



Q1 FY 10 Earnings Conference Call

July 27, 2009

Members of Nucleus Management

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|-------------------------|------------------------------------|
| - Mr. Vishnu R Dusad | Managing Director & CEO |
| - Mr. R. P. Singh | President Delivery |
| - Mr. Pramod K Sanghi | President Finance & CFO |
| - Mr. Niraj Vedwa | President Sales and Marketing |
| - Mr. Prakash Pai | President Product Management |
| - Dr. Asha Goyal | Vice President and Head of Quality |
| - Mr. Mahesh B. Agrawal | Associate Vice President |

Conference Call Participants

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|---------------------|---------------------------|
| - Mr. Ruchit Mehta | HSBC |
| - Mr. Romil Singla | Arth Financial |
| - Mr. Sunil Jain | Nirmal Bang Securities |
| - Mr. Ankur Rudra | ING Investment Management |
| - Mr. Krupal Maniar | ICICI Securities Ltd. |
| - Mr. Nirav Dalal | Capital Market |

NUCLEUS SOFTWARE EXPORTS LIMITED

Sandhya:

Good afternoon ladies and gentleman. I am Sandhya, the moderator for this conference. Welcome to Nucleus Software's Q&A conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. Now, I would like to hand over to Ms. Meenakshi Sharma. Thank you and over to you ma'am.

Meenakshi:

Thank you Sandhya, and good afternoon ladies and gentlemen. I am Meenakshi Sharma from the Investor Relations team at Nucleus Software. We accord a warm welcome to all of you to the Investor Conference Call of the Company, to discuss the financial results for the quarter ended June 30th, 2009. We have with us today Mr. Vishnu R. Dusad, our CEO and Managing Director; Mr. R. P. Singh, President - Delivery; Mr. Pramod. K. Sanghi, President Finance and Chief Financial Officer; Mr. Prakash Pai, President Product Management; Mr. Niraj Vedwa, President Sales and Marketing; and Dr. Asha Goyal, Vice President - Quality. First, we will commence with the brief comments on the performance of our Company, from the CEO and MD, and after that, we will be open for the question and answer session. I now hand over to Mr. Dusad for his brief comments.

Vishnu R. Dusad:

Thank you Meenakshi and good afternoon ladies and gentlemen. It gives me immense pleasure to announce the results for the first quarter of the financial year 2010. However, before I get into the numbers, I would like to share a very pleasant news, that our product FinnOne™ went live at GMAC, UK, earlier this month, and this has been a tremendous success because we received the highest ever rating for this implementation, which is 9.78 out of 10.

On this positive note, I will now deal with the numbers; first the quarterly figures.

- **Our consolidated revenue from software products and services** for the quarter is Rs. 80.54 crore against Rs. 82.90 crore for the corresponding quarter previous year.
- **Revenue from the product business** for the quarter is at Rs. 47.31 crore, 58.75 % of the total revenue against Rs. 57.26 crore, 69% of the total revenue for the corresponding quarter previous year.
- **Product revenue from own business**, product developed by Nucleus, for the quarter is Rs. 41.58 crore, 51.63% of the total revenue against Rs. 47.60 crore , 57% of revenue for the corresponding quarter previous year.

- **Projects and services business revenue** for the quarter is Rs. 33.22 crore, 41.25% of the revenue against Rs. 25.64 crore, 30.93% of the revenue for the corresponding quarter previous year.
- **EBITDA** for the quarter is Rs. 16.01 crore against Rs. 14.19 crore for the corresponding quarter previous year.
- **Net profit** for the quarter is Rs. 10.13 crore, 12.58 % of revenue against Rs. 8.03 crore, 9.69% of revenue for the corresponding quarter previous year.
- **EPS** is at Rs. 3.13 for the quarter against Rs. 2.48 for the corresponding quarter previous year.
- **Our cash and equivalents** have grown from Rs. 122 crore as on March 31, 2009 to Rs. 137 crore as on June 30, 2009.
- In terms of **manpower**, we are at 2,000 as on June 30, 2009 against 2,078 as on March 31, 2009.

I also have to inform you that one of the major customers of an overseas subsidiary of the Company, the Japan subsidiary, has on July 25, 2009 given notice to this subsidiary of partial cancellation of contracts, on a date one month from receipt of notice. The customer has further asked for early meetings, to have mutual agreement for the purpose of reaching a settlement. As per legal opinion received and an assessment by management, there is no liability on the parent Company, and there is no impact on the financial results of the Company for this quarter.

In relation to the consolidated accounts of the Company, in absence of any specific claim, and taking into consideration a legal opinion and assessment by management, no provision for any liability that may arise as a result of the notice of the cancellation has been made in the consolidated financial results of the Company.

At this stage, it would not be appropriate for us to disclose the name of the customer as we are initiating discussions as stated earlier. We will keep the stakeholders advised regularly.

The present phase of slowdown is a roadblock for a short time, but in the long term, the growth story of IT sector is still intact. It is the right time to look beyond the traditional markets and explore business in new geographies such as Central Asia and Latin America.

Now, I will handover to Pramod for his comments.

Pramod:

Good afternoon everyone and we will talk of the sequential numbers. On a sequential basis,

- **On a sequential basis, revenues** are at Rs. 80.54 crore with a decline of 6.15 % from Rs. 85.81 crore. If you look at the segment revenue, you will probably see that revenues from Japan are down.
- **Product revenue** at Rs. 47.31 crore against Rs. 54.90 crore previous quarter, with the decline in revenue primarily in this segment.
- **Traded revenue from products** included in this product revenue is Rs. 5.73 crore against Rs. 3.92 crore previous quarter.
- **Revenue from projects and services** at Rs. 33.22 crore, against Rs. 30.91 crore previous quarter.
- With some steps on expenses, **cost of delivery** has decreased to 66.85% of revenue against 69.48% of revenue in the previous quarter.
- **Marketing expenses** are more or less flat at about 7.55% against 7.83% in the previous quarter.
- **General and administration expenses** are also down at 5.72% of revenue against 8.94% of revenue in the previous quarter.
- Overall the **expenses** are Rs. 64.53 crore, 12.81% lower than Rs. 74.01 crore previous quarter, and we are moving towards achieving a 10% reduction in overall expense for the year, which we spoke about in our call in April. Now, even if we exclude the trading-related costs and all, which can vary depending on trading revenue and if you look at the pure operational expenses, even they are at about Rs. 60.42 crore against Rs. 66.87 crore in the previous quarter, which is also a 9.64% reduction.
- With the reduction in expenses, despite the fall in revenue, **EBITDA** is up to 20% against 14% in the last quarter.
- **Other income** is at Rs. 3.16 crore against Rs. 2.03 crore in the previous quarter.
- There is a **foreign exchange loss** of Rs. 4.28 crore against a gain of Rs. 1.09 crore previous quarter. These are not any hedging losses because all our hedging positions overall are more or less positive today. These losses are due to translation of debtors and other current assets at Rs. 47.91, which is the June rate in comparison to a March rate of Rs. 50.74.
- **Withholding taxes** are lower, Rs. 9 lakhs against Rs. 1.09 crore previous quarter, with set off available. One question which comes up every time is total taxes including withholding taxes as a percentage of PBT. These are 13.40% of PBT. They were 18.50% of PBT in the last quarter, and 16.90% of PBT for the full year.

One of our units at the Noida campus has completed 10 years and from this financial year is a fully taxable unit. Another unit in the same campus continues to enjoy the

exemption, which is now available for two more years and the Chennai unit and the Pune unit also continue to enjoy the exemption.

- **Depreciation** is at Rs. 3.20 crore against Rs. 3.14 crore last quarter.
- **Profit after Tax (PAT)** is 10.13 crore, 12.60% of revenue against Rs. 9.60 crore, 11% of revenue, in the previous quarter.
- In terms of **hedged**, we have \$8.5 million at Rs. 49.29 of forward contracts, which are designated as highly probable forecast transactions and there is a mark-to-market gain of about Rs. 92 lakhs, which is not in the accounts, and is taken in the balance sheet as per accounting policies and would really happen when the forward mature. We have a \$ 2.2 million option, which is marked to market at Rs. 47.89 in the accounts. Therefore, total hedges are of \$10.7 million, and we are now covering close to our India receivables which are US \$ 12.5 million in terms of foreign currency receivables.
- As far as **receivables** are concerned, we are at about Rs. 74 crore against Rs. 80 crore previous quarter and the DSR remains the same as previous quarter at about 83 days.
- **Top five clients** have fallen to 62% against 66% last quarter.
- **The order book position** is Rs. 199.90 crore including Rs. 129.49 crore of products and Rs. 70.40 crore of projects and services. This was Rs. 320 crore last quarter, with Rs. 243 crore of products and Rs. 77 crore of services. There has been an adjustment in the order book to reflect the order cancellation notice referred to earlier by Vishnu.
- **Then, we will look at some details of our bank deposits.** We have balances with Scheduled Banks in India of Rs. 24.96 crore. We have balances outside India including in our subsidiaries and branches of Rs. 16.04 crore, and we have deposits with a variety of banks, Citibank, HDFC Bank, Canara Bank, DBS Bank, Punjab National Bank, ICICI Bank, State Bank of India, Corporation Bank and Bank of India of about Rs. 69.60 crore.
- The **liquid mutual fund position** as of June 30th is Rs. 26 crore against Rs. 16 crore in the last quarter.

Now, let me handover to Niraj for his comments and let him talk about the major events which have taken place.

Niraj:

Thank you Pramod.

We had one of the best quarters in terms of new product business. This quarter ending June, we have closed 11 product orders from across the world and it is worthwhile to mention that in July also we have closed 2. So, in all, we have 13 new orders in the first four months of this financial year in comparison to 27 received in the full last year. 7

new customers were added during the quarter, and total number of product modules for FinnOne and Cash@Will which were sold, were 38. At the same time, we have appointed 7 new partners with a lot of focus happening on Latin America, and partners have been appointed in Argentina, Mexico, Chile, Brazil, and Columbia. We have also formed new partnerships in Egypt and Indonesia. We have a lot of interesting prospects which have developed in Latin America. And we have seen a lot of upsurge in RFPs coming from customers for both the lines of business, cash management as well as on the FinnOne.

We continue to have a 100 strong pipeline from across the world. During the quarter, we hosted two events; one was an event in Philippines where we invited all our customers, existing and prospective, at a get together and a similar function was held in Dubai. We also had an office launch party of a new office, which we have opened in the World Trade Center in Amsterdam, which was attended by many prospective clients in Amsterdam. That is a quick summary of the sales and marketing performance. I will hand it over to R. P. Singh to give his comments.

R. P. Singh:

Thanks Niraj and good afternoon.

This quarter 18 product modules went live globally. This covers both FinnOne as well as Cash@Will implementation.

Both GMAC, China and UK implementations, which were under UAT the last time we spoke last quarter, went live this quarter. With this success, as Vishnu mentioned, the customers were delighted and are now considering expanding the scope of implementation in terms of region as well as products.

Vishnu also mentioned about the news on the partial cancellation of one of our projects. Now, that this has happened, we need to ensure it is not repeated. We are strengthening the process of learning in the operations, both from successes which have happened as well as events like these.

Work on most of the new orders bagged within the quarter, has started. We will be focusing on implementing learnings from all the other projects, into ensuring that we are able to get customer satisfaction as high as 9.78, as was mentioned by Vishnu and that too consistently.

We continue to focus on cutting down expenses and make the operations more productive by the end of the next quarter. Thank you and over to Prakash.

Prakash Pai:

Good afternoon everybody.

Our focus this quarter continued to remain on increasing the robustness of our products, thus reducing support issues at our customers' end and also support efforts put by Nucleus. Our FinnOne product continues to remain the leader in the lending market. The new release of our product is in the final rounds of testing, and we will be deploying at our client sites soon in the third quarter. This release will help our customers reduce

the cost of ownership. Our Cash@Will product is seeing new traction in the markets, on the back of successful implementation at existing customer locations. We plan to migrate our Cash@Will product to the Java J2EE platform in the coming quarters. I now handover to Dr. Asha for her comments.

Dr. Asha Goyal:

Thank you. Good afternoon everybody.

Nucleus has its focus on process compliance by covering all projects in audits and higher compliance is observed. Towards continual improvement, three process update releases have been made to continuously improve the processes, to align with organizational needs. New processes have been introduced to address business needs and for better project planning.

Training facilitated by new online CBTs course launch has started. The number of practitioners trained, has increased significantly.

Thank you.

Pramod:

Ravi Verma, our Head of HR, is not here today. So, we are asking Mahesh Agarwal, who is AVP in the HR function to speak on his behalf.

Mahesh Agarwal:

We are continuing with the cautious approach and have been managing all our requirements with the internal resource movements. Very selected hiring for special skills have been done in the last quarter. We have also been carrying forward our approach of using contract staff for short term ramp up requirements. Manpower numbers have therefore been reduced from 2078 to 2000 as most of the vacant positions due to employees leaving organization have been filled internally. Much more focus and emphasis has been given to the project reviews to improve the effort utilization and productivity of employees. Importance of on time, on schedule and on budget project implementation has been practiced at all Business Units.

Management reviews are being done to look at the effectiveness of new SBU structure and proactive measures are being taken to avoid delays. Annual appraisals for the employees have also been completed in the last quarter. The unique feature was potential value matrix for the employee was initiated as a new feature. Process compliance initiatives and enhancements to internal tool for project & productivity management were key achievements of this quarter.

More time of employees was utilized for Training and Development activities. Major focus was development and launch of additional internal CBT's for use by employees through learning management system. We continued to reduce external training programs and these were replaced with internally developed programs with in-house

faculty. Communication, English language, Team building and Knowledge sharing for project managers were key programs launched. This was a refreshing change for employees as these were developed keeping in mind the current need and were very well appreciated.

All the above initiatives are being practiced at all levels to make it a way of life at Nucleus. The attrition levels have been well under control and has no adverse impact on business.

Meenakshi:

Thank you, and now we would be open to the question and answer session.

We have Mr. Ruchit Mehta from HSBC.

Ruchit:

Sir with regard to order book, could you reiterate, what is your current order book versus what it was at the end of Q4?

Pramod:

We have announced earlier in the call that the order book position is now Rs. 199.9 crore including Rs. 129.49 crore of products and Rs. 70.40 crore of projects and services. Last quarter it was Rs. 320 crore, Rs. 243 crore of products and Rs. 77 crore of services.

Ruchit:

Sir, regarding the order cancellation, if you can just take us through what was the reason behind it and also the comments with regard to provisioning of any liability if required. Whether it was an issue from our end or it is just that the customer wanted to back out on the order. What exactly led into this incident?

Pramod:

We have already stated that, the customer has sent a notice for cancellation of part of our contract. A cancellation obviously arises when there are issues between both the parties as such, and it will not be fair on our part to comment on this. The customer has asked for further meetings in the coming months for reaching, an amicable settlement of the issues. As we have said earlier, as of now, we have not provided any liability either in the Japanese subsidiary or in the parent Company.

Ruchit:

What could the quantum of liability be, or is it too premature to talk about that?

Pramod:

As we have said earlier also, it is too premature to talk, because we appreciate that the customer has not made any announcement. We have as a part of our governance, and as it had happened just one day before the board meeting, informed the stock exchanges and the investors. But as the customer has not made any public statements, we would not like to comment anymore.

Ruchit:

In terms of the order pipeline, how do you see forward, because you have announced quite a bit of order wins right now. But in terms of substantial order outlook, what is the sense, and how do you see for the year as a whole?

Niraj:

As I said earlier, first of all in spite of the recessionary trend globally, especially with the kind of issues which are there in the banking area and also in the Middle East, which has been one of our good markets, we have now closed eleven orders in the first quarter, which is very substantial.

I also mentioned that we have 100 odd prospects, which are across the globe. In the last three months, we have seen an increase in the number of RFPs which is Request for Proposal, coming from customers across the world. Also, we took some new initiatives in Latin America as well as in Europe, and there customers are asking us to do complete detailed demonstrations and proof of concept. There are also some large proposals, which are submitted in different parts of the world. We are quite confident of being able to generate substantial business and to keep the momentum going in the months to come.

Probably quarter 1 is one of the highest quarters in terms of products that we have won, and in the last whole year we had won 27 product orders. But this time, in the first three months itself, we have picked up eleven and two in July. This makes it thirteen, which is almost, 50% of the entire last year. We will keep the same momentum as the first quarter.

Ruchit:

In terms of profitability, you have a very sharp upswing in your EBITDA margin in this quarter. How sustainable is this, and what is the kind of outlook that you have for margins going forward?

Pramod:

If you look at the expenses; we mentioned last quarter that we had incurred some additional cost in Japan on one of our projects, and we had taken fairly substantial charges in that quarter. They were one time charges, so they will not arise again. We are at the moment, still committed to a 10% reduction in expense, which is, an overall approximately Rs. 25 crore reduction in expense over the year, compared to the last year, and we think we are on target.

Sandhya:

Mr. Romil Singla from Arth Financial.

Romil:

Sir, we have a question regarding the, order cancellation. I just wanted to confirm from you whether, it was from the same customer last quarter that we had the problem of unanticipated kind of work and we had to deploy the additional resources?

Pramod:

We will not be able to comment on who the customer was, and it would not be in the interest of the Company to disclose the name.

Romil:

That is fine. Is it due to the quality issues or is it due to some other reasons?

Pramod:

We are in the middle of delicate negotiations and there are points raised by both sides and it will be too premature to talk about it.

Romil:

Regarding the new orders, that we have got during this quarter, what is the value of those orders and what is the quantum of those 11 orders in terms of million dollars?

Pramod:

We do not disclose exact values of orders, but they are within the range of our normal orders which we get, on an average every year.

Romil:

But the number of wins can vary, we have one order which is significantly high and the other one can be very low. That is why I wanted to know.

Pramod:

These are normal orders, basically for single country implementation. These are normal orders for us and not exceptionally large value orders.

Romil:

The last question is regarding, GMAC implementation that you spoke about. Now, we have gone live with China. How do we see it, going forward for the other markets?

Pramod:

The GMAC contract originally was till December 2008. It was a four-year contract which started in 2005 January. Now, after the contract is over, we have been able to continue the relationship and get into new countries. Niraj will tell you more about how different countries will happen and you are aware that GMAC has gone through reorganization, a change in ownership and it has got some funding from the US government. It is in any case going through a rough patch, but despite that they are willing to spend on our product.

Niraj

We have GMAC contract which was signed in 2004, and this was to implement, our FinnOne™ product across basically the international operations which consist of Asia-Pacific, Europe, and Latin America. We had implemented in China and before that we had earlier implemented in three other locations in Asia. Post that, we have gone live in Italy, Benelux and in UK, which have been very good implementations and we received a very high "Voice of Customer Rating". This has opened up a number of opportunities for us, and we are currently discussing with them about multiple country roll outs because the entire Europe needs to be implemented and Latin America also needs to start. So, while the original contract has, been completed as such, we have many, many more countries now to implement. That is implementation revenues which are expected, plus the annual support contracts which come from various implementations and also we are looking at other opportunities.

Mr. Sunil Jain from Nirmal Bang Securities

Sunil:

Out of this order cancellation which has happened, how much is the total amount you have excluded from the total order book?

Pramod:

We do not discuss individual orders and if you would have seen our track record over the past years, we have been talking to investors, but it is very rare that we talk of individual orders within the order book.

Sunil:

But the order book size has come down substantially?

Pramod:

That is correct.

Sunil:

That was a long-term order or something like that?

Pramod:

The order size was reasonable for it to affect the order book.

Sunil:

You have also said that the cancellation is a partial one. What does that mean, a substantial part got cancelled?

Pramod

I would still maintain that it is a partial cancellation, because it is not an ending of the full relationship. There would be certain projects which would continue and certain products which may not continue.

Sunil:

Similarly you must have done in the order book also?

Pramod:

That is correct.

Sunil:

Sir, there is a substantial reduction in the G&A this time. So, exactly what has come down, and how were you able to reduce that?

Pramod:

With regard to G&A, firstly, we had some provisioning in the last quarter, which does not happen every time. In the last quarter, we had Rs. 1.5 crore of doubtful debts and provisioning, which is just about Rs. 24 lakhs this quarter. That is one major item and then there was also a customer claim or a discount as we may call it. This was Rs. 50 lakh March end, also a one time item.

Mr. Krupal Maniar from ICICI Securities

Krupal:

In which month will you find the impact of this cancellation or in which quarter, we will find the impact of the same?

Pramod:

I would say that the impact of the cancellation notice which we have received is already reflected in this quarter.

Krupal:

It is already reflected totally, or some would be still coming in this quarter also?

Pramod:

We are being conservative and for items which were proposed to be cancelled, we have been very conservative about accruing any revenue.

Krupal :

This client seems to be contributing around like 15% to 20% in the topline. How do you plan to replace the same or grow the same, from here?

Pramod:

If you look at the last year performance, we did Rs. 328 crore and we are doing Rs. 80 crore already in this quarter and as Niraj has said the pipeline is looking good. With the decrease in the order book, it is evident that the growth which we were looking forward to, could be affected, but I think we would continue to be in reasonable shape.

Krupal :

In terms of margins, do you think these types of margins can sustain over a longer period of time?

Pramod:

For the product business, inherently, margins should be actually even more than this. They have gone down in the last year because of a few factors. One, we created capacity for revenue, which we were not able to achieve. So, our expenses went too high, and secondly, we were not fully prepared for dealing with the dollar at Rs. 40.

In this quarter, the margins have moved because firstly the effect of the foreign currency has come in without any major expense happening in the quarter, and we are better prepared now in terms of, managing capacity, managing exchange to ensure that, we remain profitable even if there are volatile movements.

Krupal:

Top five clients still contribute close to 62% of the revenues. Based on our interaction with them, do we find trouble going ahead, except the one which is obvious?

Pramod:

Krupal, obviously when you are talking of one being large enough and being affected by the cancellation. The other clients are reasonably satisfied with our performance till date.

Mr. Ankur Rudra from Nobel Group

Ankur:

One question on the pipeline and the orders you highlighted. The eleven new product orders won so far in the quarter and the two new since the end of the quarter, could you add a bit more color in terms of the kind of institutions and the geographical spread of the order and the strength of the order book?

Niraj:

We have won eleven orders in the first quarter. They have come from large banks, medium-sized banks as well as non-banking financial institutions which has typically been the area that we operate in. It is a combination of all the three, and also in terms of product, we have received two orders for cash management and nine for FinnOne™. One of the orders for the cash management comes from one of the largest banks in a particular South East Asian country, and similarly the second order has come from Middle East, which is from a very large bank. There are orders from India, Zambia, Nigeria and we have also received the first order from a CIS country from Kyrgyzstan. We will be making a formal announcement, it is a very large implementation for us.

Ankur:

Sir, the kind of institutions that you got orders from this time, is this sort of a marked change, or are you trying to address those geographical markets which you did not do in the past. Just trying to understand where the new sorts of orders are coming from?

Niraj:

We have got a couple of orders from Philippines, where we already have, about fourteen customers, it is not new for us. Zambia, in Africa is a new country for us. We have made partners in a number of countries and we already have implementations in Mauritius, Nigeria and we have to start implementation in Tanzania and in Kenya we had an implementation last time. We also got an order from Egypt, which is a new area for us as such. So, the new markets are like some parts of Africa where we have divided the African region into, North, West, South and East, and we have sales people and partners for all these four geographies and we have a lot of prospects there. Again, coming to the CIS, we have increased our sales and marketing activities there, because there is a lot of opportunity in banks there. They need to invest in technology and we are partnering there. With regard to Latin America, as I have said before, we have made five partners and we have many prospects in that market, and we feel that is a good market for us. Again, we are in the process of finalizing a couple of partners in Europe, and I think in this month itself we would be able to formalize partners in Spain and we will be able to, , formalize partners in some other parts of Europe as well.

The true testimony to all the activities that we are doing is the Forrester Report, which came out recently, on core banking and banking products solution. Nucleus has been mentioned in that report for the first time, and they have given a very encouraging picture of Nucleus as a Company to watch, with all the global implementations that we have across the world. They have given a very positive, report on Nucleus as one

Company which has got some very good, successful implementations. We are mentioned in that list along with all the global names that you can think of whether it is Misys, i-Flex or Oracle , Temenos , SAP, etc., we are all in that list there.

Ankur:

How often did you come across people like Misys or Temenos in the product orders that you have got in the last quarter or so? How often do you tend to compete with them as opposed to may be an i-Flex or may be a legacy system?

Niraj:

All these operators are strong in certain areas. For example, if I were to look at Europe, then, we do find Temenos, SAP as well as i-Flex or Oracle there. If we come to Middle East, then there are a couple of Indian vendors and one or two local vendors. If we come to South East Asia, again, there will be one or two Indian vendors. Temenos is not so strongly present there. But in some places Misys does come up, or SAP comes up. So, we have in different parts of the world both global companies as well as local companies.

Ankur:

I understand that. My question was more in terms of the trends. Do you see the likes of Misys and Temenos more interested in penetrating erstwhile under penetrated areas for them, that would be South East Asia and MENA regions more than you would see them may be 12 months back or 18 months back given that their core markets are under threat?

Niraj:

No, not exactly. No, we do not see that increase in penetration in our area or in these markets that they were not there. We certainly do not see them.

Ankur:

So, you do not see any new competition per se compared to say one or two years back?

Niraj:

Well, there could be local people as such, globally if I look at it, not exactly. We continue to, compete with these names that I have given to you. There are certain players, for example, in a very recent cash management RFP, it was in Europe, there were nine players, seven of them were European players but there were two Indian players also. And we have been short-listed in the last two there. Similarly, when we go to Middle East, then there we would face Misys definitely because they have a lot of implementation in the Middle East with their core banking products.

The moment we come to Africa, then Infosys and i-Flex become very important players, because between the two of them i-Flex and Infosys, they already have 90 sales and implementations in the entire African continent. We co-exist with them on the lending area. So, there is a huge opportunity, but we do see them and try to restrict the lending part from going away. The moment a bank needs to specialize, they come to Nucleus.

Mr. Nirav Dalal from Capital Market

Nirav:

I wanted your take on the project business, what do you see in that going forward?

Pramod:

Our project business has started picking up in the last two quarters. It is steady and has grown slightly in this quarter. There is no major addition of new customers. It comes from the existing customers. Therefore, it really depends on their appetite. It is a steady business for us and we expect it to remain more or less at, plus or minus 10% of existing levels.

Nirav:

Between the 30 to 40 range.

Pramod

Yes, Rs. 30 crore plus, something like that.

Nirav:

Could you talk something about the margins? You said that you will see a 10% reduction in cost. So, Rs. 25 to 26 crore, but if your revenues are down, what would be the impact on the margins, assuming, the revenues are down over the last year?

Pramod:

I have given you an estimate of expenses. You will have to calculate the revenue.

Meenakshi:

Thank you everyone for making this a wonderful call. Now, I would like to hand it over to Vishnu for his closing comments.

Vishnu:

I would like to take this opportunity to thank you all for the continued interest and support to Nucleus and would like to reassure you on behalf of my entire team that we would continue to deliver value to all our stakeholders. Thank you.