I were to look this year's performance specifically, I do see that most of the money that we have made has come from other income which is like by way of interest and the operating margins have come down significantly, we are probably red there, if I were to just see operations from an operation's perspective, so I hope this is all anticipated and planned, but is it like because of the marketing expenses that we have made and because of the increase in the employee expenditure that this is resulting into? And, secondly, when do we see the impact on profitability and revenue of these expenditures.

Ashish Nanda:

So you are wise in saying that, one, definitely it was well anticipated. It is in line with the strategy which we have been talking with our investors also in the past. Also people cost, sales and marketing cost definitely it is an investment as a product company which we wanted to do. The conversion to the revenue which is there as you know that investments have a small cycle to repay back, so hope to see the investments coming back in the very near future. It is difficult to anticipate what time and when they will come back and we will continue to make the investments for having a better future for ourselves.

Anant Jain:

Okay. My second question is what is the policy with regards to the amount of cash the company would want to hold on to? I mean, looking at the size of a company the amount of cash we have is like pretty high, so are we going to have some kind of a dividend policy or some kind of cash policies like how do we look into that?

Ashish Nanda:

See, consistently, you know, if you have been attending our calls, this is a frequently asked question, I may say.



Anant Jain:

I totally agree.

Ashish Nanda:

So we maintain the same policy. See, definitely, as Vishnu has been telling the investor community in the past also, we firmly believe that we are retaining the cash for our better future and investments. We definitely will look at investments where there is alignment to that. As far as Dividend policy is concerned, we would like to conserve the cash from that perspective have been consistently in a policy of the dividend which we have been following for the last couple of years rather since the beginning of the time as far as dividend is concerned. We definitely will look at investments looking at how much it is aligned toward and we are open to that.

Anant Jain:

I understand and I know, I have heard that through multiple calls, but I think there must be some practical limit to the amount of cash the company wants to have, I mean, the point is that there is no use paying approximately 30% tax on what you are earning on as other income. Anyway, I'll leave to that.

The third question that I had is regarding this Cloud initiative that we have and I think to mention that we have around two to three deals in the pipeline for Indian NBFC, am I right there?

R.P.Singh:

At this moment, that is right.

Anant Jain:

So my question here is like what is the revenue model there, is it like a transaction-based thing or is it like a user-based revenue model, is it like a recurring revenue model, what is the revenue model there for Cloud?

Avnish Datt:

Yes. So typically the revenue model on the Cloud is transaction-based pricing. It doesn't really have a user-based concept. Depending on the nature of risk, we would either put a floor sometimes even to a telescopic transaction-based pricing based on top side.



Anant Jain:

Sir, can you repeat that? That wasn't audible, the last line.

Avnish Datt:

For example if some NBFCs is growing very fast. The transaction-based pricing could grow telescopic which means with some volume-based discounts.

Anant Jain:

So one of the things that I see is like the Indian opportunity just came by or are you focused on India for the Cloud thing. I mean, clearly the higher margins and the higher visibility we would probably get by focussing more on US or for that matter even Europe. Having first Indian client on Cloud is like little, although I have not heard Indian guys moving into Cloud so much, so I just wanted to understand like why is it not somebody from the western part?

Avnish Datt:

Anant, so that is a very good point. While we are in the conversations with Indian NBFCs and they are at mature stage, but that's easy to understand and perhaps something to be expected given that we have a dominant share on the lending side especially in this market place. We are also piloting Cloud initiative in this area and then we have plans to take it to other parts. I must also say that while Cloud is something that is clearly for all of us the future, but different markets have different appetite for yet having Cloud-based services especially around sensitive data. Also different markets have different kind of regulatory stipulations about where that data should reside, should it be near shore, can it go offshore, can it partly be offshore, so to that extent Cloud has complexity built into it and we are also pacing ourselves when we look at Cloud rollouts.

Anant Jain:

I totally understand what you are saying, but the reason I am saying is that like the scope of Cloud-based lending solution is huge. The reason is that it is just democratized banking. It will allow even the smaller participants which otherwise have required huge IT infrastructure to set up to have these kind of solutions. I could clearly see like the US-based S&L, small banks or even like the small Indian cooperative banks trying to use this as an opportunity to grow, I mean, once you have a transaction-based or some kind of a



user-based revenue model and the entire IT infra cost going away. So my question here is that – I totally agree with you like Azure, I mean, one of the constraints that you said is that governments have specific requirements regarding where the data can be, can it be onshore, offshore. Azure, as far as I know, has an offering in India, has a data centre in India, has a firm in India or whatever and it also has like country-based firms, right, country-based Cloud, whatever you call them data centres. So my question here is that shouldn't we be a little more aggressive on the Cloud part, have some smaller clients, maybe, deal sizes could be very less, I mean, the reason I am coming with this perspective is that I've seen a lot of CRM companies actually like offering a user-based kind of a mechanism where you go up and sign up like a 5-10 dollar kind of a thing like are we able to do that, does that model suit us. Because if I were to take a dynamic CRM or even a salesforce CRM, I mean, I get a one-month trial or a two-month trial I try it out on the Cloud and then if it suits my requirement, I go ahead. For somebody like a cooperative bank where the number of transactions would be limited, I think, that kind of a model would be like pretty interesting, I mean, does it suit to what we do is my question.

Avnish Datt:

So let me attempt to answer it and then perhaps R. P. would want to add to it. So you are absolutely right, Anant. That is also our thinking about Cloud. When I said we have piloted Cloud in India and then we are looking at Australia. That is not a limitation of the geographies. We want to gain enough experience, also look at what kind of pricing models do customers have an appetite for, and also industrialize the partnerships on the infrastructure side so that we could forge the model quickly in new countries. So, of course, over a longer term that is what we are looking at doing.

R.P. Singh:

Just to add to that, as you mentioned that appetite for Cloud is something that everyone is second guessing. And we didn't think that Indian NBFCs would be as open as they turn out to be. As Avnish mentioned that India wasn't like the first choice, it just happened to give a very positive response and obviously because India is one of our base markets, it is far easier to convert the accounts. So we do plan the same approach in the U. S. and Australia, however there we still have to have a reputation to be able to board this kind of customers as easily. It's obviously easier to on board this. And every added Cloud implementation would give an advantage across market. So it's probably just the beginning. We are pretty excited about it and I think it's going to unfold into a different business model.



Anant Jain:

Yes, just to continue on this because there is another company that I track which is Mastek, Mastek was earlier like had a U.S.-based subsidiary, now it is called Majesco and they deal into insurance products from tier 1 to tier 5 insurance company and there is a huge movement that I can see to the Cloud-based solution that Majesco is offering like out of 140 clients almost 30 of them are on Cloud already and I would assume that insurance data is pretty much as sensitive as your data could be, the loan data could be. So I sense that there is huge opportunity in Cloud. It is the way we could exploit it.

R.P. Singh:

I think in total agreement and I think if you track the last few calls, we actually moved into the Cloud first technologically with a tie up with Azure and then we have been attempting with AWS, so the last six months have been pretty active on this, first on the technical front and then go-to-market. The traction has been as positive as more than what we expected and I think so you probably see more action in the next few quarters.

Anant Jain:

Okay. Typically what kind of companies do you expect to move to Cloud, I mean, what should be the size of the company?

R.P. Singh:

So far it is small to medium or people who are actually starting businesses and have got limited experience so far.

Anant Jain:

How would you qualify small to medium just?

Avnish Datt:

Anant, that's really a function of the markets.

Anant Jain:

That's okay. All right.



Anant Jain:

What I have seen is that a company was almost at around 1500 employees and then I clearly see a 100 employee jump happening in the last two quarters, so are we going to hire more people? Are we looking to hire more people?

Vishnu R. Dusad:

We are going to maintain the number around this number only for some time. There might be, up and down by 100 or 200, but, by and large we will be maintaining this number.

Anant Jain:

So order to sales conversion like how do we see that happening? Like last year we had a 250-crore order book, but with similar sales number that we have for this year we have 350-crore order book, but again the sales number remain to be same, so the order to sales conversion is it that, I mean, why are the numbers same is something which I am not able to make out?

Ashish Nanda:

Anant, if you see that, with the new FinnOne, with the new strategy of value selling which we are targeting, definitely value has to be the prime objective for delivery to the customer. Even the way we are delivering our contracts to the customer and implementing it there has been a significant change to give higher value to the customer so that, our brand as well as the reputation of the organization grow increasing that value. So the way the cycles of execution the orders have become bigger, the execution cycles have also become longer than which was there in the past and therefore there has been a longer duration or a conversion which is there. My understanding is the fact that, we will be catching up with this next one-year time, maybe, where we will be more experience on the FinnOne Neo, our new product which is there, which is getting implemented right now and then probably the sales, the delivery cycles may come down and therefore a faster revenue to the books which is there in the conversion.

Anant Jain:

Okay. Great. The last question that I have is like so earlier when you gave the mix, you said that the marketing expenditure for the first-half last year was 22.2 crores and for the first-half this year is around 28.4 crores, right?



Yes.

Anant Jain:

And what are the R&D expenditure?

Ashish Nanda:

The total software development including the delivery, as we mentioned, is, 67.8% of the revenue for the first quarter which is at 57.4 crores which includes both delivery and R&D.

Anant Jain:

Okay. Last question that I have is again, I mean, this was asked previously, it's like when I talk of the 60-crore revenue that I generate for this quarter or 65-crore revenue that I generate for this quarter, what kind of it is recurring versus what kind of it is one-time, I mean, how will I be able to find that out?

Ashish Nanda:

So revenues for the quarter is 84 crores as a consolidated basis and, on a recurring basis I fail to understand what exactly you are looking. Is it referring to the AMC? Again we are saying that, the way we track is the product vs the services side of it and today we are at a split of 75:25 including product license, including AMCs and stuff like that.

Vishnu R. Dusad:

So, Anant, I think Puranik had also asked. I think we will see how we can start tracking it and at what point of time we will be able to start reporting it. We will come back to you.

Anant Jain:

Okay. I think that is it from me. Thanks for all the updates. I think I am quite excited about the Cloud and the Japanese customers that you have for FinnOne Neo. Good luck and Thank you.



Thank you very much.

Rahul Jain:

My question is pertaining to with a similar question asked earlier. So when we don't share the breakup of the revenue in terms of the license implementation and AMC, it actually does not give a very clear direction in terms of how some of the sales effort or our effort towards adding new client is spanning out because if I see the total product revenue over the years, I mean, in dollar terms it is flat to down over the last 7-8 years and unless and until we see the breakup in terms of the new license revenue which is the leading indicator for the business, it would be very difficult to understand whether we are able to build a traction on it because I safely assume that we have some 150 odd clients as the website suggest and that is a very big base of the AMC revenue which might have been created on that. So of the current 260-270 crores of revenue run rate which we have, a significant component would be coming as recurring revenue from the existing business or existing clients which we have acquired historically. So unless we get that break, it is really difficult to assess how we are progressing on the business.

Ashish Nanda:

Your point is noted and let us relook at the way for lead indicators which will give some more insights and help progress to share the business better. Let us relook at it and we will come back to you on that.

Rahul Jain:

But to begin with, if you could even share from a last 12-month perspective, how this breakup looks like?

Ashish Nanda:

So let us relook at it and then we will come back to you.

Rahul Jain:

Okay. And from the costing perspective if I see the last couple of quarters, definitely we have stepped up in terms of our efforts to drive our sales initiative and which had an impact on the profitability of the company and obviously the benefit of this sales initiative would agree with the lag, so what is your short to medium term opinion in



terms of the kind of margin you would be comfortable at or maybe spend on the sales and marketing on a run rate basis what we have targeted for?

Ashish Nanda:

So we will continue to invest in sales and marketing activity because, as you rightly said, there is a lag function which is there. We have been consciously doing it for our better future itself. However, as a percentage we will be more shaping up of the results which are coming in the future and there might be, ups and downs based on that. However, as of now we will continue to maintain whatever we are spending on sales and marketing and we wish to spend in the same range where we are today. So we don't give any specific guidance to that. That is all I have to say.

Vishnu R. Dusad:

See, the other thing that I would like to add is the product that we have and the customer base that we have is so good that, we do need to go to rooftop and talk about how good our product is and the more investment we make on that subject, the better off we are.

Rahul Jain:

Yeah. So I understand that the intricate part of the growth of the business which we are pursuing, but from an annual basis coming down from 15 to 20% kind of a margin to probably the first-half margin of around 4-5%. I think that's a quite a dramatic fall, so is there anything in mind in terms of any margin levels which you would like to protect from a two-year perspective?

Ashish Nanda:

Again, this is no from a business perspective and we mentioned we don't give any guidance, but as you rightly mentioned yourself, there is a lag function in the investment in sales and marketing resulting into that. There is a very conscious effort by the company to invest into sales and marketing and in the product specifically, the two key pillars to the success to a product company and we hope to see the results soon and we might beat down our spending based on what the future looks like, but we are very hopeful for future as far as that is concerned.



You have mentioned about some existing customers who have upgraded to the newer version, so just trying to understand from a ticket size, what is the kind of a revenue opportunity it creates once an existing customer gets upgraded to the latest version?

Avnish Datt:

So, again it depends on the size of the implementation, but, It is basically between the million dollars to a few million dollars type of.

Rahul Jain:

Even for the upgrade for an existing customer may cost him a million dollar of a fresh investment?

Avnish Datt:

Yes. So the way we look at it, while we call it upgrade in general conversation, but it's not really an incremental upgrade. It is selling a full new product to a new customer including migrating a lot of their legacy data from old platform to the new one.

Rahul Jain:

Okay. So let's assume if we have another small upgrade to the existing deployment, let's say, two years down the line and you would still like to do this, you know, upgrade to the customer, does that come as a part of the fee today or that is a separate opportunity for us?

Avnish Datt:

So thanks. That's a very good question. I think it will be illustrative for many of our investors. So in the current model, which is a new model what we do is we share with the customer a roadmap and we have these releases which happen with a predefined frequency. Right now we are looking at two releases in a year to the customer based on the roadmap shared and through these releases we would continue to enrich the product and delivering incremental value. And the commercial offer is such that the customer doesn't end up paying upgrade by upgrade or release by release.



Okay. So we have shared somewhere that we got 18 module implemented in the first-half, is that number right?

Pankaj Bhatt:

That's correct.

Rahul Jain:

So this 18 include new as well as upgrade?

Pankaj Bhatt:

It is our conventional system and it includes the Neo and mobility plus FinnAxia. So it is both the products and mobility suite.

Rahul Jain:

So it has a mix of all. This may have something as small as 50K INR to probably 3 crore INR kind of a deal in this bucket?

Avnish Datt:

When we say modules Rahul, the modules are basically independently licensable modules, and hence they wouldn't be typically of a very low value. So, it could be for example the loan origination module or the servicing module or the collections module or it could sometimes even be a line of business within that module. But typically it wouldn't go as low as the figure you cited.

Rahul Jain:

Okay, I thought this would also include that mobility apps or mCAS or those things which are pretty small on ticket.

Avnish Datt:

That is right. I mean, it would probably have some mobility implementations but our mobility implementations are typically in conjunction with the larger product. Frankly, the value is not that small.



Rahul Jain:

Okay. Maybe my understanding for that is wrong. Thanks for the correction. Lastly from my side, we said we did participate in a couple of events, seven or eight of them, I see most of them in Asia and Africa and lastly, I guess, it's towards the transaction banking or maybe the latest one was towards transaction banking. So how you are seeing that interaction with the prospective in terms of how it has changed over a year ago or how it has changed toward us as a company versus maybe peers because I think this event development which was happened in Singapore, one of your large Singapore-based companies has got into a different kind of things. I hope that also had some impact on the industry and rivals?

Avnish Datt:

Rahul, please do say if I don't cover the entire question. But anyhow, we did participate in around eight events this quarter, we were doing around five to seven events a quarter. This quarter was a richer quarter than usual. The events were distributed over Africa, Southeast Asia and Australia apart from a couple of events in India. Now there is no particular reason why these events were not in the high valued geographies, but just to give you a sense, we are having an event over the next couple of weeks in the US where we are participating and that is on the transaction banking side. The events that happened this quarter were almost evenly split. The Australia event was on lending. The Manila events were transaction banking. The events in India were lending while the Africa event evenly split to lending and transaction banking. The Singapore event that I think RP touched upon is Sibos which is the biggest of all events in banking, and it keeps moving from one continent to the other every year.

Qualitatively, I think there are two things that we are doing. As you can see our investments in sales and marketing are going up, it is not just participation but also the preparation. So we are doing much more rigorous preparation in creating some events. For example, we created an event called Future of Lending which now we host across geographies. And when we participate, we participate with some prior preparation. So the quality of conversations has gone up because as a part of our business value sharing methodology and framework we are choosing whom we are talking to, and we are typically talking to people who would be impacted by the business value added directly or indirectly.

We are also seeing the excitement that the new product has generated. And that is very interesting not just because it is generating excitement in our traditional markets but even in markets like Europe they are generating a lot of excitement and that is what is



very exciting for us. I worry more about “would we be able to do justice with so many business value pipeline opportunities at the same time?”

Rahul Jain:

Lastly, if you could share in terms of the opportunity that may come as a business or rival kind of a thing in terms of Fintech which are emerging these days.

Avnish Datt:

Rahul, could you repeat the question? We couldn't get it.

Rahul Jain:

I am trying to understand the opportunity for a company like ours from emergence of players in the Fintech industry. So the likes of Paytm, the lending club or policy bazaar, which are challenging the business prospect of the banking industry. Are these kind of players we are chasing or they are also competitors given that they are primarily a technology company and may stick to their own architecture rather than taking a third-party solutions?

R.P.Singh:

We were also a party to one of these discussions at SIBOS as two banks via Fintech. I think at least in the short and medium, yes, the lending clubs are probably going to grow but whether it will start eating into the segment that banks are able to service is one of the key questions where people currently also feel that is not going to happen very quickly. They are going to first be able to address the unserved whichever segment it is. It could be SME. It could be those at lower grade score etc. It means that from the lending and the finance side, the market is also getting expanded. While there would be some erosion at some stage, it is not that it is going to bring down the entire lending operations of banks. With the Fintech growing and probably getting into a stage where they will service the credit instruments as well logically it could grow into yet another opportunity because either the Fintech at some stage it's easy to do the origination and initial on boarding. But if I want to service a loan for instance through the life cycle, it would mean specialized back office software. Now whether it would make sense for them to acquire this or build it themselves is a big question. So the real difference is that they are investing in the technology where the initial piece of catching on boarding customers, doing the match making of lenders and borrowers. Behind that the ERP that would be required to service is still the same product. So, yes, it is something that we



must watch carefully at this moment, not that it is going to shake up our market very drastically.

Rahul Jain:

So my question is more than in the context of opportunity for us. As we have been chased by this kind of company for a solution, this is yet a proposition to happen.

R.P.Singh:

Not as yet because the first layer of their offering is the match making. That technology is a very different technology in the sense that it is more on registration of the two having analytics to match what somebody wants to borrow versus what they want to lend. The second layer would be where they start supporting credit decisions, and finally it would reach where they want to service it. Of course, once they get into servicing, they will have to probably get into being a financial services company. So currently, we are all in the first phase. It is a layer on top of what we do.

Rahul Jain:

Alright. Thank you for answering all the questions.

Aishwariya:

Thank you for the opportunity. My question is again on the revenue. It has been quite some time we have launched our lending products. So we should have much of our clients coming from upgrade and we have decent new implementations. My question is more on the revenue which has been quite flat for a long time. So is there a cannibalization of revenue happening or is there something else as an issue?

Ashish Nanda:

No, it's not a matter of cannibalization per se because though we have been in the cost, multiple people are using the word upgrade from FinnOne to FinnOne Neo. FinnOne Neo is a substantially new product compared to that but it nowhere cannibalizes. It's a completely new product. Also as the strategy the company is pushing Neo wherever we are going as far as that is concerned. Yes, revenues are flat but we are hopeful that it's a good initiative and investment on product as well as sales and marketing. There may be an increase in the revenue in the future. I am hopeful of that.



My question was more about transitioning from our own premise product to a Cloud. So Cloud, when you go on a subscription-based model, I think your revenue will quite change. My question was more related to that.

Vishnu R. Dusad:

Okay. That may happen but the margin itself is going to expand substantially when the Cloud adoption starts catering in multiple geographies as it has happened in some of the other segments like CRM or servicing segments. Yes, very little cannibalization may take place but I think it will be an expansion of addressable market, a much severe expansion of addressable market.

Aishwariya:

Okay. Thank you. How different is your cash cycle or cash collection cycle from your revenue recognition cycle? Because for product companies it differs a lot?

Ashish Nanda:

For our cash cycle, definitely we are pushing to the customers to have a faster cycle on the cash which is there. Some sectors are having there. I can add at this point of time. We are pushing it already with the customer and we are hopeful to change very soon. We are in the right direction. That's what I can say.

Aishwariya:

Okay. Is that the DSO target which we are looking at?

Ashish Nanda:

Not exactly the DSO target. The volumes are exactly the same. So our DSO are almost remaining on the same level. But definitely from a scalability perspective, we are putting our cash, you know the payment terms with the new customers in the right frame so that as we scale up, DSO will come down itself as a product company.

Aishwariya:

Okay. How many number of people are technically hunting or front-end sales guys ex presales support?



Avnish?

Moderator:

Sir, Mr. Datt's line got disconnected. We are reconnecting him.

Ashish Nanda:

Okay. We can come back to this. Can we have the next question?

Aishwariya:

Okay. Thank you. All the best.

Gaurav:

In your press release, you have talked about having one order win, and you have also announced that Magma FinCorp was a win for FinnOne Neo. During the call we have talked about winning a client in Japan and also an upgrade that are happening. So how do we reconcile the two? Are there more than one order win or those order wins happened after September?

Vishnu R. Dusad:

No, no. This particular order we had won earlier. Only thing was we did not have a permission from the customers to announce it. So that is how we are announcing it today. But otherwise we had won this earlier.

Gaurav:

Which one? The Japanese one?

Vishnu R. Dusad:

No, the Magma one. And Japanese one, we have won in this quarter.

Gaurav:

So, the Magma was won earlier than this quarter, and it's only announced now?



That is right.

Gaurav:

Okay. You said that a big customer in India is planning to upgrade to FinnOne Neo, and that should happen soon. The question again is, given the fact that he is upgrading, will that result in substantially more revenue from that particular customer or that upgrade does not entail too much of a cost to him?

Ashish Nanda:

As we have mentioned earlier, now we are looking at deals which Avnish had mentioned earlier. Substantial revenues or single customer, it's not the right way to look at it. Yes, there will be revenues which will be added when we will upgrade on it.

Gaurav:

There will be some revenue but not substantial?

Ashish Nanda:

Substantial on the overall scheme of the consolidated revenue. There will be contribution for that customer. Definitely, yes.

Gaurav:

Okay. What I am trying to get is, you said that with the FinnOne Neo you will have an entirely new way of licensing things. So whether you are able to move your existing customers who would not have say user-based licenses, would they move on to this new licensing scheme where the number of licenses would move up as the number of users goes up?

Vishnu R. Dusad:

No, we are working out very, very meaningful solutions for all of our customers where they are able to see value in the way we are giving them value at a much substantial different way and substantially higher. So they are able to understand that, and hence they are going to pay for that.



Okay. You started seeing that among your existing customers?

Vishnu R. Dusad:

Certainly.

Gaurav:

The other question that people have colluded to is, given the fact that three quarters back there was a substantial increase in order book but that has not resulted in revenue growth to which you said that the way the product is being sold, the lap is growing up. So can we assume that given the fact that there is already 6 months passed we have had an increased order book really has not impacted, the next 6 months would start seeing revenues from that increased order book?

Ashish Nanda:

Again, the similar fashion which I have just mentioned just a couple of minutes back. We have to be very clear is that our delivery cycle is also slightly increased because of the new product and the new customers are getting on board. With the passage of time, there will be a learning curve which will be there.

Gaurav:

The lag time is more but overtime you are saying that lag time will come back to what it used to be.

Ashish Nanda:

Also, what is happening is that multiyear deals are also coming into place in the order book itself, and therefore even the order book is also gaining from the perspective of business model because the order sizes are also becoming larger with the passage of time. So both the reasons. One, with the passage of time with the learning curve, yes, there will be faster implementation in future. However, with the order excitability, also getting change slightly and we are getting all of the multi-year deals and supply and therefore, it will come to that.



Given the way you have been participating in all these events and the traction in the new product is going, you referred that Europe also you're getting some good traction out there. What really is happening in the US market as of now, is that lagging in terms of your visibility or there also some progress is there?

R.P.Singh:

So we're, I think a little ahead in Europe and Australia. Exploratory activity is on in the US. We are first looking at one of the key modules which is already live in the US. We are trying to focus on trying to multiply that installation base. However, relatively yes, Australia and Europe are far more active places for us at this moment.

Gaurav:

And so again in terms of conversion of these pipelines into orders, that is still a few quarters away or there is better clarity on those pipelines?

Vishnu R. Dusad:

No, clearly what is happening is, as we mentioned, because of this value selling or value engagement that is happening, the other cycles have clearly lengthened. So they're anywhere from six months to twelve months and if it is a larger deal then it could be one-and-a-half years, two years also.

Gaurav:

Okay. So we'll see those. In the last two quarters, we have only two orders wins given that we have a new product in there. So this ramp up of new order wins, this will take time for us to see significant orders coming every quarter?

R.P.Singh:

I think the focus has been to really build a very strong pipeline and then move in there. So I guess, yes, you are right, it will take time for it to ramp up to the level that we wanted to. However, the pipeline is full of larger deals which would take us a longer period as long as some which are kind of certifying much earlier, in fact coming late in the pipeline and then mature very fast. Those are typically either known customers or smaller deal. So it would be a mix. But, that's right, the whole focus was to strengthen the pipeline.



Gaurav:

That's it from my side. Thanks a lot.

Vishnu R. Dusad:

Thank you.

Shalabh:

Good evening, gentlemen. Thank you for giving me this opportunity. The first question is, now since we have had some experience with the new product, I wanted to get some sense in terms of how our existing, how much time the existing customers are taking to come back to us and say that we are ready for the upgrade. Typically how much time are they taking in that?

R.P.Singh:

Two sides to it. Of course I would say earlier in the year a lot of them were interested but waiting for the pilot to be tested. Once that is done, we do see a lot of our existing customers who want to move in. I think it is a question of, as I mentioned that we want to pace it ourselves on one side. On the other side, I think it is not a decision of whether they want to move or not. I think that is largely thing that they are interested in. What takes it a little longer is of course the commercial closures and the plans and the transition strategies that were being discussed. So this is what takes a little time for us to close.

Shalabh:

If you can give some example. One of the Indian customers you said has agreed to move in. So had we been discussing with them for about a year or nine months or how long typically have they taken to move?

R.P.Singh:

We've been talking to them for more than a year. And I'll be very frank that we also wanted to have our pilot running. As I mentioned, this is one of the larger implementations that that we have and we were also wanting to pace it correctly. So they were also waiting for the product to prove itself in the field. I think once that was done, it's taken us another five, six months.



Shalabh:

Sure, sure. So when you say pilot, what do you exactly mean? Are you running at a customer's end or smaller customer so that other customers know that it is actually running on the field? What do you exactly mean by pilot?

R.P.Singh:

I mean the second, it's a full operation which has been moved. The entire suite was transitioned, relatively a smaller bank.

Shalabh:

Okay and that has already happened in India and Australia you said? Australia is under progress?

R.P.Singh:

No, no, we don't have similar thing in Australia. This customer is in India and we've got a few more which are happening. But at this moment for Neo, we already have one customer live and for FinnAxia we have three.

Shalabh:

Neo we already have one customer and FinnAxia three?

R.P.Singh:

That's right, four actually for FinnAxia.

Shalabh:

Can you give us some sense in terms of does this also work when we have a very large customer, when the implementation gets completed, then those, the referral from that customer might also help us? Is that also a correct understanding?

R.P.Singh:

I think for us it is the biggest selling tool or whatever you want to call it. I mean that's the biggest thing that we live on.



Sure, sure. I understand. And sir, typically for a bigger customer, what would be the implementation cycle? Will it be like one-and-a-half years or something like that?

R.P.Singh:

So what we are doing rather than try to do everything in one shot, we are now going in with the sequence of moving them piece by piece and our typical objective is to get them to start delivering or gaining value within six months. So we take piece by piece so that value starts getting delivered within six months and then probably it gets completed in 18 months or may be at times 20 months or so.

Shalabh:

Sure, sure. So you also mentioned modules which we have been doing when we sell modules and these modules are also licensable products, these are also part of Neo, right? Or they are still part of the earlier FinnOne that we had?

R.P.Singh:

So currently for instance what we do have is that Neo has taken over the segment which is focused on retail lending. For our corporate and SME, we still have the older product which is in the market.

Shalabh:

So for a retail, if somebody wants to have a retail module, then he'll necessarily have to go for a Neo?

R.P.Singh:

Yes, for retail, the old product, our end-of-life has been reached.

Shalabh:

Okay. Sir, any of our top-five customers who have agreed for a new implementation so far or are we in active discussion where we hope something will happen?



Yes they have agreed. One of them has agreed.

Shalabh:

Sir, the other thing that was noticed was there has been a fair volatility in terms of profitability if you look at the segmental numbers especially India. So anything that you want to highlight there?

Ashish Nanda:

It is primarily on account of higher cost as well as the revenue mix which has gone down from that perspective. However, it is again from an investment in the cost which we are doing from that perspective only, nothing specifically otherwise.

Shalabh:

So this investment, you're saying there are a couple of guys who have been hired on the sales and marketing who are dedicated to the Indian customers or getting the Indian customers to upgrade and convert, right? Is that the correct understanding?

Ashish Nanda:

Not only upgrades, sales efforts on both development and overall basis.

Shalabh:

Sure, sure. The entire implementation of the customers end is being done by us or we have third parties also who are currently doing it for Neo?

Pankaj Bhatt:

We are doing all the implementation by ourselves as of now. Yes, in future we may develop some partners.

Shalabh:

Sir, the last point is on the debtors side, if you look at it, last couple of quarters, though our revenues has broadly remained the same, but our debtors have increased. One-and-a-half, two years back, the quarter we reported 35 crores debtors and today we are



running more than double of that. So just wanted to understand how it is linked to Neo or is there anything else that you would like to highlight.

Ashish Nanda:

Your observation is correct, but just to tell you, as I mentioned, we are also trying to correct new customers. When we are onboarding new customers, we are having very different collection models which are there. But we are trying to put that thing in arrest and all the effort by the management team has been done to correct that situation and bring it back to the level, on DSO days on the same level.

Shalabh:

So do we expect some correction in that in the next couple of quarters going ahead?

Ashish Nanda:

Very sure.

Shalabh:

Okay. And sir, lastly if I may squeeze one more, the order book that you mentioned, it has all AMCs, license and every kind of revenue would be there?

Ashish Nanda:

Yes, everything would be there.

Shalabh:

Anything, broadly if you can highlight what would be the share of Neo in the order book?

Ashish Nanda:

See, I don't have that number right now presently segregated into the products which is there, but it has a composite of everything, on the product as well as AMCs, etc.

Shalabh:

Sure. Was it like 10%, 20% or less than 10%, that broad I'm asking?



Being the number man, I would not like to comment without having the numbers in place on that bit.

Shalabh:

Sure. No issues, sir. Thank you for taking my questions, sir, and all the very best to you.

Ashish Nanda:

Thank you.

Rajeev:

Can you please give us some sense of the size of the addressable market in Indian NBFCs for our product, and who are our main competitors in the Indian market, and what are the competitive advantages that we possess over these competitors' products?

R.P.Singh:

So I may not have the size of the market numbers very readily available. Let me collect it from next time. But talking of the last point, and once again we don't name our competitors, there are clearly Indian competitors who we meet in the market. Talking about the Indian NBFCs, I think the biggest differentiation that we have, one of course within India we are the market leaders, and thanks to all the hard work done earlier respected in the area of loans management. In addition to that, with our Neo coming out, I would say we are technologically the most advanced at this moment, we have the latest technology, which of course sounds fancy in the first place, but the advantage it gives us is that the product itself has a fresh life of another 10, 15 years. So that is the key ones. And the rest of course are the various capability that we have managed to build into Neo which are basically results of our last 15, 20 years of experience of the earlier products. And I would highly recommend if one fine time I would love to demonstrate the product to you.

Rajeev:

Thanks a lot. The other point was about the licensable revenue which has been asked by other people. So I would like to ask is do you have any conscious decision of improving the recurring revenue over the one-time License revenue, I mean because many of the



companies like SAP, Oracle, they give a lot of weightage to increasing the recurring revenue, the so called license revenue.

Ashish Nanda:

Yeah, that is always the endeavor every time we will move towards the customer and with the new product very clearly that is the endeavour.

Rajeev:

Yeah. But how are we, I mean unless we measure, we cannot do this, right?

Ashish Nanda:

Yes, you are absolutely, right, but at the same time when we go to the customers, there are mechanisms to look at that, but yes you're right.

Rajeev:

Okay, thank you. Thank you very much.

Vishnu R. Dusad:

Thank you.

Anant:

So I would like to go through a demo of our product both the cloud-based and the on premise one. How is that possible?

R.P.Singh:

Where are you based?

Anant:

I'm based out of Hyderabad.



Maybe you can coordinate with our investor team and either they are visiting Hyderabad or if you are coming this side, we could coordinate a time slot with you.

Anant:

Okay. So who should I talk to?

Ashish Nanda:

This is Ashish this side. Gaurav is there in the investor relations team.

Gaurav Agarwal:

You can write a mail to ir@nucleussoftware.com and we can coordinate.

Anant:

Okay, I'll do that. Thank you. That was the only question I have.

Gaurav Agarwal:

So with this, now I would like to thank all our investors for being in this call with us and having this discussion with us. I will now pass it on to Vishnu for his closing comments.

Vishnu R. Dusad:

I will like to take this opportunity for deep interest in our company and I would like to reiterate our commitment to make sure that for all the stakeholders we continue to deliver value.

Thank you very much.