

**NUCLEUS
SOFTWARE**

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February 12, 2018

The Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex Bandra (E) Mumbai-400051. Fax Nos. 022-26598236/237/238	The Listing Department Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, 25 th Floor, Dalal Street Mumbai-400001 Fax No. 022-22722061/41/39
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Dear Sirs,

SUB: Outcome Transcript – Earning Conference Call – Q3 FY 2017-18

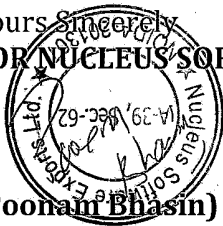
As intimated earlier through our letter dated 17.01.2018 regarding the Investor/ Analyst Earning Conference Call of the Company which was held on **Wednesday, the 24th January, 2018.**

During such call, the management commented on the financial results for the quarter and Nine Months ended December 31, 2017 and commented on business outlook. The transcript of the call is enclosed below and same is published on the Company's website under the following link: - www.nucleussoftware.com/investors

This is for your information and records.

Thanking You

Yours Sincerely,
FOR NUCLEUS SOFTWARE EXPORTS LIMITED


(Poonam Bhasin)
Company Secretary

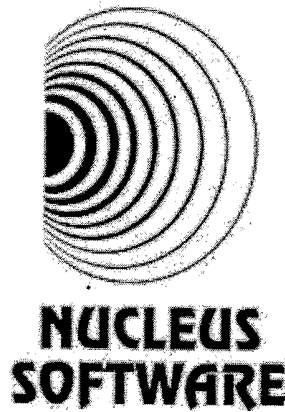
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Nucleus Software Exports Limited

Q3 FY18

Earnings Conference Call

January 24, 2018

Members of Nucleus Management

Mr. Vishnu R. Dusad	Managing Director and CEO
Mr. Ashish Nanda	Chief Financial Officer
Mr. Avnish Datt	Executive Vice President – Global Head Strategy
Mr. Pankaj Bhatt	Executive Vice President – Professional Services
Mrs. Debyani Sinha	Global Head - Human Resource Group
Mr. Prakash Purushottam Pai	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 third quarter and nine months ended December 31st, 2017. For discussions, we have here from the management team Mr. Vishnu R. Dusad, our Managing Director and CEO; 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, President, Financial Inclusion.

As you all are aware, Nucleus Software does not provide any specific revenue earnings guidance. Anything which is said during this call which may reflect our outlook for the future or which may be construed as a forward-looking statement must be reviewed in conjunction with the 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. With this, we are now ready to begin with the opening comments on the performance of the company for third quarter and nine months ended December 31st 2017, from the CEO and post that we would be available for the Q&A session.

With this, I now hand it over to Vishnu.

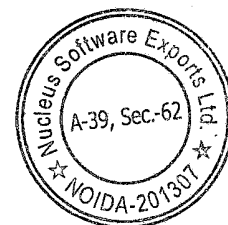
Vishnu R. Dusad:

Thank you, Gaurav, and good afternoon, ladies and gentlemen. I'm pleased to connect with you at this earnings call for the third quarter and nine months ended 31st December 2017. We are pleased with our performance in Q3. During the quarter we have added five new customers and completed seven successful implementations worldwide. Our continuous focus on driving innovation in financial services has helped us reinforce our leadership position in digital transformation with our solutions including analytics and Cloud.

We saw continuous traction for our corporate banking solutions in the international market which resulted in a deal win with one of the leading banks in Indonesia. We also went live with our analytics solution at one of the leading banks in the Middle East and the leading Non-Banking Financial Company (NBFC) in India.

I am also pleased to talk about some other developments that we have had on 12th January 2018. I will give you a bit of a background. We like to believe that we are building a company which runs on timeless principles and we are proud of the fact that we have a strong leadership pipeline which believes in the principle and they live by those principles on day-to-day basis, hourly basis and minute-to-minute basis. We have been proud of this particular fact.

Another strong feature of any long-lasting and value-adding organization is the succession planning that it does in timely manner. At any given point of time there are identified successors to the leadership roles at all the levels and at the appropriate point of time the successors get into the leadership roles





ensuring that the organization continues to live by the timeless principles adding more and more value to the society it serves.

I happened to have turned 60 years of age in 2017 and what better way to ensure that Nucleus continues to make progress then finding a leader who would take the organization forward here on. It was felt that given the strong internal leadership pipeline the successor be chosen internally, this would ensure that the new leader understands our ethos extremely well and would further build on it. I am very pleased to let all of you know that the Board has chosen my colleague Mr. Ravi Pratap Singh, who was leading the product role and who is an Executive Director on the Board to be CEO designate effective 12th January 2018 and he would be CEO beginning April 1, 2018.

I will continue to be the Managing Director and Executive Director on the Board of Directors for Nucleus Software. I take this opportunity to wish R. P. Singh all the very best in taking the vision forward. He has not been able to join us in this call because of his prior personal commitment, but I am absolutely confident that he would take care of all the stakeholders in the most befitting manner including obviously the shareholders, who have been with us for nearly two decades now.

With that, I would now like to hand over to Ashish for his comments on the quarterly results.

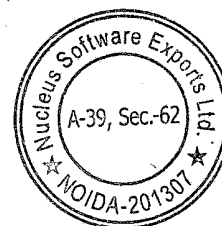
Ashish Nanda:

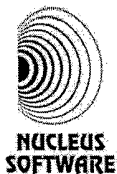
Thank you, Vishnu. Good afternoon everybody. This is Ashish and I welcome you all to this conference call.

Key Highlights from Financials are:

REVENUE

- **Our Consolidated revenue** for the quarter is at Rs. 106.0 crore against Rs. 100.4 crore QoQ and Rs. 93.1 crore YoY. **For the Nine Months** it is Rs. 300.8 crore against Rs. 278.7 crore for the corresponding nine months of the previous year.
- **Overall Revenue in foreign currency including India Rupee revenue** is US\$ 16.3 million for the quarter, against US\$ 15.5 million QoQ and US\$ 13.8 million YoY. **For the Nine Months** it is US\$ 46.2 Million, against US\$ 41.3 Million for the corresponding nine months of the previous year.
- **Product revenue for the quarter** is at Rs. 85.1 crore, against Rs. 78.9 crore QoQ and Rs. 71.8 crore YoY. **For the Nine Months** it is Rs. 237.1 crore, against Rs. 216.0 crore for the corresponding nine months of the previous year.
- **Revenue from projects and services** for the quarter is at Rs. 21.0 crore, against Rs. 21.6 crore QoQ, and Rs. 21.4 crore YoY. **For the Nine months** it is Rs. 63.7 crore, against Rs. 62.7 crore for the corresponding nine months of the previous year.

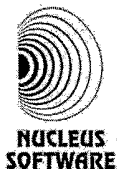




EXPENSES

- **Cost of delivery including cost of product development for the quarter** is 65.4% of revenue, against 67.6% of revenue QoQ and 63.1% of revenue YoY. In absolute terms this is Rs. 69.3 crore against Rs. 67.9 crore QoQ and Rs. 58.8 crore YoY. For the nine months, it is Rs. 203.2 crore (67.6% of revenue) against Rs. 179.5 crore (64.4% of revenue) for the corresponding nine months of the previous year.
- **Marketing & sales expense** for the quarter is 8.2% of revenue, against 9.2% of revenue QoQ and 10.4% YoY. In absolute terms this is Rs. 8.7 crore against Rs. 9.3 crore QoQ and Rs. 9.7 crore YoY. For the nine months, they are at Rs. 26.2 crore (8.7% of revenue) against Rs. 32.8 crore (11.8% of revenue) for the corresponding nine months of the previous year.
- **G&A expense for the quarter** is 8.9% of revenue, against 9.6% of revenue QoQ and 10.9% YoY. In absolute terms this is Rs. 9.4 crore against Rs. 9.6 crore QoQ and Rs. 10.2 crore YoY. For the nine months, they are at Rs. 29.0 crore (9.6% of revenue) against Rs. 27.4 crore (9.8% of revenue) for the corresponding nine months of the previous year.
- **EBITDA for the quarter** is at Rs. 18.6 crore (17.5 % of Revenue), against Rs. 13.7 crore (13.6% of Revenue), QoQ and Rs. 14.5 crore (15.6% of Revenue), YoY. For the nine months, **EBITDA** is at Rs. 42.4 crore, (14.1% of revenue), against Rs. 39.0 crore, (14.0% of revenue) in the corresponding nine months of the previous year.
- **Other income from investments and deposits** is at Rs. 5.6 crore against Rs. 7.2 crore QoQ, and Rs. 7.4 crore YoY. **Total other Income for the quarter** is Rs. 5.4 crore against Rs. 8.2 crore QoQ and Rs. 10.2 crore YoY.
For the nine months, other income from investments and deposits is at Rs. 20.2 crore against Rs. 21.5 crore for the corresponding period of the previous year. **Total other Income for the nine months** is Rs. 21.3 crore against Rs. 25.2 crore for the corresponding period of the previous year.
- **Total taxes** are at Rs. 4.1 crore against Rs. 4.5 crore QoQ and Rs. 3.6 crore YoY. **For the nine months, Taxes** are Rs. 13.1 crore, 22.4% of PBT against Rs. 9.2 crore, 16.7% of PBT in the corresponding period of the previous year.
Effective tax rate was higher during the current nine months 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. 18.1 crore for the quarter, 17.1% of revenue, against Rs. 15.7 crore, 15.6% of revenue QoQ and Rs. 17.9 crore, 19.2% YoY. **For the nine months** it is at Rs. 45.3 crore, 15.1% of total revenue, against Rs. 45.8 crore, 16.4% of total revenue in the corresponding period of the previous year.



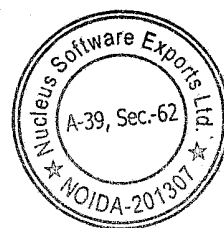


- **Other Comprehensive Income** is at Rs. 2.0 crore for the quarter, against Rs. (0.6) crore QoQ, and Rs. (5.1) crore YoY. **For the nine months** it is at Rs. (2.3) crore against Rs. 1.7 crore, in the corresponding period of the previous year.
- **Total Comprehensive Income which includes Net Profit and other comprehensive Income** is at Rs. 20.1 crore for the quarter, against Rs. 15.1 crore QoQ and Rs. 12.8 crore YoY. **For the nine months** it is at Rs. 43.0 crore, against Rs. 47.5 crore in the corresponding period of the previous year.
- **EPS** for the quarter is at Rs. 6.24 as against Rs. 4.93 in the previous quarter and Rs. 5.52 in December'16 quarter. **For the nine months** it is at Rs. 14.58 against Rs. 14.13 in the corresponding period of the previous year.
- In terms of **foreign currency hedges**, on Dec 31, 2017 we had USD 6.0 million dollars of forward contracts at an average rate of 65.85. There is a mark-to-market gain of Rs. 67.02 lakhs which is taken to hedging reserve in the balance sheet.
- **Revenue contribution from the top 5 clients for the quarter** is 35% against 39% previous quarter.
- **The order book position** is Rs. 384.2 crore including Rs. 339.3 crore of products business and Rs. 45.0 crore of projects and services business. **In September 30, 2017** the order book position was Rs. 373.0 crore including Rs. 341.6 crore of products business and Rs. 31.4 crore of projects and services business.
- **Total Cash and cash equivalents** as on December 31, 2017 are Rs. 430.4 crore against Rs. 389.9 crore as on September 30, 2017. This includes balances in current accounts of Rs. 39.5 crore, various schemes of mutual funds Rs. 147.5 crore, Rs. 56.4 crore in fixed maturity plans, fixed deposits with banks of Rs. 41.0 crore, investments in tax free bonds of Rs. 86.4 crore and Rs. 59.6 crore in Preference shares.
- With regard to **receivables**, we are at Rs. 76.7 crore against Rs. 82.3 crore previous quarter.
- During the quarter, **there is a gross addition of fixed assets** of Rs. 3.2 crore, consisting primarily of Rs. 2.3 crore on computers and equipment and Rs. 0.2 crore on software.

Now, I will hand it over to Gaurav to open the Q&A session.

Gaurav Agarwal:

Thank you, sir. We are now open for the Q&A session.





Ayush Abhijeet:

Hi Mr. Dusad, Congratulations on a good set of numbers and reaching the 60 year milestone. I have few questions. The first question is around the demand environment. How are you seeing the demand environment shaping, especially in the context of the different geographies that you operate and if you could throw some light on that? My second question is regarding the competitive landscape for your flagship product, who would be the key competitive in each product areas that you operate in?

Vishnu R. Dusad:

Thanks. I am requesting Avnish to respond to your very meaningful question.

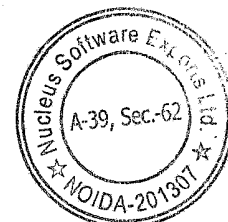
Avnish Datt:

Yes, In terms of demand environment I think what we are seeing is that the heavy lifting that we did over the last 2-3 years is now paying off. I would say that I think the demand at least in some quarters have been surprisingly upbeat, for example, in South East Asia we have seen much more traction from geographies both in terms of the number of opportunities but also in terms of the value that the market is willing to pay. So that was, I would say, a mild surprise for us in the management team. Middle East seems to be now coming out of the relative quiet that we had seen over the last few quarters primarily I think driven by the oil price. So we have got a fairly secular distribution of opportunities and that's also showing up in the way the pipeline is building up.

On the competitive side, I think, increasingly it seems the diversity of offerings that we have and the way we have been adding modules to each product there is no one or two competitors that we see. Of course, there continues to be competitive pressure from some of the local players in each geography. But frankly I don't think there is an overwhelming competition that we are seeing in the market. It's really just the appetite for the customer to appreciate the value and for us to get the right value from the customer.

Rahul Jain:

Hello, Congrats on the numbers and congratulation to R. P. for the development and I would appreciate Vishnu's continuous support being part of the team as an MD even after he will not continue to play a CEO role in the company. My question is on the order book. If we see this order book data, today for the product business stands around Rs. 340 odd crores and this used to be around Rs. 308 – 315 crores in FY15 and FY16 respectively. From that level from a revenue run rate perspective we have moved significantly, but if we see this data has not moved in that tandem. So is it that there are now more number of deals that come and get consumed faster or do we see that we have juiced out most from the order book and now the total tenure of the order book is reducing or is it to do with Cloud because, some of these deals is getting smaller in size because these are not perpetual licenses but tenure-based and that's why the same opportunity in the old model versus new model looks a smaller deal but then we would continue to add more as these deal come for renewal?





Ashish Nanda:

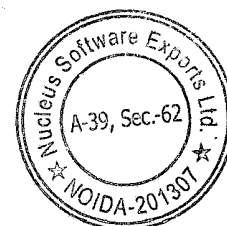
Thank you Rahul for your question. A very interesting one and you answered quite a lot within the question itself. But I will just take up your question and it is a mix of variety of things, so I will start one-by-one. From an order book perspective, yes, there is a significant change in the qualities of the order book over the last 24 months, I would say, both with the injection of Cloud. One of the answer you've given yourself, yes, the Cloud deals are relatively smaller, but to my surprise actually they are also not very small. But when you come to the conversion side of the order book of the Cloud, it is much faster from that perspective and it is also variable in many respects. So we add on to new orders and we consume the existing orders also. However, there is a trend which is coming up and which you are aware of it and we were hopeful that it will be there which has started and also with the fact that if you remember when we started, when we launched our Neo somewhere in 2014, very clearly at that time the marquee orders which we have pulled up in the beginning we were aware are going to be longer term in terms of execution is concerned and they are taking their time because one, they are large orders and second they were some of the large old customers who had adopted the new technology from us. So, as far as those orders which are slightly older in terms are still taking more time because of the size as well as the nature of operation of the customer. However, the new orders which we are seeing in addition to the Cloud orders also the revenue is much faster to recognize because of the implementation getting faster and we are also learning up the curve from that perspective. So it's the mix of all the things I would say, Rahul, which is going to be there. If some of the orders are still taking larger cycle, some of the orders are consumed faster and Cloud you are right, we have smaller deals in relative to the enterprise deals, but they are consumed also faster. So I hope I have answered your question.

Rahul Jain:

So just to extend that conversation, if I see your FY15 numbers, I mean, from your perspective the deal data has gone up roughly by 10% from Rs. 308 crores to Rs. 339 crores now, but the revenue run rate in the same segment has gone up by 40% from Rs. 250 crores to Rs. 330 crores, so our revenue run rate has come up, but are you still comfortable having this kind of an order book with the revenue run rate that we are having or we need to scale up this Rs. 340 crore numbers on the deal to Rs. 450 or Rs. 500 crore to ensure that, this growth in the revenue on the product division continues?

Ashish Nanda:

Yes, very clearly you are right and you are right in saying that and the aspiration, although we don't give any futuristic assessment, but the aspirations are on the right side as you are saying on the 500-crore plus as an order book from a product side of it. But what we also see is that revenue conversion will be faster as we move, as we have more experience of implementations and we are learning that with every implementation, the implementation time per customer is going down significantly. But you are right as a product run rate at which we want to grow, very clearly we will need to have order book size of what you are saying and hopefully we are seeing some very good offshoots coming on to that side without commenting on any futuristic side of it.





Rahul Jain:

Okay. And just lastly to understand the construct of this order book, so if there is an existing client who has completed the tenure of the original sign deal and just has become a regular client paying a regular AMC, do this kind of AMC also feature part of the order book?

Ashish Nanda:

So one, if the AMCs are in advance and we sign up a contract with them, for that year, yes, it forms the part of the order book and as soon as we consume AMC over the period of time, the order book gets depleted with the equal amount of size. However, any order which is yet to be executed, which is a signed confirmed order will form a part of the order book irrespective of the AMC, services or any kind.

Rahul Jain:

So what I meant to say is that if there is hypothetically it's a one-year deal and it's a Rs. 100 deal and that Rs.100 revenue has gone from order book to revenue eventually and this Rs. 20 AMC which customer is entitled to continue to pay us but was not part of the original contract because that deal was one year, so he would subsequently keep on paying us Rs. 20 because he wants to maintain the support and everything, but this 20 will flow in our order book because there's no new order per se which he has contracted us for?

Ashish Nanda:

But very clearly if there is an order of AMC also of Rs. 20, the way we do it is, we book it in the order book and then it is depleted as it goes from order book to revenue. So any signed contract what we have either for AMC, services, product any kind of an order will first reflect in the order book and then when it comes out as a revenue, it gets depleted from the order book from that side.

Vishnu R. Dusad:

In case it is not signed for the second year onwards, then the order book number does not reflect that.

Ashish Nanda:

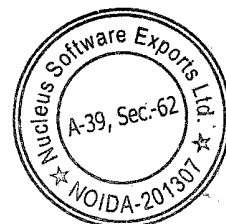
Correct.

Vishnu R. Dusad:

Is that what you wanted to know?

Rahul Jain:

Sir, I wanted to know, maybe, some very, very old customers whose deal would have been consumed long ago but they still continue to pay us AMC and those AMCs they are just paying every year because it is already predetermined at rate with some inflation, so do these potential AMCs also keep on reflecting in the order book or they are assumed that these are existing:





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Ashish Nanda:

There is nothing which is potential, Rahul, which I would say. Only if it is a confirmed signed order from him where he wants our services, there are customers though we don't like that to happen with our customers, but there are customers who after many years would decide on the new order and the AMC gets discontinued and though are not. There is nothing potential in the order book. It's a confirmed order either of AMC or any kind which will be there in the order book. If I've answered it correctly?

Rahul Jain:

Sorry for persisting on this, but my last attempt to ask is, maybe, I am not able to articulate it well. What I am trying to say is that if a customer is signed for a three-year deal and that three year is already done and the initial thought was that after the consumption of the tenure and whatever the part of the contract if the person not want to renew a new product, new version, he would continue to get support, let's say, Rs. 20 a year, so this 20 is predetermined, but is not part of the signed deal, but if he continues to do business with us, is it a new contract that come into place and that flows through order and revenue or there is nothing that happened and he continues to pay AMC?

Ashish Nanda:

So if he continues to pay AMC, we will be booking Rs. 20 as order and recognize over the period of the AMC period. And once that year gets consumed if he gives an order back again of Rs. 20 at a predetermined rate or whatever is the rate, we book that as an order and then that gets us revenue. I hope I've answered to your satisfaction.

Vishnu R. Dusad:

So initially, let's say, we will book an order of Rs. 160 and at the beginning of the fourth period we would have booked another order of Rs. 20, at the beginning of the fifth year we will book another order of Rs. 20 and then those Rs. 20 would get renewed over the year or the AMC period.

Rahul Jain:

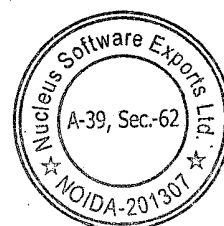
Sir, got it. Sir, in a way, the entire 150 odd customers which are active and are paying AMC to us, every revenue from these 150 customers actually flow through this order book, so this order book must have a significant component which is an AMC today?

Ashish Nanda:

Should be from that perspective. But because AMC is also cyclic during the year at what point of time it will be there. So it's a cycle which is there and you are right. It is a part of the order book.

Rahul Jain:

Okay. So for us to understand in terms of what is the new traction that is building in the business from adding of new clients perspective, I think there should be some data, maybe, you know, new license





signing or new order signing value for us to understand, of this 330 product order book how much is, you know, continued AMC thing which is sustaining and how much is coming from a new customer base?

Ashish Nanda:

So, Rahul, as of now we are not tracking it that way. But once we started, we will come back to you definitely. Thank you.

Rahul Jain:

One question on this win on the corporate banking side, I mean, it's a good achievement. Just to understand the size and opportunity and how it opens up new opportunity for us that because corporate banking is something which could add a next level of growth for us.

Ashish Nanda:

So size is a significant one, though we don't disclose the size of the order as you may have seen it. And you rightly said that, you know, anything comes on the corporate banking side, opens up multiple facets and we can see that traction already with the customer and there are discussions going on for other sides of businesses also. You are right it gives us great opportunity from all the sides and one of the largest banks in the geography, as Vishnu mentioned. So it gives a significant edge in the geography also.

Rahul Jain:

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

Ashish Nanda:

Thank you so much.

Puranik:

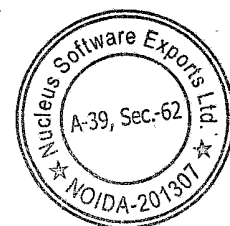
Hi, Vishnu. Congratulations to you and it's quite a thoughtful leadership succession plan. It's very important for continuity, for longevity of business. It's an excellent move.

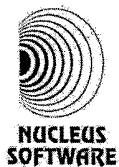
Vishnu R. Dusad:

Thank you very much, Puranik.

Puranik:

And most importantly you are around to help hopefully you will be focusing on mentoring new products and maintain issues like that and let R. P. focus on day-to-day operations. Is that the way forward?





Vishnu R. Dusad:

Absolutely. I will be focussing on the, sort of research we want to get into and also the cultural side and so on.

Puranik:

Wonderful. I think you have built a great company with a lot of excellent values, deep customer relationship and built a nice product and stayed focus on financial services you didn't play any monkey games with other diversity like most of the companies do. I think you did a fantastic job from that perspective. Congratulations once again.

Vishnu R. Dusad:

Coming from you Puranik, this has lot of meaning for all of us.

Puranik:

No. I think you have done the fantastic job.

Vishnu R. Dusad:

I wanted to add, Puranik, just a minute. I just wanted to add that my colleague, Pankaj Bhatt, he has been designated as Chief Transformation Officer. So he will be helping RP and me in making sure we have the right culture.

Puranik:

Excellent. And his role would be what, Chief Transformation Officer is in terms of transforming from where to where, to the new direction or what exactly is that?

Vishnu R. Dusad:

Both, Puranik, he is going to again focus on the cultural side as well as on the research side.

Puranik:

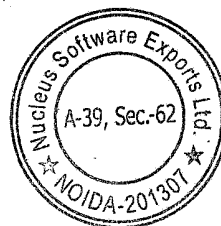
Excellent. Very, very good. Couple of questions I have, one is in terms of you are about 30 plus year old company, isn't it?

Vishnu R. Dusad:

Yes. That's right. 31.

Puranik:

For building a mature product which has a huge acceptance this is a good enough time, isn't it, for the product acceptance?





Vishnu R. Dusad:

Yes.

Puranik:

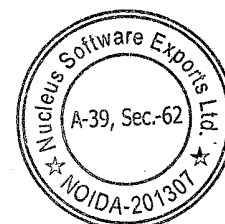
But I want to see more of that, the colour of that reflected in size, growth rate, margins, visibility, mix of large and long deals ones and some of these, you know, if you in your second innings if you can focus on some of these issues and, of course, R. P. Singh will be looking at it, but if you can guide him where to move forward in terms of going for larger deals? Since the product has achieved a significant maturity, so today you are lot more confident in selling this as a product. Earlier, what happens is most Indian companies used to sell product as a project because it took lot of years for them to get confidence to go and ask client to pay for license revenues. So today I think you have arrived, you have absorbed technology, absorbed business rules, you understood the domain, everything because so much of maturity, so much of respect you are getting for the product. So I want to see the license revenue move up, maintenance revenue move up and one interesting thing you have done is you have gone into the Cloud quickly, got seen lot of success in Cloud, that's a very, very important thing because there is newness to it that is the future, so Cloud is going to be the future. I think you are ahead in Cloud, you have done wonderful job on Cloud. So I want to get some view from you how the company will move in terms of selling a mature product as a confident company where you command respect from the client and they pay you license revenue, they will use you as a machine critical enterprise financial services product company, if you can use some colour on that, that will be useful?

Vishnu R. Dusad:

Okay. Completely I agree with you, Puranik, and we are getting our reels up exactly for that. I guess that you have very correctly highlighted. We are absolutely confident company, confident of quality of our products and confident of delivery, absolutely phenomenal value to our customers and in turn to the society. So I would say our marketing is progressing well in terms of creating that brand, leveraging our existing customer-base and I think we are able to see some initial green shoots of that marketing paying dividend. We are ready to invest more on the marketing front and I see that we would be able to attract some bigger customers also outside of India. In India, our platform originates and our services 75% of the retail assets out of 16-lakh crores of retail assets in the country. On the banking side 12-lakh crores are either originated or serviced by our platform and we are proud of this fact.

Puranik:

Excellent. Even if you even get a percent, a small cent of that, you will be a 500-million dollar company, yes, because that's the target you used to have. I used to see in your office elevated everywhere the 500-million dollar target, I think, you should now come back to that 500-million dollar target goal. If you have such a large market, I think it's the pricing and confidence issue which will take your company up, isn't it?





Vishnu R. Dusad:

Absolutely, Puranik. And as we talked earlier, it is this sizeable share of market which obviously has come thanks to my colleagues' efforts and every single Nucleites efforts and the learning that we have on an ongoing basis continued to ensure that it doesn't go away anywhere; it adds more value in the product, which is what has gained some of our prospective customers absolute confidence to look over and on our implementations in 50 odd countries all these things, all these factors and our not hesitating in doing the heavy duty work, as Avnish mentioned, over last 5-7 years maybe the 500 million we had talked about that dangles that you saw, that was slightly too early.

Puranik:

So coming back to some of the key questions it's about the demand environment. Also if you can talk about how because if you look at the way you are investing in sales because lot of your business is moving towards Cloud and SaaS, so that requires lot more investing in sales. So can you give some colour on the sales organization and the relevance of that for the next many years, how much more unit to invest and how will this Cloud size deal evolve over time and also on the demand environment that will be useful?

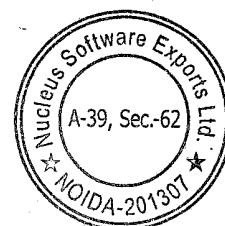
Vishnu R. Dusad:

I will request Avnish to throw some light on that.

Avnish Datt:

Hi, Puranik, Let me touch it from 2 or 3 different dimensions, I wouldn't go into the numbers, but let me just talk about the demand environment and also the implications, significance of Cloud and SaaS offering. I think, as I mentioned a little while back, from a geography perspective we are seeing demand being rekindled across geographies that had relatively been, I wouldn't say dormant, but not as active as this seemed to be right now. I think one thing that is helping us is playing out right now. Banking itself as an industry is getting more and more competitive, as banks see activities from fintech players, so they are also seeing a lot of competition happening. So the business model of the banks is under challenge and that is also giving us an opportunity to turn this from a technology problem to a business problem and hence interact with the C-level executives more, with the board level members more. That does two things, one, we are able to impress the value of the product more compared to whatever else is available in the market, two, we are able to position ourselves from a value perspective far more effectively than we used to earlier. So I think the change in the banking environment and the competition banks are facing is also helping us out.

In terms of Cloud, I wouldn't say our customers are moving to Cloud. I think what we were started addressing our customers who are ready for Cloud, meaning, their current size, their current innovation and so on. Our view is that we want to structure the SaaS offering in a way that it is not dependent on the sales machinery for its go-to-market; it is dependent on smart marketing, it is dependent on the





smart demand generation, but not necessarily human intervention from sales people as much. So we are also tracking the number of interactions on an average it is taking for a SaaS deal to close and we would continue to do that and one of the things that we would want to do is to keep bringing it down as much as possible because that is also the way to scale up on the SaaS side.

Puranik:

So typical SaaS deal cycle that goes for how many weeks or months?

Avnish Datt:

I think we have at least more than one deal that we closed in one day or, two, I would say a few weeks. But the good thing is that the cycle seems to be coming down, that is one good thing. The other good thing is pedigree players who are looking at a substantial loan book even in first year of operations they are now looking at the starting with Cloud almost on a preconfigured basis.

Puranik:

And the typical size of these deals?

Avnish Datt:

I think huge variations, I mean, we don't give numbers, but huge variations. Like I said, some customers actually took Cloud while they already had a reasonable loan book, while a few of them are start-ups and some of them are in between.

Puranik:

It could be a couple of 100,000 dollars?

Avnish Datt:

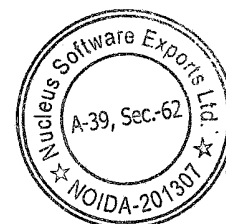
I think you are shooting low.

Puranik:

Shooting low? Meaning it's to be closed to million dollar, Cloud deals?

Avnish Datt:

I mean, I wouldn't go there. But all I am saying is I think our thinking about Cloud has changed in terms of the pricing that we can get. However, the reason it doesn't land itself to an easy apple-to-apple comparison with conventional deals because even over last year I think we have structured deals on so many different parameters. It could be loan book size, it could be number of loans, it could be conventional number of users, it could be a mixer of them, so we are very flexible on the way we are pricing it.





Ashish Nanda:

Ashish this side. Very soon I believe, Puranik, the concept of the order book size of the Cloud is changing, because the way the market is moving towards the transaction pricing base it depends upon the fact that are we going to take the minimum commitment and that becomes an order book or not. Today, there is a way where we record the order book based on the minimum guarantee, but if a customer doesn't guarantee, but it is a significantly large customer and there are deals we have in this year on those sides where we have gone and not even asked for a commitment because we know the customers want to grow and he going to be the big daddy of the world tomorrow and we pitch into that and that's the fundamental change as you see over the period of time in what's not mistake in exact term, but what we had done in the previous avatar of Nucleus. So order book concept itself is going to be challenged in a very different manner in times to come, as you see.

Puranik:

So in a typical Cloud deal, Ashish, how does the payment term gets worked up? It seems that you go only by subscription or is there any upfront payment also?

Ashish Nanda:

There are various models to subscription fees. There are initial fees to cover up the setup cost. But what we are trying to do it is to make Cloud more affordable. Very clearly we want to be on a subscription model, but though there are initial setups cost and we don't want to go out of pocket onto that. We are very mindful of that and therefore there are initial costs which we come into that side of it.

Puranik:

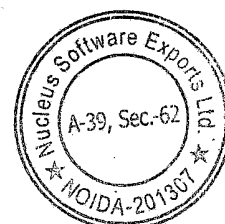
So my question on increasing this selling effort is in the context of the subscription model of the Cloud, so which requires a larger deal size because subscription needs 3-5 years whatever be the period, so the deal book should run much longer and larger so that that's the context?

Ashish Nanda:

So, if I may say, so there are various variations, but you would like to give an experience to the customer that the stickiness comes from the experience what we have and then he may want to come and stay with us and he will stay with us based on the services which are offered to him. So when you say the subscription larger order deal size offering 3 to 5 years, we are very sure of the software business of the stickiness and what we are offering to him he will stick with us with an average transaction based pricing which is going to be there.

Puranik:

My question is basically, for example, if you are winning an on-premise billion dollar deal, so if you get paid over 1, 1.5 – 2 year period of time and then you get an annual maintenance, in a Cloud typically you get paid 3-year, 5-year, 7-year whatever period, so that means you need to have more such instead of





one million dollar you need to have 5 million dollar deal to be equivalent to your on-premise era? So that's what I am saying.

Ashish Nanda:

Yes, so fortunately god has been kind and the market is kind where people are still looking for enterprise or still looking for Cloud. So by the time we will go up the curve and the enterprise goes down, we will be up the curve on that side of it. It's my understanding on the whole business.

Puranik:

And how will the mix change, Avnish? How will the mix between on-premise and Cloud change over time?

Ashish Nanda:

It is too early to predict right now.

Avnish Datt:

Right. I mean, I think right now with the activity especially on the NBFC side when we look at India and several other markets especially in South East Asia, it seems the ramp up of Cloud is going to beat our expectations the way we looked at and probably the industry itself. So, Puranik, I think too early to say, but it seems to be a very exciting, more exciting than we earlier thought.

Puranik:

Very good. You talked about corporate banking solution that means it includes your core banking plus digital web, that's what you call corporate bank solution?

Avnish Datt:

No, our corporate banking in the industry is broadly called transaction banking. It's basically cash management, liquidity management, pieces of trade finance, the corporate portal all of that.

Puranik:

And here the deal sizes can be bigger?

Avnish Datt:

Yes. The deal sizes can be bigger.

Puranik:

You can fit into 5 to 10 million dollar deal or even greater than that?





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Ashish Nanda:

Of course, I mean, I don't mean your numbers, but yes the deal sizes are large.

Puranik:

Large deal? They are not small deal? I am not saying the 500,000 dollar, I am asking you 5 million plus. Good.

Ashish Nanda:

Magnitude wise you are not too off, Puranik.

Puranik:

No. Very good. Very nice. So wonderful. Congratulations. All the best to you, guys, and Vishnu in particular for delivering such a great company with good value and taking it forward with a nice succession plan. All the very best to you, guys.

Vishnu R. Dusad:

Thank you. Thank you very much, Puranik, once again for those words which mean a lot to us.

Puranik:

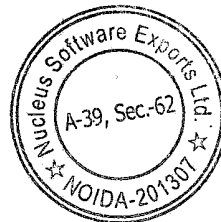
Thank you.

Deepan Sankar:

Good afternoon, everyone. Congratulations for good set of numbers specifically sustaining the Rs. 100 crore quarterly run rate. So first thing we wanted to understand the order book in the product side seems to be come slowly as compared to last quarter despite incremental addition of five customers and also incremental product orders, so what has been the specific reason?

Ashish Nanda:

So even if you have, I mean, just a few minutes back regarding the traction if you look at from a new people getting added, the traction is more on the Cloud side where itself the order booking is of no consequence, I would say. Though it's too early for me to make that statement, some people may not like it, but the reality of the matter is that the order booking is based on a minimum commitment which is coming from there. Our personal feeling is that some quarters are better and suddenly if you see the quarter two and if you had compared it to quarter one, it was a significant jump. But very clearly there are some significant order we had in this in the order book itself and the run rate is there. But, yes, it is lower than quarter two, I would say.





Deepan Sankar:

Okay. So can you quantify how many kind of Cloud deals and how many enterprise deals we would have had during this quarter?

Ashish Nanda:

I would say significant cloud deals.

Deepan Sankar:

Significantly Cloud deals is what you said?

Ashish Nanda:

Yes.

Deepan Sankar:

Okay. And how has been the overall Cloud pipeline and on-premise's pipeline looking? And this new NBFC deals anything on that?

Ashish Nanda:

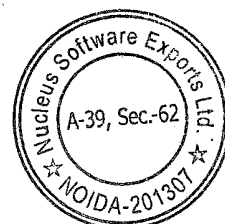
The overall size is the traction again. I met you couple of times and we have interacted on the same subject and again and again I am saying the same thing the traction is phenomenal, as Avnish had put in, Puranik also says that we have taken a early lead which is evident in the market I can tell you that and with the kind of aspiration people have to own Nucleus as a product is also very, very encouraging and thanks to all the people which is there. However, the number specifically to that and should we be announcing separately the Cloud numbers and all that we are too far away from there. We are still in a place where we are trying to consolidate our position in the market.

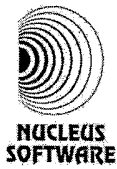
Deepan Sankar:

So on the employee cost front more or less this cost is stabilized or we will see some more increases on that side?

Ashish Nanda:

So even the question remains the same and the answer remains the same. Yes, they are stabilized, but we will leave no stone unturned to invest wherever, be it product, and be it sales whenever it is necessary. You may have seen a decline in sales and marketing cost from our sales from a people perspective, but at the same time that's a very temporary one. So people cost will go up slightly, but we will definitely be looking at performance versus every penny which we spend and, as I told you in the past also, we have a strong culture of performance management and we will ensure that every penny when we spend, it gives back to the organization from that perspective.





Deepan Sankar:

Okay. Thank you. All the best.

Ashish Nanda:

Thank you. Thank you so much.

Gaurav Agarwal:

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

Vishnu R. Dusad:

I take this opportunity to thank you all, ladies and gentlemen, for your continued interest in Nucleus Software and reiterate our commitment to deliver value to all our stakeholders. Thank you very much.

