



**Nucleus Software Exports Limited**

**Q2 FY18**

**Earnings Conference Call**

**October 18, 2017**

**Members of Nucleus Management**

<b>Mr. Vishnu R. Dusad</b>	Managing Director and CEO
<b>Mr. R P Singh</b>	Executive Director & Head, Global Product Management
<b>Mr. Ashish Nanda</b>	Chief Financial Officer
<b>Mr. Avnish Datt</b>	Executive Vice President – Global Head Strategy
<b>Mr. Pankaj Bhatt</b>	Executive Vice President – Professional Services
<b>Mrs. Debyani Sinha</b>	Global Head - Human Resource Group
<b>Mr. Prakash Purushottam Pai</b>	President, Financial Inclusion

*[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 this Nucleus Software earnings conference call for the second quarter and half year ended September 30th, 2017. For discussions, we have here from the management team Mr. Vishnu R. Dusad, our Managing Director and CEO; Mr. R. P. Singh, Executive 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; Mrs. Debyani Sinha, Global Head, Human Resource; and Mr. Prakash Purushottam Pai who has recently joined us as 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 constructed as a forward-looking statement must be reviewed in conjunction with the risk 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](http://www.nucleussoftware.com). With this, we are now ready to begin with the opening comments on the performance of the company for the quarter and half year ended September 30th, 2017 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'm pleased to connect with you at this earnings call for the second quarter and half year ended September 30<sup>th</sup>, 2017.

Q2 FY18 was a very interesting quarter for us, as we gained 9 new customers and completed 18 successful implementations worldwide. We helped Atlas Finance, a micro finance lender in South Africa, to make better, faster and more data-driven decisions with Nucleus lending analytics solution.

I am delighted to share that our FinnOne Neo Cloud offering has generated tremendous interest in the market helping us close 11 deals in the last one year and in fact, one of these implementations went live in just 4 days. This shows that the financial services sector is aggressively looking at how digital and Cloud technology can be used as an enabler to extend their reach across India.

At this juncture, I would also like to welcome my colleague, Prakash Pai. Prakash had created our flagship product FinnOne beginning 1996 and then since last 6 years, he was away at Nokia Money and couple of other interesting startups and we are glad to have him back with Nucleus. He would be taking our important initiative of payments forward which would help us realize our vision of making a 100 rupee loan profitable. Over to you, Ashish.

**Ashish Nanda:**

Thanks, Vishnu and Good afternoon, everybody. This is Ashish and I welcome you all at this conference call. At the outset, let me wish you all a very happy and a safe Diwali from Nucleus team.

**Key Highlights from Financials are:**

**REVENUE**

- **Our Consolidated revenue** for the quarter is at Rs. 100.4 crore against Rs. 94.3 crore QoQ and Rs. 95.6 crore YoY. **For the Half Year** it is Rs. 194.8 crore against Rs. 185.6 crore for the corresponding half year of the previous year.
- **Overall Revenue in foreign currency including India Rupee revenue** is US\$ 15.5 million for the quarter, against US\$ 14.4 million QoQ and US\$ 14.2 million YoY. **For the Half Year** it is US\$ 29.9 Million, against US\$ 27.6 Million for the corresponding half year of the previous year.
- **Product revenue for the quarter** is at Rs. 78.9 crore, against Rs. 73.2 crore QoQ and Rs. 75.1 crore YoY. **For the Half Year** it is Rs. 152.1 crore, against Rs. 144.2 crore for the corresponding half year of the previous year.
- **Revenue from projects and services** for the quarter is at Rs. 21.6 crore, against Rs. 21.1 crore QoQ, and Rs. 20.5 crore YoY. **For the Half Year** it is Rs. 42.7 crore, against Rs. 41.3 crore for the corresponding half year of the previous year.

**EXPENSES**

- **Cost of delivery including cost of product development for the quarter** is 67.6% of revenue, against 70.0% of revenue QoQ and 63.9% of revenue YoY. In absolute terms this is Rs. 67.9 crore against Rs. 66.0 crore QoQ and Rs. 61.1 crore YoY. For the half year, it is Rs. 133.8 crore (68.7% of revenue) against Rs. 120.7 crore (65.1% of revenue) for the corresponding half year of the previous year.
- **Marketing & sales expense** for the quarter is 9.2% of revenue, against 8.7% of revenue QoQ and 11.8% YoY. In absolute terms this is Rs. 9.3 crore against Rs. 8.2 crore QoQ and Rs. 11.3 crore YoY.

For the half year, they are at Rs. 17.5 crore (9.0% of revenue) against Rs. 23.1 crore (12.4% of revenue) for the corresponding half year of the previous year.

- **G&A expense for the quarter** is 9.6% of revenue, against 10.5% of revenue QoQ and 8.9% YoY. In absolute terms this is Rs. 9.6 crore against Rs. 9.9 crore QoQ and Rs. 8.5 crore YoY. For the half year, they are at Rs. 19.6 crore (10.1% of revenue) against Rs. 17.2 crore (9.3% of revenue) for the corresponding half year of the previous year.
- **EBITDA for the quarter** is at Rs. 13.7 crore (13.6 % of Revenue), against Rs. 10.2 crore (10.8% of Revenue), QoQ and Rs. 14.6 crore (15.3% of Revenue), YoY. For the half year, **EBITDA** is at Rs. 23.8 crore, (12.2% of revenue), against Rs. 24.5 crore, (13.2% of revenue) in the corresponding half year of the previous year.
- **Other income from investments and deposits** is at Rs. 7.2 crore against Rs. 7.4 crore QoQ, and Rs. 7.5 crore YoY. **Total other Income for the quarter** is Rs. 8.2 crore against Rs. 7.6 crore QoQ and Rs. 7.7 crore YoY.  
**For the half year, other income from investments and deposits** is at Rs. 14.6 crore against Rs. 14.2 crore for the corresponding period of the previous year. **Total other Income for the half year** is Rs. 15.8 crore against Rs. 15.0 crore for the corresponding period of the previous year.
- **Total taxes** are at Rs. 4.5 crore against Rs. 4.5 crore QoQ and Rs. 3.8 crore YoY. **For the half year, Taxes** are Rs. 9.0 crore, 24.9% of PBT against Rs. 5.6 crore, 16.6% of PBT in the corresponding period of the previous year.  
Effective tax rate was higher during the current half year due to dividend income from foreign subsidiaries and also on account of reduction in weighted tax deductions as per the new norms of Income Tax for the R&D spend by the company.
- **Net profit** is at Rs. 15.7 crore for the quarter, 15.6% of revenue, against Rs. 11.5 crore, 12.2% of revenue QoQ and Rs. 15.4 crore, 16.1% YoY. **For the half year** it is at Rs. 27.2 crore, 14.0% of total revenue, against Rs. 27.9 crore, 15.0% of total revenue in the corresponding period of the previous year.
- **Other Comprehensive Income** is at Rs. (0.6) crore for the quarter, against Rs. (3.7) crore QoQ, and Rs. 1.6 crore YoY. **For the half year** it is at Rs. (4.3) crore against Rs. 6.8 crore, in the corresponding period of the previous year.
- **Total Comprehensive Income which includes Net Profit and other comprehensive Income** is at Rs. 15.1 crore for the quarter, against Rs. 7.8 crore QoQ and Rs. 17.0 crore YoY. **For the half year** it is at Rs. 22.8 crore, against Rs. 34.7 crore in the corresponding period of the previous year.

- **EPS** for the quarter is at Rs. 4.93 as against Rs. 3.56 in the previous quarter and Rs. 4.77 in September'16 quarter. **For the half year** it is at Rs. 8.47 against Rs. 8.61 in the corresponding period of the previous year.
- In terms of **foreign currency hedges**, on Sep 30 we had USD 5.20 million dollars of forward contracts at an average rate of 65.85. There is a mark-to-market loss of Rs. 8.88 lakhs which is taken to hedging reserve in the balance sheet.
- **Revenue contribution from the top 5 clients for the quarter** is 39% against 42% previous quarter.
- **The order book position** is Rs. 373.0 crore including Rs. 341.6 crore of products business and Rs. 31.4 crore of projects and services business. **In June 30, 2017** the order book position was Rs. 342.6 crore including Rs. 304.0 crore of products business and Rs. 38.6 crore of projects and services business.
- **Total Cash and cash equivalents** as on September 30, 2017 are Rs. 389.9 crore against Rs. 503.7 crore as on June 30, 2017. This includes balances in current accounts of Rs. 22.7 crore, various schemes of mutual funds Rs. 143.2 crore, Rs. 35.8 crore in fixed maturity plans, fixed deposits with banks of Rs. 39.6 crore, investments in tax free bonds of Rs. 90.0 crore and Rs. 58.6 crore in Preference shares.
- With regard to **receivables**, we are at Rs. 82.3 crore against Rs. 71.1 crore previous quarter.
- During the quarter, **there is a gross addition of fixed assets** of Rs. 1.51 crore, consisting primarily of Rs. 0.49 crore on furniture's and Rs. 0.32 crore on software.

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

**R. P. Singh:**

Thank you, Ashish, and good afternoon, everyone. Wishing you all a very happy and prosperous Diwali. This has indeed been an exciting quarter for us largely because we saw sale of all our product lines in this quarter. This included the enhanced release of our FinnAxia financial supply chain management module.

I am also happy to share that we upgraded one of our Neo customers on to the latest 2.0 release successfully which we released just a few months back. This release was incidentally also performance tested in Oracle labs on the Exa stack. So we are now supporting complete Exa stack as well as the IBM stack.

The next releases of FinnOne Neo and FinnAxia are both under final stages of build for their planned rollout in later this quarter. It is really satisfying to see the 6 months release happening like an oiled machine.

I think the numbers speak for itself, so that's all for me now. Over to Prakash.

**Prakash Pai:**

Thank you, R. P. A very happy Diwali to all our investors and people on the conference call. The significant update on PaySe is that we are now on our own PPI license. We went live with our own license on 21<sup>st</sup> September and with this we have a true launch of the PaySe platform which would be useful to all our banking clients as well as the various businesses which are looking at handling various kinds of micro payments.

With this, I hand you over to Gaurav.

**Gaurav:**

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

**Akash Verma:**

Hi. This is Akash this side. Can you quickly run me through the total comprehensive income as to what has led to such a sudden change q-o-q?

**Ashish Nanda:**

Hi, Akash. Ashish this side. Primarily, Akash, as you understand, after the IndAS the other comprehensive incomes are primarily those areas which actually are nothing to do with the operations and therefore are segregated separately. In our case, there are primarily three areas which lead to the items which go in the other comprehensive income. The biggest shift is on account of two items, one is we have an equity investment in one of the companies which we had taken when we had adopted IndAS not to route it through P&L because their market share fluctuations we didn't want to get hit from an operations side of it. So one of the significant changes last quarter it was minus Rs. 286 lakhs on that account, whereas, it is positive Rs. 22 lakhs in the current quarter and that's purely because of their share movement.

The other bigger movement which is not very high, but, yes, significant from a perspective is the hedging gain and losses which as per the IndAS are routed through this in which there was minus Rs. 63 lakhs last time which is minus Rs. 113 lakhs this quarter. So these are the two more significant ones which are there.

The third one is the foreign currency translation on subsidiaries, which as you understand when we consolidated our results, every subsidiary which is not on the reporting currency of the

holding companies needs to be translated. It was minus Rs. 7 lakhs in the last quarter which is plus Rs. 41 lakhs in the current quarter. So these are the major changes which are there, but nothing on an operation side from that side of it.

I hope that answers your question, Akash.

**Akash Verma:**

Yes. That's perfect. Thank you and have a happy Diwali.

**Ashish Nanda:**

Thank you so much.

**Ankit Pande:**

Hi. Thanks for taking my question. Sir, I am just wondering about where our strategic imperative lie and especially with Europe accounting for just 10% of our revenue and India accounting for as large as 31%. Do we envisage investing in the relationships outside and investing in growth outside of our country?

**Avnish Datt:**

Hi and a very happy Diwali to you. India has seen a lot of action right now compared to other markets, but we continue to invest in markets outside, in fact, we would probably be sharing in the subsequent quarters about some of the new partnerships we have outside of India that have already started giving us some results. So to answer your question broadly the interest in external markets outside of India remains very robust. New partnerships have been on-boarded as recently as last quarter and we are expecting that momentum to continue to build.

**Ankit Pande:**

Yeah. Thanks for that indeed. I wish everyone a very happy Diwali. Just to follow up on that, what is our strategy for or what is the specific route that we take to expand abroad? You mentioned partnerships, are these more sort of take the shape of marketing partnerships or are these more formalised JV kind of structures, could you just elaborate on that?



**Avnish Datt:**

These are typical partnerships which are with system integrators or that kind of profile. We, as a policy, we never do joint ventures for channel partnerships. So these are channel partners who could also then be implementation partners.

**Ankit Pande:**

Great. Thanks for that highlight. And may I also know your Capex plans for the coming months of this financial year?

**Ashish Nanda:**

Capex plans, yes, there are, whatever will be the need looking at the growth which is required. We will be pumping enough money from that perspective as far as Capex is concerned. However, no significant, as you understand if you have been tracking us, there has not been very have significant Capex plans, but, yes, to support the kind of product we are doing there can be Capex on types of the hardware which is there, other than that there are no significant plans on the CapEx which are there. But anything which is required for the growth of business, we will definitely be invested and spend for.

**Ankit Pande:**

Thanks a lot.

**N. Puranik:**

Hi, Vishnu.

**Vishnu R. Dusad:**

Hello, how are you doing? Happy Diwali to you, Puranik.

**N. Puranik:**

A very happy Diwali to you. Congratulations. I see a directional change in the way the company is working today. So I think your Cloud strategy seems to be working nicely, so can you give some idea about where you are headed in terms of long-term Cloud versus premises, so how will the client win rates go because you have a great advantage in terms of provisioning and implementation all these things can happen quite rapidly? But the deal sizes in the Cloud are generally very small, so you have to win disproportionately higher number of deals to make up



for the online premises average deal sizes, so if you can give some idea about that? The last quarter deal wins are very good, so give some colour to the mix of the deals on-premise and Cloud and the average revenues.

**R. P. Singh:**

Hi, Puranik. This is R. P. I just want to mention that basically with Cloud and on-premise we are trying to address to nearly different markets, so we are covering a larger spectrum of financial institutions with both these offerings. So we do want to continue now moving into Cloud outside India and once again to be able to address the SME kind of a market and in addition to the on-premise. Talking about last quarter, I think, we have a very healthy mix of on-premise as well as the Cloud. The cloud is moving on but this time I think we've got an equal number or a little higher number on on-premises. So progress is on both front.

**N. Puranik:**

Both front? And what's the average revenue in the Cloud per deal?

**Ashish Nanda:**

Hi, Puranik. Sometimes I was surprised, some deals are equivalent to premises also. But, it's very difficult to give an average number to the deal size which is there, which is depending on, what kind of deals the partner is trying to take.

**N. Puranik:**

No. some idea. It would be 10,000, 50,000, 100,000 some idea?

**Vishnu R. Dusad:**

No. It could be in an average of million also.

**N. Puranik:**

Million also? I see. And these million dollar deal is a 5-year deal, 3-year deal; 5-year deal must be?

**Vishnu R. Dusad:**

Yes. It could be as much as in million also.



**N. Puranik:**

Okay. But the minimum would be what \$50,000, \$100,000?

**Vishnu R. Dusad:**

Half-a-million.

**N. Puranik:**

Half-a-million in Cloud? I think it must be very, very profitable? So, Vishnu, can you tell me going forward what would be the mix of Cloud versus on-premises, will it see a very large percentage of deals going on in Cloud, what's the percentage of revenue?

**Vishnu R. Dusad:**

Yes Puranik, in terms of numbers clearly large percentage is going to be Cloud deals. And having said that, as R. P. has said, we still have to taste the water outside India, so we will be preparing ourselves, after we have met with good numbers in India because that helps us fine tune our offering for the market. And once again, on-premise deals are also getting fairly encouraging in terms of size and so on.

**N. Puranik:**

What solutions do you sell in Cloud?

**Vishnu R. Dusad:**

As of now, it's FinnOne Neo.

**N. Puranik:**

FinnOne Neo? Okay. You also sell solutions like analytics and others, isn't it?

**R. P. Singh:**

So it's the entire offering which is the Core Neo as well as mobility and analytics, everything is available.

**N. Puranik:**

Okay. So all the three solutions you sell then, but the most sought after is the FinnOne Neo.



**R. P. Singh:**

Currently in the Cloud we have only gone with Neo and the entire spectrum of it.

**N. Puranik:**

So, Vishnu, going forward how you will convince the existing legacy clients or on the all on-premises to move into Cloud or you would like them to continue on-premises or is it a method to take them to Cloud or how does it work?

**Vishnu R. Dusad:**

Yes, the choice is with the customer clearly, Puranik. Some of the bigger customers have at least inquired with us about Cloud availability, though the conversations have not progressed much in that direction. But, yes, large customers are also keeping tags on Cloud-based offering. So, we have both the ways, so we are ready for it in either of the choice the customer has decided.

**N. Puranik:**

So when it comes to upgrade, will the on-premises guys get left behind with reference to the Cloud customers?

**R. P. Singh:**

No. Not at all. Actually we have a common release coming out every 6 months and it's available to all our on-premise customers as well as Cloud.

**N. Puranik:**

So there is no way to make them switch or migrate to Cloud, so it's not in your interest also to get them to Cloud quickly?

**Vishnu R. Dusad:**

I think there is value to give the customers their choice more importantly because at the backend a lot of our customers would already invested heavily in infrastructure. So they continue to reuse that infrastructure.

**N. Puranik:**

And the Cloud margins are distinctly different from the on-premises?

**Vishnu R. Dusad:**

It's too early, I would say, Puranik to talk about margins. It is absolutely initial period, build up phase, so there is an investment also there.

**N. Puranik:**

It will take time. Till it acquires critical mass.

**Vishnu R. Dusad:**

That is absolutely right.

**N. Puranik:**

So that will take about couple of one year, two years or how much time you think will take to happen?

**Vishnu R. Dusad:**

We are not ready to answer that question, Puranik, because the kind of response that we are getting is very interesting.

**N. Puranik:**

The Cloud solution is selling well in other markets also outside of India?

**Vishnu R. Dusad:**

We have not launched it in any other markets yet.

**N. Puranik:**

But do you plan to do that or you want to be in India only?

**Vishnu R. Dusad:**

Yes, we do plan to do that over next couple of 3-4 quarters. As soon as we feel that we have a good grip on the offering. It has to be very, very comprehensive. So the moment we have that reasonable grip on all the aspects of Cloud offerings, then we would launch it.

**N. Puranik:**

What is the pipeline on on-premises?

**Vishnu R. Dusad:**

It's looking good, Puranik, at this point in time.

**N. Puranik:**

Deal sizes are getting better?

**Vishnu R. Dusad:**

Yes.

**N. Puranik:**

And what about implementation? On site implementation is getting better of on-premises or long cycle still continue on implementation?

**Vishnu R. Dusad:**

As of now, they still continue. Again, with our Cloud experience on implementation we are now improving our on-premise implementation also. So it should be improving now in quarters to come.

**N. Puranik:**

Excellent. Very happy Diwali and all the best to you, guys. Thank you.

**Vishnu R. Dusad:**

Thank you, Puranik, for your continued interest.

**Ankit Pande:**

Hi. Thanks again. Sir, could you just clarify, I think, I missed that what is the proportion of our revenues or number of implementations on Cloud?

**Ashish Nanda:**

Ankit, we don't segregate the revenues for implementation on Cloud. We had not mentioned it in my talk also. But what Vishnu definitely mentioned about was 11 new orders in the last 12 months. As far as the Cloud is concerned, 11 new logos we have added very critically. So Cloud, therefore, is moving but we have not yet started segregating revenues from Cloud than our other businesses which are there.



**Ankit Pande:**

Sure. Thanks. If I can just also look at your press release, there's mention of, you know, 15 new products and 18 success with implementation, so are these separate numbers or do these also overlap?

**Ashish Nanda:**

Yes, these are separate numbers. 15 is the number of the new product orders which we have got in the quarter and 18 of the total implementation which we have finished from that perspective.

**Ankit Pande:**

So, any significant change in this 15 new product's orders that we have as far as our leading indicator, so is it significantly different from previous quarters or just this last quarter?

**Ashish Nanda:**

Yes, Ankit significantly different because after a very long time we had such a large number of product deals in one quarter, so from that perspective it's significant. The other significant thing, as R. P. mentioned that all its products got sold during the quarter, so that's also significant as this quarter is concerned. However, as Vishnu mentioned, there's a strong pipeline we are looking both in Cloud and On-premise and the response we are getting Cloud and on-premise is healthy. So let's hope for the best for the ensuing quarters also.

**Ankit Pande:**

Right. Just a clarification here. 15 includes those 11 Cloud implementations or did you say that 11 was over the year?

**Ashish Nanda:**

So 11 was in the last 12 months, out of which they are have been certain in the current quarter in the 15 which are there. So 11 are the Cloud deals in the last 12 months that is what Vishnu mentioned.

**Vishnu R. Dusad:**

Right. And just to clarify further, out of these 18 implementations some of them would be Cloud implementations, some other should be on-premise implementations.



**Ankit Pande:**

Any idea of how many?

**Ashish Nanda:**

I can get back to you, Ankit, on that.

**Ankit Pande:**

All right. Thanks. Sir, just carrying in that wind, could you also give me the names of a few high profile partnerships that we've had? It seems to me that that is the key cornerstone for growth going or for expansion outside, so could you give me a few high profile partnership names and some of the active ones?

**Avnish Datt:**

I don't know whether I will call them high profile, but those are partnerships that we have just started over and above the partnership portfolio we already had. For example, we actually had one of our wins through our partners in Japan which is a very large IT subsidiary of a very large conglomerate in Japan. We have one win through them in Southeast Asia which is a part of our Japan strategy. We also had a native Southeast Asia partner which is again a fairly large presence in Southeast Asia but primarily in Vietnam and we won a reasonable size deal through them. So these are partnerships that are fresh as well as have already started yielding results.

**Ankit Pande:**

Right. I see. And could you also give me amongst your workforce, the number of your workforce, could you give me the breakup of sales and marketing people?

**Ashish Nanda:**

So, as of the quarter end, the employee strength is at 1802 and in marketing you can say it's roughly 15 to 20 from that perspective which is there. And just, Ankit, your last question about the 18 implementations, so 7 were Cloud implementations and 11 were on premise implementations.

**Ankit Pande:**

7 were Cloud? Okay. That's great. When we talk about these sales and marketing initiatives and stuff like that, do we also break it up in terms hunting, farming traditional buckets like that?

**Avnish Datt:**

We've always had the reasonably blended approach.

**Ankit Pande:**

Blended approach? Okay. And do these sales people do they report to geography heads or how are we organized internally? We have geography heads above vertical heads or vice-versa?

**Vishnu R. Dusad:**

People report to the product heads.

**Ankit Pande:**

Okay. Fine. That makes sense. Do we have a declared dividend policy as such I know the dividend payout is above 50%, but when I look at the returns and equity under 12%, returns on capital employed under 10%, yet our cash flow generation is very, very healthy, well above 15%, so could you articulate your dividend policy for me?

**Ashish Nanda**

Ankit, so we have a dividend policy and I was a bit surprised had this question come in the previous quarter, I would have been highly surprised because as far as relating to the shareholder's concerned, we just finished our buyback which was spending almost 117 crores, though I am thankful to the investors who showed great interest and it was oversubscribed at almost 25%. We have a dividend policy which has multiple factors, which has dividend, you know, how much cash the company has, how much return has to be given to the shareholder and have a mix of all those things. So from a perspective we have been trying to maintain and give back to the shareholder as much as possible keeping in view the cash reserves which we want to hold for the future investments of the organization.

**Ankit Pande:**

We have the buyback, but dividend policy as such, I mean, other companies would take over a bucket of, let's say, three years and they would say we will give you 50% back including these buybacks, so and so forth, so have we made a comment on those lines?



**Ashish Nanda:**

No. We have not made such comments ever. But very clearly if you look at our track histories, our dividend has been sustainably growing and with this buyback with sustainable dividend we've given back to the shareholders; that is where we stand.

**Ankit Pande:**

Great. Okay. Fine. Thank you so much and I look forward to meeting you some time in this quarter.

**Vishnu R. Dusad:**

Sure.

**Deepak:**

Hi. Good afternoon, everybody. Wish you all a very happy Diwali.

**Vishnu R. Dusad:**

Good afternoon and happy Diwali to you too.

**Deepak:**

Thank you. My first question is for the rest of the financial year what is your headcount addition plan?

**Ashish Nanda:**

Deepak, Ashish this side. See, our plan primarily is to hire in the areas of our product development which is consistently we've been trying to say that, we will not leave any stone unturned from a product investment perspective. So there will be some new additions in the headcount of the product side is concerned and also wherever there is a need-based requirement for the sales and marketing we will not like to keep ourselves under-invested from that perspective for the growth which is there. However, not very significant ones, but, yes, there will be additions you will see in the product side of it and as well as on the sales side wherever the requirement is there.

**Deepak:**

Okay. Right. The second, I have a very basic question. In one of your previous answers you were suggesting that talks the certain deal wins or implementations this quarter you had some on site, right, not all on Cloud?

**Management:**

Yes.

**Deepak:**

Yes. So in one of your previous calls you were talking about how in your new deal wins you are trying to look at different revenue models like probably a transaction-based revenue or be it a license-based revenue, so does this apply only to Cloud-based product which are being sold or just this apply even to on site like this new kind of revenue models that you are probably trying to?

**Avnish Datt:**

So the revenue models actually have several different variables around which we could structure pricing. Sometimes it is linked to the volume of business that the customer has and their growth, sometimes number of users which has the traditional way of pricing, sometimes on transactions and so on. We've seen that the propensity of Cloud customers because they typically are younger in their journey. Their propensity to go for a transaction-based pricing is much higher than the traditional customers. Their preference still seems to be around having a Capex-based pricing. Sometimes they ask for amortization, but mostly it is the Capex-based pricing.

**Deepak:**

Right. But from your end you still try to push more transactional based because, you know, in the long-term it does look like several of your customers over the years have grown massive on the back of your fantastic software product, but as a company your revenue from them have remained largely stagnant or grown slowly.

**Avnish Datt:**

You couldn't be more right.

**Deepak:**

So my basic question is that that, you know, you are trying to push for this in every new deal that you get; it's not just about Cloud, right?

**Avnish Datt:**

Yes.

**Deepak:**

Right. Thanks. And my last question is about competition. Since your Cloud-based solutions are launched only for India, are you seeing among your competition any others who are ready with the significantly good or competitive products in this phase to target the SME and other segments or do you have a reasonable leap ahead?

**Avnish Datt:**

We believe that in India we are actually the only ones having a true Cloud solution in the lending space and so we are the default choice. I think what has happened is we have like R. P. was saying a little while back we've used also used our Cloud offering to make it affordable for some of those who couldn't have afforded a Nucleus solution earlier. So, as far as India is concerned, yes, we are probably the only, I hesitate to use the word, but let me just use it, the credible choice from among providers.

**Deepak:**

So that's really heartening to hear and I was hoping to hear that. Wish you all the very best. I think even though published P&L numbers will not show it, but from the comments it's very clear we are seeing the directions in which the company is going from what you were talking for the last several quarters, I think, it's now showing. All the best to all of you.

**Avnish Datt:**

Thank you so much.

**Deepak:**

Thank you.



**Gaurav Agarwal:**

Thank you all for joining us today for this earnings conference call. I will now pass it on to Vishnu for his closing comments.

**Vishnu R. Dusad:**

I would like to take this opportunity to wish you all a very happy festive weekend ahead and a very happy Diwali. Thank you for your continued interest and we would like to reassure our commitment to building a company that balances all the stakeholders appropriately. Thank you.