



Q4 & FY 09 Earnings Conference Call

April 27, 2009

Members of Nucleus Management

- | | |
|-----------------------|------------------------------------|
| - 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 |
| - Mr. Ravi Verma | President Human Resource |
| - Dr. Asha Goyal | Vice President and Head of Quality |

Conference Call Participants

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|---------------------|---------------------------|
| - Mr. Ankur Arora | ING Investment Management |
| - Mr. Jasdeep Walia | Kotak Securities |
| - Ms. Grishma Shah | Tower Capital |
| - Ms. Shradha Verma | Wizarth Advisors |
| - Mr. Krupal Maniar | ICICI Securities Ltd. |

NUCLEUS SOFTWARE EXPORTS LIMITED

Gaurav:

Good evening ladies and gentleman. Welcome to the Nucleus Software Exports Limited 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. I would now like to hand over to floor to Ms. Meenakshi Sharma. Thank you and over to you ma'am.

Meenakshi:

Thank you Gaurav. Good afternoon ladies and gentlemen. I am Meenakshi Sharma, the Assistant Company Secretary. We welcome you all to the Investor Conference Call of Nucleus Software to discuss the financial results for the quarter and year ended March 31st, 2009. We have with us today Mr. Vishnu R. Dusad, our Managing Director and CEO, Mr. R. P. Singh, President - Delivery; Mr. Pramod. K. Sanghi, President Finance and the Chief Financial Officer; Mr. Prakash Pai, President Product Management; Mr. Niraj Vedwa, President Sales and Marketing; Mr. Ravi Verma, President Human Resource; and Dr. Asha Goyal, Vice President - Quality. First we will commence with the brief comments on the performance of our Company from the Managing Director, and after that we will be open for the question and answer session. I now hand over to Mr. Vishnu R. Dusad, Managing Director and CEO of Nucleus, for his brief comments.

Vishnu R. Dusad:

Thank you Meenakshi and good afternoon ladies and gentlemen. Thank you very much for joining this call. We are pleased to announce the growth in revenue for the year given the difficult economic scenario. Operating margins have been under pressure during the year due to under utilization of infrastructure and manpower and additional expenses on certain large projects. We have taken steps to rationalize our cost structure going forward. We are looking at reducing the expenses by 10% by various measures like reducing expenditure on energy usage, travel, and realignment of onsite-offshore personnel ratio.

It gives me immense pleasure to announce that:

- The Company's flagship product **FinnOne™** has been recognized as **the number one bestselling Retail Lending Software by IBS Publishing** for the year 2008.

- Annual Report and Accounts of the Company for the year ended March 31, 2008, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI). We were awarded the **Gold Shield in the category**.
- For the third successive year in 2008, the Company has been selected as one of the top 25 companies **adopting 'Good corporate governance practices'**, by The Institute of Companies Secretaries.
- The Company has been listed amongst the **top '15 most exciting emerging IT/BPO companies to work for'** by Nasscom.
- The Company has been recognized under "**Best Practices" for Performance Management System** by NASSCOM, 2008

I will now deal with numbers, first the quarterly figures.

- **Our consolidated revenue from software products and services** for the quarter has increased by 10% to Rs. 85.81 crore against Rs. 78.06 crore for the corresponding quarter of the previous year.
- **Revenue from the product business** for the quarter is at Rs. 54.90 crore, 64% of the total revenue against Rs. 52.34 crore which was 67% of the total revenue for the corresponding quarter of the previous year.
- **Product revenue from own business**, that is, product developed by Nucleus for the quarter is Rs. 50.98 crore, which is 59% of the total revenue against Rs. 51.45 crore which was 66% of revenue for the corresponding quarter of the previous year.
- **Projects and services business revenue** for the quarter is Rs. 30.91 crore, 36% of the revenue against Rs. 25.72 crore which was 36% of the revenue for the corresponding quarter of the previous year.
- **EBITDA** for the quarter is Rs. 11.81 crore against Rs. 20.89 crore for the corresponding quarter of the previous year.
- **Net profit** for the quarter is Rs. 9.60 crore against Rs. 16.02 crore for the corresponding quarter of the previous year.
- **EPS** is at Rs. 2.97 for the quarter against Rs. 4.95 for the corresponding quarter of the previous year.

- **For the year consolidated revenue from products and services** has increased by 14% to Rs. 328.40 crore against Rs. 288.72 crore for the previous year.
- **Product revenue** for the year is Rs. 219.96 crore, which is 67% of the total revenue against Rs. 197.41 crore which was 69% of the revenue for the previous year.
- **Product revenue from own business** for the year ended at Rs. 200.72 crore is 61% of the total revenue against Rs. 184.58 crore which was 64% of the revenue for the previous year.
- **Projects and services business** revenue for the year is at Rs. 108.44 crore, 33% of the revenue against Rs. 91.31 crore, 32% of the revenue for the previous year.
- **Total expense** for the year has increased by 29.49% against the previous year.
- **EBITDA** for the year is Rs. 49.61 crore against Rs. 73.42 crore for the previous year.
- **Net profit** for the year is Rs. 32.26 crore against Rs. 61.74 crore for the previous year.
- **EPS** for the year is Rs. 9.97 against Rs. 19.08 for the previous year.
- Under **treasury operations**, we have reduced our hedging coverage due to volatility in currency rates. Our coverage is USD 9.15 million against USD 30 million as in March 2008.
- Our cash **and equivalents** have grown from Rs. 94.13 crore in financial year 2008 to Rs. 122.18 crore in financial year 2009.
- In terms of **manpower**, our total numbers have grown from 1936 to 2078 as on March 31, 2009.

The way we look at the coming year is that we are going to watch this very, very closely. The global scenario looks as if it is going to turn around in this quarter or coming couple of quarters. But our feeling is that after this big turn around, it will once again go down. So, we are watching this very, very closely and feel that we should be very cautious with our investments as well as our expenses. With that, I would now like to handover to my colleague Pramod, our CFO, for his comments. Thank you.

Pramod:

Good afternoon everybody. This is Pramod Sanghi and welcome to the conference call. We will first talk of some quarter-on-quarter numbers and then some yearly numbers.

- **On a sequential basis, revenues** are at Rs. 85.81 crore and have gone up marginally by about 2% from Rs. 84.24 crore.
- **Total product revenue** is marginally lower in the quarter at Rs. 54.90 crore against Rs. 55.70 crore last quarter.
- **Traded revenue from products** included in this product revenue is about Rs. 3.92 crore against Rs. 3.05 crore last quarter.
- **Revenue from projects and services** has actually gone up significantly due to the two large projects that we won recently from an existing customer. They have come on stream, and the projects and services revenue has actually moved up to Rs. 30.91 crore, which is an 8.3% increase from Rs. 28.5 crore in the last quarter.
- The concern area for us is the **cost of delivery** which has increased to about 69.48% of revenue against 64% of revenue last quarter. For the year also, we have closed at about 67.8% against 60.4% last year. The increase in this quarter is not due to addition in manpower, but due to software development work contracted out in Japan to third-party vendors for completion, in one of our major projects and the cost incurred thereon. Increase for the year of course has a large component of under utilization of resources and therefore a higher manpower cost in relation to the revenue.
- **Marketing expenses** are at about 7.83% of revenue this quarter, very similar to 7.85 % of revenue last quarter. For the year, we are at 8.46% of revenue against 7.30% of revenue for the previous year. We are not looking at reducing any marketing spends even in difficult times.
- **The general and administration expenses** are at about 9% of revenue in this quarter against 9.79% in the last quarter. There is a substantial increase in these expenses for the year at 8.66% of revenue against 6.87% last year. There is a large component in this, of about Rs. 4 crore of provisioning we have taken in the year against a very small figure last year.
- **Total expenses** in the quarter are at about Rs. 74 crore, 7.23% higher than the last quarter. With higher expenses, the **EBITDA** has declined to 13.76% this quarter against 18.06% in the last quarter. This as I

mentioned earlier is due to the higher cost of delivery by almost 5 percentage points.

- **Other income** is at Rs. 2.03 crore, we were at Rs. 3.87 crore last quarter.
- **The foreign exchange gain** is of Rs. 1.09 crore against foreign exchange losses of Rs. 1.07 crore in the last quarter.
- **Withholding taxes** are lower, Rs. 1.09 crore against Rs. 2.47 crore in the previous quarter.
- As far as **current taxes** are concerned after the MAT set off, they are at Rs. 1.05 crore against Rs. 2.15 crore last quarter again.
- **Total taxes including withholding** are Rs. 2.18 crore against Rs. 4.26 crore last quarter; this is about 2.54% of revenue against 5.06% of revenue for the last quarter. The same is 3% of the revenue for the total year, in terms of yearly numbers.
- **Depreciation**, we are running more or less same at about Rs. 3.14 crore.
- With decline in operating margin, **PAT** is still at about Rs. 9.6 crore, 11% of revenue. We were at about 12.5% of revenue in the last quarter.
- **In terms of foreign currency exposure**, we have USD 5.75 million dollars of forward contracts which are designated as highly probable forecast transactions, and there is a mark-to-market loss of about Rs. 1.23 crore which is taken to hedging reserve in the balance sheet.
- **Our total hedge is USD 9.15 million** and this is a substantial reduction from what we had earlier, almost a year back. We have consistently reduced our hedging and we have not been entering into too many new contracts. This strategy has of course been favorable with the rupee constantly depreciating in the last four quarters against the dollar. Now we have to watch with care because the trend could reverse.
- With regard to **receivables**, we are running now at Rs. 80 crore against Rs. 84 crore last quarter and the **DSR** is down to 84 days against 92. We did promise that we would try to bring it down to the earlier period of about 70 days, but we are still working at it. The good news is that we have collected about Rs. 110 crore in the quarter and as a consequence our **cash which is largely into fixed deposits and some part in liquid mutual funds** has gone up to Rs. 122 crore. We were at Rs. 104 crore as of the last quarter, at Rs. 94 crore at the last year end.
- **Top 5 clients** running at about 66%.

- **The order book position** is Rs. 320 crore including Rs. 243 crore of products business and Rs. 77 crore of projects and services business, against Rs. 359 crore last quarter with Rs. 283 crore of products and Rs. 76 crore of services.

Like, we said last time some **details of our bank deposits**:

- We have balances with scheduled banks in India of about Rs. 12.8 crore,
- We have balances outside India including our subsidiaries of about Rs. 17.07 crore.
- We have fixed deposits with Citibank, HDFC Bank, Canara Bank, DBS Bank, Punjab National Bank, ICICI Bank, State Bank of India, Corporation Bank and Bank of India totaling to about Rs. 73.28 crore.

There is a reasonable rate of return on these deposits at the moment. When they come up for renewal, of course the rates would go down. We have mutual funds of Rs. 16 crore. You will remember that we had exited from the liquid funds in October 2008, but as the market has stabilized and the returns in certain funds which are available on a short term basis are much better than the bank returns, so we are parking in the liquid funds with very low total maturity period. As such the average maturity period is 60 to 90 days of maturity for the entire fund.

With this I now handover to R. P Singh for his comments.

R. P. Singh:

Good afternoon everyone. This quarter, we will provide an extra sharp focus to reduction of cost which is what Vishnu has shared. We will review our onsite engagements very closely with intent to bringing down the work offshore. Onsite expenses being the larger component, we will minimize the onsite component to bare minimum and do as many things as possible from our India operations and locations. We are expecting this move to reduce the cost down by around 3% to 4%, through reduction of wastages in addition to movement of resources offshore. We will be able to reduce another 3%, thus being in a position to release the resources we had hired on contract basis. We are confident that these measures will help us get back to a healthy profit. Over to Prakash.

Prakash Pai:

Good afternoon everybody. This quarter, our focus is on increasing the robustness of our product and proactively sending updates to our customers. This will ensure that our customer encounters reduced support issues and our support cost will also go down substantially. We will also ensure that our new modules launched last quarter are implemented at as many customer locations

as possible or as many existing customer locations as possible. With this I now hand over to Niraj.

Pramod:

Niraj and Ravi are both actually in Korea and they will be joining us from there, Niraj, would you like to start?

Niraj Vedwa:

Yes, thank you Prakash. I will just cover the sales part. I would like to say that 2009 was another good year for us in terms of product business because first of all our FinnOne™ product as Vishnu has said has been ranked as the Number One Selling Lending product once again and this is the fourth consecutive year that FinnOne™ has been ranked in the top two.

In FY 09, we won a record 29 new orders globally, including prominent names across geographies, a substantial achievement especially considering the global meltdown that started in September. Despite the extremely uncertain economic scenario worldwide, we added 20 new clients globally and won orders for 96 new product modules for FinnOne™ and Cash@Will™ suite. We also picked up some very large orders from our existing relationships for services business.

Our prospect pipeline still looks healthy; we are pursuing about 100 odd prospects from across the world for product business. These prospects are from Japan, Southeast Asia, Middle East, India, and Africa. We have some new prospects from European region also. We have signed five new partners in Latin America, Argentina, Brazil, Chile, Columbia, and Mexico and we have already started receiving many enquires and RFPs from these areas.

We have also been participating in various banking events just to add to our brand and visibility. We look forward to a good year, especially as the market rebounds back, we are well positioned, to get benefits from our product business. I hand this over now to Ravi Verma.

Ravi Verma:

Good afternoon everybody. R P mentioned about ramp down on resources which are on-site and who move them to offshore. Judicious approach in our hiring decision was carried on from the last quarter to this quarter as well. Re-alignment of resources and internal movements dominated the quarter. Short term ramp-up requirements of projects were fulfilled by hiring temporary contract staff that has become a policy decision for us. In quarter four, manpower numbers have therefore been marginally increased from 2042 to 2078, basically to meet the additional business needs. Lean and Kaizen initiatives in previous quarters were continued with more focus and have started yielding results by

bringing in improvement in productivity. Optimum utilization of distinct manpower by relocation of the resources to various development centers within and outside India, internal transfer in business units and skill up gradation, technology up gradation, multiskilling programmes were strengthened and is a way of life in Nucleus now.

Process compliance initiative and development of internal tools for project and productivity management were key achievements of this quarter. Employee performance improvement plan initiative was formalized by publishing a process document. In addition, enhancement to internally develop tools for employee performance subsequently has also been done. This is basically to bring in more objectivity to assessment. The incentive plan of employees was restructured to bring in more emphasis to team achievement culture, aligned to organization goal. Organization restructuring was done and business units were regrouped to bring in more management focus and to review at the grass-root level. Resource utilization and productivity increase were key objectives practiced across business units.

Training and Development initiative of SOUL (Self driven, On the job, Unique Learning) program were further developed by launch of internal CBT's programs for use by employees through learning management system. External training program were reduced considerably and internal soft skills and team building programs were developed and implemented successfully. These being developed internally, were aligned to our needs and were very successful. All the above initiatives are being practiced at all levels to make it a way of life at Nucleus. Attrition levels have been well under control.

Now I had it over to Dr. Asha.

Dr. Asha:

Thank you Ravi. Good Afternoon everybody Nucleus has its focus on process compliance and audits are showing an increasing trend for the same. Towards continual improvement, a number of project management related process enhancements have been made and are being rolled out in new PMP tool. CMMI related audits have been taking place and level three related process gaps have been addressed in the process enhancements. Thank you.

Meenakshi :

Thank you Dr. Asha. Over to you Gaurav for the question and answer session.

Gaurav:

First in line, we have Ms. Shraddha Verma from Wizarth, you can go ahead ma'am.

Shraddha:

I wanted to ask one question regarding the cash and cash equivalent reserves. We have close to Rs. 122 crore of cash reserve, so what proportion of this cash would be available for acquisitions in future?

Pramod:

We do not earmark any fund for acquisition. Of course these funds are meant for expansion of the Company and if there are any opportunities in the acquisition space, we would look at it whenever it comes up. There is no specific earmarking of the fund for acquisition.

Shraddha:

Is the Company looking for some specific kind of acquisition in a specific domain or specific sector?

Vishnu:

Ma'am, as of now we are not actively looking for any acquisitions. However, if there are any opportunities in future which come our way, then we will consider them proactively.

Shraddha:

Thank you so much.

Moderator:

Next in line we have Ms. Grishma Shah from Tower Capital, you can go ahead.

Grishma:

Good afternoon everybody, I have few questions. Mr. Sanghi mentioned about provisions, I wanted some clarity on that. Sir you mentioned provisions, I missed that entire explanation, so have you taken some provision on behalf of a client or is it just a normal routine expense?

Pramod:

If we look in the results, over the full year, bad debts written off are about Rs. 39 lakhs and provisioning is about Rs. 4.92 crore. The total bad debt and provisioning is about Rs. 5.3 crore and last year this figure was about Rs. 1.34 crore.

Grishma:

Okay, that has gone up?

Pramod:

Yes.

Grishma:

If I look at the segment reporting for the standalone numbers, we see a negative figure in the segment before tax and interest for Far East, why is that so.

Pramod:

It is a marginal negative number at that level, because as I mentioned earlier in the call, we have incurred additional expenses, as we had to outsource some software work in Japan for our ACOM project. And we had incurred certain costs, which were quite substantial, which increased cost of delivery as well as increased cost in the Japan segment.

Grishma:

We have also mentioned that we are closing our two wholly owned subsidiaries, in Australia and in Hong Kong. So what is this directing to, is the Singapore subsidiary going to become hub for the Australian and the Hong Kong area or what is it?

Pramod:

Grishma, if you look at our balance sheet in detail, you will probably find that our Hong Kong subsidiary has really been incurring administrative expenses for the last 5 to 6 years without any operations. So the Board considered it correct to close that subsidiary and we have additional compliances as well as certain administrative expenditure on audits and bank accounts and so on.

Similarly with the Australian subsidiary, though we had a person based in Australia, but now almost 2-1/2 years have passed and we do not have a person

based in Australia. There again we incur administrative expense and there are compliances to be met and it was considered correct to close the subsidiary.

In any case the business in both these areas would be handled by our Singapore subsidiary. Even today, we have a customer in Hong Kong, where the order was booked by our Singapore subsidiary and it was executed also by them. There would be no change in business, this is only a move to reduce the number of subsidiaries, reducing compliances which are difficult when we do not have anybody stationed there and eliminating some small cost.

Grishma:

How much savings would it be, roughly Rs. 2 to Rs. 3 crore a year?

Pramod:

We do not spend that kind of money.

Grishma:

Lastly on the order book side, you have seen the product order book slowing down sequentially. What are the efforts on our side, to at least bring it to a decent enough rate of say 10% or a 5% to 10% kind of sequential growth?

Pramod:

You are right, that the product order book sequentially has gone down, and we have revenues flowing in from a very large project, then it is not so easy to replace it. If you look at it as of March 31, 2008, we were at Rs. 276 crore product revenue carried forward and today we are at Rs. 243 crore. So it has fallen by Rs. 33 crore. In the absence of orders of that big a size, the order book does remain low.

Grishma:

My second query is what is the significance of these partners in Brazil, Russia, and Argentina. Will they help you get clients?

Niraj:

I will try and answer both those questions. As I mentioned earlier, we had about 100 odd prospects, we have been following up. From September onwards, when the slow down began, the crisis started happening, the global scenario on product business went a little slow. We are seeing, as Vishnu has also said that there is little bit of a recovery and we are now seeing that deals are happening, which is very encouraging. We continue to have about close to 100 odd

prospects which are product prospects, there we have given demonstrations and we have submitted our commercial proposals also. This has been happening for over the last 6 to 7 months and we do see some business to start happening, that is the first part to get the business. What we are also doing in different parts of the world is that we are going through a very aggressive strategy. One is through partners and what we thought of is that Latin America is the market which we have not tapped before. So we went ahead and we appointed partners whom we have trained in our product and now they are the ones who are basically giving demonstrations and introducing Nucleus to various banks and financial institutions in those five regions I mentioned. We have started getting RFPs, which is basically Request For Proposal from customers for which we have already bid and demonstrations have already started happening.

Grishma:

Thanks a lot and good luck.

Gaurav:

Next in line we have Mr. Jasdeep Walia from Kotak Securities.

Jasdeep:

Good afternoon sir.

Vishnu:

Good afternoon.

Jasdeep:

Sir, I wanted to find out why was this software development outsourced to some Company in Japan, what kind of software was it? Also recently I-Flex has been very active in your market after its acquisition of Daybreak, how do you view that competition?

R. P. Singh:

This is actually a gateway to one of those local payment systems that they have in Japan. So the expertise is very specific to Japan so we thought it wise to engage with a local expert who had already projects related to this gateway. That is the specific reason for getting into an engagement with them.

Niraj:

I will not agree with second question or rather I will not make any statement on whether I-Flex has become more active or not active. I do not think we are seeing much change in the way I-Flex has been there. I would not like to comment about them, but of course we face all kinds of competition including I-Flex and we win, we lose some of course that is part of the game. But we try and win as much as possible and the reason why we are winning four years in a row, we are number one, is that we have a good product, we have a good backup, we deliver value to the customer and we have good sales force so, that will continue and we will, definitely win in the market.

Jasdeep:

That's all from my side.

Gaurav:

Next in line we have Mr. Krupal from ICICI Securities.

Krupal:

This is Krupal Maniar from ICICI Securities. Sir, when we are saying that we are planning to reduce the cost by around 10%, are we saying that even the revenues would fall or would remain static?

Pramod:

Krupal, the idea is, when we look at revenue, we are saying that we would like to maintain current revenue and reduce cost by 10% and we would also like to increase revenue at the same time. But when we talk of only cost separately, and then it means that we would like to retain current levels of revenue and reduce cost.

Krupal:

When we say 10%, it is like a huge quantum, so we are running a cost base of like Rs. 260, Rs. 270 crore, so are we talking of saving of close of Rs. 25 to Rs. 26 crore for this year.

Pramod:

That is correct.

Krupal:

What are the steps we are taking actively?

Pramod:

Let me give you an example, to put that in perspective. When we send people onsite to Japan, my cost is something like USD 3,000 a month minimum, in addition to their salaries and so on. If I reduce that number by 50 people, it is currently 100 plus, so I save USD 150,000 a month, which is USD 1.8 million dollars a year, which is equal to Rs. 9 crore. It looks very big, but if you look at it correctly, it is not very big, it is very easy to do.

Krupal:

Sir, are we planning to reduce the number of employees.

Pramod:

No, we have made a statement today that apart from contractual staff, when their contract expires with us specific to projects, we are not looking at any reduction in manpower.

Krupal:

Is there any wage hike for the next year?

Vishnu:

We are looking at the indications from the market. Based on whatever we have learnt so far, there is no wage hike that is visualized.

Krupal:

Any wage cuts for this year, alternatively.

Vishnu:

We are looking at all the options to bring down the cost by 10% and it may include anything.

Krupal:

Sir, like we have not been to get any large orders, it is now almost 2 years now, so what is the scene over there.

Niraj:

We are following up, there are cases which do exist, we have been following up and we are making a very strong attempt to win some deals. Even in spite of the fact that the markets are really down, especially in the financial sector, but our efforts are there, and we are still hopeful of winning some deals.

Krupal:

I believe one of your large client implementation would get over by this year, by December 2009, is it correct?

Pramod:

As of today it is correct that one of the larger product orders would finish, is currently scheduled to get over in December 2009.

Krupal:

Any plan how we are going to replace those revenues going ahead.

Niraj:

The only way to replace the revenue is to get either one or two large orders of replaceable value or get multiple orders. We are doing both, we are trying to get both. There are prospects in the market, as the markets open up, we are pushing, we are coming out with a lot of innovative pricing mechanism. We are increasing our sales efforts, both on the larger deals as well as on the smaller ones. So our attempt is to win as many deals in the market and I am sure we will be able to do something well in time.

Pramod:

Niraj, perhaps you can add something on Europe also.

Niraj:

As I have said that we are doing three or four things, I mean the large business and there are prospects that we are following up in Japan and also I mentioned a little earlier about Latin America , so that is another area which we were not focusing before. And the next one is Europe, where we have over the last one a half years put in lot of sales people. There are four sales people in Europe and we have also made some partners and there are some good results coming out of that. Today we are in a position where we have bid for certain RFPs, we are talking to customers, we are making presentations, so it is in a much better

situation. And I am sure that whatever investment that we have done, we will start delivering results in the near future.

Krupal:

Thanks.

Gaurav:

Next in line we have Mr. Ankur Arora from ING Investment.

Ankur:

A quick question on the client concentration side, can you just share the data?

Pramod:

The top five client concentration for this year is 69% and for the quarter is 66%. For the last year it was 68%, it is really not changing very much.

Ankur:

Just if you can help me understand it better, can you break up your revenue between new implementation and license and AMC etc. I just wanted to get a feel of what is the revenue which is going to be ongoing even if new orders do not really flow in.

Pramod:

There are two parts of the business, one of course is the product business and one is the services business. The services business is running at say 30% plus. The services business, all of it is currently repeat business. It is largely from two very large clients, one in Japan and one in Singapore. For all practical purposes, unless something goes wrong, we would assume those revenues to continue at similar levels.

That leaves about 70% of the revenues on the product area. Now, in that of course there are certain large projects being executed which would continue. Like in the previous question I answered that there is a project which will go on till December 2009 and so on. Then of course the maintenance business, between Rs. 25 to Rs.30 crore per annum which is there. With GMAC and so on, where the contract got over in number 2008, after four years, but we continue to work with them on new country implementation. We are doing UK and we hope to do another country after that. GMAC have their own issues, being an American Company.

Ankur:

A quick question on client consideration once again, with your top five clients contributing 66% of the revenue right now, are you facing any problem? How are their financial conditions, and are they undergoing any big risk of their being in this current times? What is your outlook on those big clients, because actually it is too much of consideration which essentially plays a part.

Pramod:

Let me give you an example of one or two clients which are known to be our clients and their position. If you look at Shinsei Bank in Japan, where we do a very large business for the last 8 to 9 years. We will find that though they had profitability last year, they have not declared the final results, it is likely to be either very low and they have revised their estimate three times and they have taken some hit with Lehman and so on. But at the same time, six months ago they acquired the entire portfolio of GE in Japan; they paid about USD 5 billion. These banks are so large that unlike in India, if a bank made a loss it would have a serious problem; these banks do have a capacity to go forward. And they are engaging and they are actually combining retail assets and consolidation. In fact two days ago there was a news, which was first in Reuters and then everywhere that Shinsei Bank and Aozora Bank are looking at a merger. Those opportunities keep on expanding.

The second client of course which is very large for us in Singapore is Citibank and we were also quite concerned when Citibank went through its own problems. If you remember, the share price went to \$1 and today we find that we have actually increased business from them and we have picked up some large projects in the last six months which are being done from offshore. Last quarter they seemed to have reported better numbers, at least they have not reported losses, if you look it at that way, it is better than a 10 billion loss number.

To add to it, we are dealing with banks and financial institutions and we have GMAC which also accounts for a percentage of our turnover and it became a bank holding Company in December.

Ankur:

One last question, what is the size of the order which is getting over in December?

Pramod:

ACOM order was publicly declared by us of Rs. 150 crore. It started really in March 2007 and would finish by December 2009.

Ankur:

Alright, thank you, thank you very much.

Meenakshi:

Thank you Gaurav and thank you everybody for joining us in this 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 very much for your continued interest and support in Nucleus Software. We would like to promise that Nucleus Software is a long term proposition and we will continue to focus on delivering value to our customers, maintaining that focus. Thank you very much.