VANTAGE PLUS
REPORT

NUCLEUS SOFTWARE EXPORTS LIMITED

D&B D-U-N-S® Number: 65-019-5324

Methodology

Financial information from the audited annual reports of Nucleus Software Exports Limited (hereinafter also referred to as "the Company") was studied and analyzed for a three-year period from FY (Financial Year) 2019 to 2023. Also, information was also collated from public sources.

Scope of the Report

- History and legal background
- Existing operations
- Industry overview
- Management background
- Macroeconomics summary
- Financial statements and analysis
- Banker

Information Sources

Information given in this report is compiled on the basis of information obtained from the following sources:

- Annual reports
- Information from the website
- Corporate communiqué
- Banker letter

Date of the Report: 22nd December 2023

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EXECUTIVE SUMMARY

Revenue INR 5,847 million

1,782 Employees

Presence in 50+ countries

Mr. Parag Bhise Chief Executive Officer & Executive Director

FY 2023

Brief Overview

Business Overview	
Line of Business: The Company is engaged in software product development and providing support services dedicated solely for corporate business entities in the banking and financial services sector.	
Revenue	5,847
Tangible Networth	5,851
Operating Profit Margin	23.89%
Net Profit Margin	22.28%

Note: INR in million

Company Details	
Incorporation Date	9th January 1989
Industry	Information Technology
Key Executive	Mr. Parag Bhise
Website	www.nucleussoftware.com
Address	A-39, Sector-62, Noida – 201 307, Uttar Pradesh, India
Contact Details	Tel: 91 - 120 – 4031 400
Employees	1,782
Email ID	sales@nucleussoftware.com marketing@nucleussoftware.com nsl@nucleussoftware.com poonam@nucleussoftware.com investorrelations@nucleussoftware.com
D&B Rating	5A2 and 'Good'

Key Customer Testimonials

"Bank of Sydney successfully leveraged the FinnOne Neo® CAS product to automate and streamline our manual credit processes with an end-to-end workflow. This led to quicker turnaround times and an enhanced, seamless customer experience. The outcome was immensely valuable for our customers and also team. FinnOne Neo CAS® significantly improved the customer experience by providing transparency into every stage of the lending lifecycle. Customers were now notified at each step of the workflow, enhancing their engagement. Furthermore, the solution elevated our team's experience by offering transparent and customized reporting capabilities. Our experience collaborating with Nucleus Software was positive, particularly given it was during the challenging Covid period. The Team showed unwavering commitment and support throughout the project which was greatly appreciated."

-Diana Sitnikoski
Chief Credit Operations, Bank of Sydney

"Our digital journey in lending services was a necessary evolution. Nucleus Software's Cloud Digital Lending platform seamlessly aligns with our business requirements, empowering our workforce to expand our outreach and deliver the necessary customer experience. Their FinnOne Neo® platform, with its out-of-the-box integrations, facilitated interfaces with our ERP and other business applications including mobility solutions; we now offer a readymade solution that guides customers through their entire loan life cycle. This not only reduces turnaround times (TAT) but also fuels our growth, bringing us closer to our vision of providing affordable housing finance to underserved low-income households, with a special focus on women members. Our collaboration with the Nucleus Software team has been fruitful. They provided the necessary uptime support and consistently demonstrated proactive optimization of processes, keeping automation in focus while upholding commitments to all our stakeholders."

-Rajesh Soni
CTO, SEWA Grih Rin Limited

"Mr. Gaurav Sharma, Chief Technology Officer, L&T Financial Services India, shares his experience of gaining an edge in the Corporate Lending business with the power of technology from Nucleus Software."

-Mr. Gaurav Sharma
Chief Technology Officer, L&T Financial Services India

"EastWest, more formally known as East West Banking Corporation, is the eleventh largest bank in the Philippines in terms of asset size. One of the main reasons for EastWest's steady growth has been the emphasis on a robust IT framework. "Nucleus Software's FinnOne® has been the IT backbone for the Bank's lending business due to its high configurability and scalability. We are very happy with the lending platform and the amazing customer connect that is offered by the company. Our relationship with Nucleus reflects a unique partnership of two value-based cultures that share a focus on end-customer enablement, and we look forward to continuing this long-term engagement with the company."

-Mr. Rick M. Pusag
Chief Information Officer, EastWest Bank, Philippines

"Mr. Ngo Quang Trung, CEO, Viet Capital Bank shares his experiences of successful digital transformation in retail and corporate lending business with Nucleus software's market leading digital lending platform FinnOne Neo®. He explains how FinnOne Neo® enabled paper-less operations, offered faster processing and automated lending operations."

-Mr. Ngo Quang Trung
CEO, Viet Capital Bank

"As a SME-focused bank, BRAC Bank always strives to cater to the evolving needs of the grassroots SME business owners. Aligned with the mission, with our new Supply Chain Finance solution developed by Nucleus Software, we will be able to help businesses keep pace with competitive and fast-changing business landscape through seamless and faster financing support. The solution will fast track financing with digital tools, immensely benefiting the SMEs. At BRAC Bank, the solution will ensure faster service delivery and enhance efficiency and productivity and expand outreach. We will continue to adopt best-in-class technology to serve our customers better."

-Mr. Selim R. F. Hussain
Managing Director & CEO of BRAC Bank, Bangladesh

"Nucleus Software's technology enabled us to do all essential services in a single platform and has powered our lending and core banking over the years. In addition to Nucleus' rich platform capabilities across the loan lifecycle, Bank of Florida has benefitted from a highly skilled support team that has helped us successfully complete our business transformation initiatives. As a part of our drive to get future ready, we have decided to move to FinnOne Neo®, the advanced digital lending platform from Nucleus. The entire lending platform along with our core banking modules will be deployed in cloud to bring in enhanced business agility and higher cost efficiencies. Our relationship with Nucleus reflects a unique values-based culture with focus on end-customer enablement and we look forward to this engagement with Nucleus."

-Ms. Teresa David-Carlos
President and CEO, Bank of Florida

"Mirae Asset Finance Company Limited, Vietnam is a member of one of the most successful global financial conglomerates, Mirae Asset, Korea. We are widely recognized as a fast growing and the most innovative player in the Consumer Finance Segment in Vietnam. One of the main reasons for our growth has been our emphasis on creating a robust IT framework. Nucleus Software's FinnOne® has been our IT backbone for lending business and we are very happy with not just the solution that it provides but also the amazing customer connect that is offered by the company, wherein most of our issues are addressed in almost real time. With FinnOne®, we have been able to launch new products faster, create an easier customer onboarding process, reduce customer turnaround time as well as create customized business reports on customers and products."

-Mr. Goo Ho Kim
IT Director, Mirae Asset Finance Company Limited, Vietnam

"At FirstBank, we are committed to always put customers, partners and stakeholders at the heart of our business while delivering excellence in financial solutions across the world. FirstBank, a pioneer in promoting the digital economy in Africa relies on advanced and innovative technology solutions to power its business objectives. Nucleus Software's lending technology platform has driven our retail lending business over the last 15 years and supported our sustained digital business growth. The deep understanding of lending domain and technology displayed by Nucleus' team has ensured the successful delivery of transformation initiatives over the years. We believe that Nucleus' technology will continue to help us remain ahead with superior digital customer experiences, robust risk management and high level of efficiencies."

-Mr. Olusegun Alebiosu
Group Executive, Chief Risk Officer, First Bank of Nigeria

"Over the years, customer aspirations have changed exponentially and every single time they have changed, Nucleus has responded with agility, speed, and comprehensiveness. Nucleus has empowered us to do better and become bigger. They have always ensured that we are enabled to serve our customers in a way they deserve to be served."

-Mr. Anil Kaul
Managing Director, Tata Capital Housing Finance Limited

"We were the 1st bank in India to launch the FinnOne Neo® product, and FinnOne Neo® has met many of our customer's growing requirements, especially in the area of mortgages. During Covid times, Nucleus helped us with additional features for the moratorium and these features were incredibly helpful to cater to the much-needed requirements, as far as the regulators and other stakeholders were concerned. Nucleus has always helped us in resolving challenges such that our customer service is never impacted."

-Mr. Venkatesh R
President & Head Operations, Technology and Human Resources & CIO, DCB Bank

Source: Company Website

Brief History and Operations

Date	Event
9th January 1989	Nucleus Software Exports Limited was incorporated as private limited company
10th October 1994	It was subsequently converted into a public limited company
August 1995	Made an initial public offer
6th November 1995	Listed at Bombay Stock Exchange Limited
19th December 2002	Listed on National Stock Exchange of India Limited

Nucleus Software Exports Limited originated as a tech service organization and was subsequently listed to enable it to build their own Intellectual Property to ensure India's self-reliance. As appraised, Mr. Vishnu R. Dusad (Managing Director and Co-founder - Nucleus Software Exports Limited) understood the importance of ensuring that credit opportunities are accessible and available to the masses. When credit penetration is strong; it helps the economy flourish. The right technology can enable financial institutions to provide credit faster and at a better rate, creating a boom and supporting other pillars of the economy. The main objective of the IP business was to showcase India's capability and create homegrown Intellectual Property that would serve the financial institutions globally, place India on the Intellectual Property world map and ensure India's self-reliance.

The Company is engaged in software product development and providing support services dedicated solely for corporate business entities in the banking and financial services sector. The Company is also working with micro-finance lenders to make lending more accessible to the domestic market.

The Company has partnered with 200+ Financial Institutions in over 50 countries including India, North and South America, Far East, South-East Asia, Europe, Middle East, Africa and Australia. The Company has local presence in ~10 countries (through subsidiaries and branch offices) of the 50+ serviced geographies owing to higher demand from these zones. However, support and implementation are centralized. The subsidiaries and branch offices work as the Company's sales and support arms. However, entities in Japan, Australia and Singapore also undertake software development for local customers besides being sales and support arms for the holding company. Nucleus has a strong employee workforce of ~1,782 employees across more than 5 continents.

Amalgamation

The Honorable National Company Law Tribunal (NCLT) of New Delhi vide its order dated 18th March 2020 approved the Scheme of Amalgamation (referred to as "the Scheme") of Virstra –I Technology Services Limited (referred to as "Virstra") and Avon Mobility Solutions Private Limited (referred to a "Avon") with the Company. Consequent to the above order and subsequent filing of the said certified copy with the Registrar of Companies, NCT of Delhi, the Scheme became effective. Upon the scheme coming into effect, the business undertakings of Virstra and Avon were transferred to and vested in the Company with effect from 1st April 2019.

Source: Company website and as provided by the management

Awards (FY 2023)

- ✓ Nucleus Software Exports Limited along with Mirae Asset Financial Services India Private Limited showcased ground-breaking achievement by winning the IBS Intelligence Global Fintech Innovation Awards 2022, in the innovative category "Implementation of the Most Effective Paperless Digitization Project".

- ✓ Annual Report for the Year ended 31st March 2023, won the Silver Award for Excellence within the Technology-Software industry and Technical Achievement Award from League of American Communication Professionals (LACP). The Annual Report was also ranked 99th amongst the top 100 Annual Reports worldwide by League of American Communications Professionals LLC (LACP).

- ✓ FinnOne Neo® won the Banking Frontiers Technoviti Award 2023. FinnOne Neo® is the next-generation digital lending solution built on an advanced technology platform designed to shape the future of lending across Retail and Corporate finance. The multi-channel solution helps digitize the complete loan lifecycle end-to-end and supports both cloud and on-premises deployments.

- ✓ Nucleus Software Exports Limited was honored with another prestigious award from IBS Intelligence (IBSi) for the "Best Digital Lending Implementation - Most Impactful Project" category. This recognition is a testament to the Company's dedication to innovation and excellence in the realm of digital lending. The Company's collaborative efforts with Poonawalla Fincorp not only transformed digital lending but also left a lasting impact on the industry. The award acknowledges the effectiveness and significance of the Company's project in reshaping the digital lending landscape.

- ✓ Dr. Ritika Dusad, Executive Director, and Chief Innovation Officer (CIO) was honored with the prestigious "DE&I in Tech Leadership Award" at "The Rising 2024". Emerging victorious from a pool of over 100 nominees, Dr. Dusad's outstanding contributions have transformed the tech industry, instigating impactful change at every juncture.

- ✓ Nucleus Software Exports Limited received "IBSi Global Fintech Innovation Awards 2023" for Most Effective Digitization/Paperless Initiative – Best Project Implementation for Mirae Asset Financial Services.

- ✓ Nucleus Software Exports Limited earned the "IBSi Global Fintech Innovation Awards 2023" under category Best Transaction Banking implementation for BRAC Bank Ltd.

Capital Market Overview

As on 22nd December 2023 (INR in million)
Face Value: INR 10
Market Cap: 39,217
Free Float Market Cap: 9,804
Earnings per share (EPS): 75.58
PE: INR 19.14
Return on equity (ROE): 24.63%

Source: BSE website and Value Research

BUSINESS OVERVIEW

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BUSINESS OPERATIONS

The Company is engaged in software product development and provides support services dedicated solely for corporate business entities in the banking and financial services sector. Nucleus Software Exports Limited is one of the leading providers of digital lending and transaction banking technology products and services to the global financial services industry.

The core technology platforms of Nucleus Software Exports Limited are designed especially for the financial services sector, which includes retail lending, corporate lending, microfinance, automotive finance, Islamic finance, transaction banking and more. As informed, more than 50% of India's retail loans are either originated, processed or collected through the Company's digital lending platform FinnOne Neo® which is a staggering USD 500 billion in India alone and globally (excluding India) USD 700 billion.

The Company has transaction banking customers in more than 20 countries processing business worth USD 15 trillion on the Company's Transaction banking platform, FinnAxia®.

The Company's majority of the marque customers hold vintage of over 20 years. Nucleus Software Exports Limited's key clients include many big names like Citibank NA, General Motors Financial Company, Inc., HDFC Bank Limited, ICICI Bank Limited, United Overseas Bank Limited, Axis Bank Limited, State Bank of India Limited (SBI), Bajaj Finance Limited, Yes Bank Limited, Mahindra Rural Housing Finance Limited, Mahindra & Mahindra Financial Services Limited, Bank of Sydney Limited, Bank of Queensland Limited, Military Commercial Joint Stock Bank (MB Bank), Emirates NBD Bank PJSC, First Abu Dhabi Bank, amongst a client base of 200+ financial institutions.

With a dedicated implementation team, the Company deploys their lending and transaction banking platforms at client's end ensuring a hands-on approach. The configuration of platforms aligned to client processes along with user acceptance tests is conducted by this team. The Company has presence in over 50 countries, which are serviced by a mixed model of subsidiaries and branch offices. Product Support is centralized, and the subsidiaries and branch offices work as the sales and support arms of the Company. Within Japan, Australia and Singapore market, the Company delivers tech services as well apart from lending and transaction banking platform offerings. The Company aligned to its vision "Making financial services access easy and enriching worldwide" is working with micro-finance lenders to make lending more accessible to the under banked segment and is enabling Financial Inclusion with its patented financial inclusion product "PaySe™".

Nucleus Software Exports Limited's distinctiveness stems from their unwavering commitment to innovation. The Company harnesses cutting-edge technologies to elevate customer experiences, exemplified by comprehensive 520+ homegrown API stack. The Company's iterative GA (General Availability) releases ensure their solutions remain at the forefront of industry advancements, setting it apart as trailblazers in fintech. The releases are launched every 6 months with updates ranging from tech optimization to security patches. The Company also conducts stress testing with implementation of every release and gets third party certification for vulnerability testing to ensure complete security of customer data and transactions.

A sharp focus on governance, customer-centricity, nurturing human resource potential, strategic R&D investments, and an unwavering commitment to result-oriented innovation define the Company's distinct identity. It has a Dedicated Innovation Office that is driving innovation with new business cases and technologies and is at the core of the Company's value system. The Company invests a significant portion of revenue continually into Research and Development, ensuring their technology remains at the vanguard of the financial landscape, embracing an industry-proven product life cycle management process, employing Agile and DevOps practices. This approach has facilitated 17 successful General Availability (GA) releases of their flagship products FinnOne Neo® and FinnAxia®. All Company's platforms are built on a Robust Service Oriented Architecture, with cloud agnostic technology and composable to support seamless integration and scalability. Also, all platforms provide end-to-end support for the entire lending and transaction banking life cycle, providing a competitive edge to the Company.

Key products

In 2014, the Company launched its flagship products, FinnOne Neo® and FinnAxia®. FinnOne Neo® was designed as an end-to-end digital lending platform that helps financial companies leverage digitalization, manage credit risk and stay competitive. It offers a comprehensive range of software solutions for loan origination, servicing, collections, enterprise content management, collateral management, mobile apps, web portals, API management and chatbots. FinnOne Neo® digital channels comprises of mobile apps and web portals for self-service, loan origination and delinquency management, as well as an AI powered chatbot for instant messaging platforms like WhatsApp. In 2015, PaySe™ the world's first offline digital cash solution was developed with an aim to democratize money and to make a 100 rupee loan possible and profitable. In 2018, the Company introduced real time payment fraud detection using Artificial Intelligence (AI).

Nucleus Software Exports Limited's flagship products and services, built on the latest technology are enlisted below:

- FinnOne Neo®
- FinnAxia®
- PaySe™
- Nucleus Software Services

FinnOne Neo®:

FinnOne Neo® is the next-generation digital lending solution that is built on an advanced technology platform, designed to shape the future of lending across Retail, Corporate and SME Finance, Automotive Finance, Captive Automotive Finance, Microfinance and Islamic Finance for banks and other financial service companies.

FinnOne Neo® also offers the following business applications and digital channels, that can be used as independent modules or together to form a single suite:

Business Applications:

- Customer Acquisition System (CAS)
- Loan Management System (LMS)

- Collections
- Payout Management System
- Collateral Management System (CMS)
- Enterprise Content Management (ECM)

Channels and Digital Solutions:

- Mobility and Web Channel Solutions: mCAS, mApply, mCollect & mServe
- Portal: eApply & eServe
- APICenter: API Management Portal

FinnOne Neo® for Retail Lending: End-to-end digital lending across the entire loan lifecycle of origination, servicing, and collections for retail customers. FinnOne Neo® Retail Lending is a cutting-edge platform revolutionizing retail lending with its advanced technology and seamless user experience. FinnOne Neo® streamlines the lending process, offering banks and financial institutions unparalleled efficiency, risk management, and customer satisfaction.

Lines of Business covered:

- ➢ Home Loan
- ➢ Auto Loan
- ➢ Commercial Vehicle
- ➢ Agriculture Loan
- ➢ Commercial Equipment
- ➢ Farm Equipment
- ➢ Consumer Loans
- ➢ Consumer Vehicle
- ➢ Credit Cards
- ➢ Personal Loan
- ➢ Education Loan
- ➢ Gold Loan
- ➢ Finance Against Security
- ➢ Operating Lease
- ➢ Overdrafts
- ➢ Pay Later*

**The lines of business covered are not limited to above.*

FinnOne Neo® for Corporate Lending: Nucleus Software's FinnOne Neo® Corporate is an end-to-end digital lending solution that delivers the business agility required in lending to large corporates and Small-to-Medium Enterprises. The technologically advanced solution enriched with Nucleus Software's deep domain experience helps financial institutions manage the complete loan lifecycle from origination to servicing and delinquency management.

Lines of Business covered:

- ➢ Commercial Equipment
- ➢ Commercial Vehicle
- ➢ Loan Against Property
- ➢ Business Loans
- ➢ Cash Credit
- ➢ Bill Discounting
- ➢ Bank Guarantee
- ➢ Letter of Credit

FinnOne Neo® for Islamic Banking*: A comprehensive solution compliant with Sharia law in Islamic Banking and Finance which supports retail finance instruments such as Auto & Goods Finance (Murabaha, Ijarah), Service Ijarah (Rent, Education, Medical, Travel and Wedding), Home Finance (Murabaha, Ijarah and Istisna'a) and Tawarruq.

**Latest GA to be available soon*

Lines of Business covered:

- Murabaha
- Ijarah
- Salam
- Istisna'a

FinnOne Neo® for Captive Automotive Finance: With over two decades of experience in Captive Auto Finance, the Company has established itself as a trusted leader in supporting captive auto finance solutions. Specializing in providing comprehensive financial services tailored to meet the evolving needs of both automobile manufacturers and consumers, Nucleus Software Exports Limited has built a reputation for reliability, integrity, and innovation in this domain. Its track record of success and proven ability to navigate the complexities of the industry make it the partner of choice for automobile manufacturers seeking robust financial solutions.

Some of the largest Captive Auto Finance companies worldwide rely on the Company's solution to manage their business operations efficiently with a streamlined, cutting-edge financial system, and positioning them for sustained growth in the fiercely competitive automotive finance market.

Lines of Business covered:

- Retail (Hire Purchase)
- Finance Lease
- Operating Lease
- Personal Loan with Asset/Collateral
- Personal Loan without Asset/Collateral

Following are few key lease centric business processes available in the system:

- Asset Ownership & Lien Processing
- Fractional Ownership
- B2C & B2B Leasing
- Customer/Dealer/Manufacturer Invoicing & Credit Notes
- Silent Extension
- RV Support
- Lease Buy-Back
- Leasing US GAAP interest calculation

FinnAxia®:

Offers an enterprise solution for transaction banking operations of corporate banks. It is an integrated suite that offers a wide range of capabilities including receivables management, payable management, and liquidity management, all of which are designed to allow banks to support the needs of their corporate customers.

FinnAxia® modules:

- Global Receivables
  - Receivable Tracking
  - Multi-Currency Receivables
- Global Payments
  - Cross Border Payments
  - Real Time Payments
- Global Liquidity Management
  - Interest Optimization
  - Forecasting
- Virtual Account Management (VAM)
  - POBO & ROBO
  - IBAN Compliance
- Financial Supply Chain Management (FSCM)
  - Invoice Financing
  - Dynamic Discounting
- e-Trade Finance
  - Letter of Credit
  - Trade Document Management
- Electronic Bill Presentment and Payment (EBPP)
  - Electronic Bill Presentment
  - Automated Payment Processing
- Digital Compass
  - Corporate Front End Channel

Digital Channels:

- Mobility and Web-Channels
- Secured API Layer

PaySe™:

Its online & offline digital payment solution designed and created with an aim to democratize money by making banking services available to the unbanked in remote geographies.

Nucleus Software Services:

Company's services division plays a crucial role in the digital transformation of organizations across India, Southeast Asia, Australia, Middle East & Europe by leveraging a broad spectrum of disruptive digital services to lower total cost of ownership (TCO) and radically improve time to market. Software services rendered by the Company typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. The Company's services that help drive efficiencies are given below:

Data Analytics and Automation

- Data Virtualization
- Information Services & Advanced Analytics (AI & ML)

- Robotic Process Automation (RPA)

Cloud Services

- Application and Infra Rationalization
- Cloud Migration and Operations
- Cloud Native Development
- Platform and Container services

Application Modernization

- Next-gen application development (API orchestration & Microservices, DevOps)
- Application Management, Rationalization, Assurance services
- Mobility Solutions

Infra Service

- Data Centre transformation
- Contact Center & IVR
- M365 & Unified Communication

Locations

The Company operates across various geographical locations globally, ensuring a strong presence in the banking and financial services industry. The Company's corporate headquarters are located in Noida, India.

Globally, the Company has subsidiaries and branch offices in strategic locations to support its business development, sales, and software development services. These locations include Singapore, the USA (United States of America), Japan, the Netherlands, Australia, South Africa, and the UAE (United Arab Emirates). In India, apart from the corporate headquarters in Noida, the Company has branch offices in Mumbai, Pune, and Chennai. The Singapore subsidiary also has representative offices in Jakarta, Indonesia, and Manila, Philippines. The Company's operations are categorized into several geographical segments: India, North and South America, Far East, South-East Asia, Europe, Middle East, Africa, and Australia. These segments are based on the location of the Company's customers, reflecting the global reach of Nucleus Software Export Limited’s operations.

Marketing Strategy

Nucleus Software Export Limited employs a strategic approach to marketing and business promotion, focusing on delivering a wide spectrum of business value to customers of all sizes. The company engages in in-depth market research to understand industry patterns and competitive landscapes, ensuring that their product offerings cater to both ambitiously growing small customers and large organizations. Their products are designed to support agile market strategies, allowing for quick adaptation to customer needs. This approach is complemented by ongoing discussions with customers to ensure they appreciate the business value delivered, which is a key aspect of the company's customer engagement strategy. Additionally, Nucleus Software Exports Limited maintains a close watch on emerging players in the market, ensuring their product platforms' comprehensiveness remains a competitive advantage that is well appreciated by their customers.

About the Group

Nucleus Software Export Limited is the flagship company of the Nucleus Software Group. The Nucleus Software Group, with its headquarters in Noida (Uttar Pradesh), India, operates globally through its subsidiaries, focusing exclusively on the Banking and Financial Services (BFS) sector. The Group is dedicated to developing and marketing software products and services that employ the latest technology stacks and advanced features to meet the evolving needs of the Banking and Financial Services (BFS) sector. The Group's software powers the operations of more than 200 financial institutions in over 50 countries, supporting retail lending, corporate banking, mobile and internet banking, automotive finance, captive automotive finance, Islamic finance, transaction banking and other business areas.

The Group includes Nucleus Software Exports Limited (the parent Company) and its seven wholly owned subsidiaries and respective branches worldwide. The subsidiaries to the Company are listed below:

Name of Subsidiary	Country	Incorporation/ Acquisition date	Line of Business
Nucleus Software Solutions Pte. Ltd.	Singapore	25-Feb-1994	Responsible for business development, sales, and software development services for customers in Asia-Pacific, (excluding Japan and Australia).
Nucleus Software Inc.	USA	5-Aug-1997	Operates as a business development and sales hub for Americas.
Nucleus Software Japan Kabushiki Kaisha	Japan	2-Nov-2001	Contributes to the group's expansion in Japan
Nucleus Software Netherlands B.V.	Netherlands	3-Feb-2006	Enlarges business presence and serves as a business development and sales hub for the Group in Europe.
Nucleus Software Ltd.	India	21-Apr-2008	Facilitates delivery to larger clients through operations in a Special Economic Zone. It has a co-developed 250-seater facility in the Mahindra World Special Economic Zone, Jaipur.
Nucleus Software Australia Pty. Ltd.	Australia	3-Feb-2014	Provides software development services and acts as a business development and sales hub for Australia.
Nucleus Software South Africa Pty. Ltd.	South Africa	10-Feb-2015	Extends the Company's reach into the African market

Overall, the Group's subsidiaries assist the Company in providing front-end support to customers and exploring new opportunities.

Source: Company website, Annual report 2023 and as provided by the management

MESSAGE FROM THE MANAGING DIRECTOR

"We are thrilled to have completed 30 years of creating an Indian IP product, wholly designed, architect-ed and built from Indian soil. Three decades later we can proudly say that 40 lakh crore (USD 500 billion) worth of India's retail assets are managed by our software. We have played a major role in making India Atmanirbhar (Self-reliant), by providing the Indian financial industry an Indian origin IP that has cutting edge revolutionary technology and invaluable cost and service benefits.

We have made meaningful progress in expanding our reach across various geographies, including Australia and Europe, and have taken up strategic initiatives to research and plan entry into other aligned markets without pioneering digital technology. Our innovative solutions are built with a composable architecture that boasts over 520 APIs, enabling us to keep pace with the disruption caused by Open Banking and cater to the ever-evolving needs of our customers.

Diversity and Inclusion is a key pillar for us, and we are proud to have undertaken several successful initiatives focused on providing equal opportunities to individuals from diverse backgrounds. We are committed to continuing our efforts to create a more equal, inclusive, and diverse fintech workspace.

Delighted to share that we have recently been awarded two patents for our first offline and online Financial Inclusion platform. It was developed as a financial inclusion enabler to address the significant challenges that banks, and financial institutions face in providing financial services to the people at the bottom of the pyramid. This unique solution is capable of carrying out transactions in completely offline mode and addresses all the challenges faced by consumers in rural areas, such as financial illiteracy, lack of internet connectivity, no access to smartphones, and commute to bank branches. This accomplishment reinforces our mission to build intellectual property from Indian soil and serve global markets with our innovative solutions."

- *Vishnu R. Dusad, Managing Director*

ABOUT THE MANAGEMENT

Mr. Siddhartha Mahavir Acharya – Chairman, Non-Executive, and Independent Director

Mr. Siddhartha Mahavir Acharya is the Chairman, Non-Executive, and Independent Director of the Company. He has graduated from the universities of Madras and Hong Kong and has Bachelor's Degree in Arts. He also has a master's degree in economics from the Victoria University of Manchester, United Kingdom. He is a retired IAS officer having served in the Indian Administrative Services for 35 years. He has held various senior positions in both State and Central Governments in his long and distinguished career and retired as Secretary to the Government of India in the Ministry of Defence in 2009. After retirement he had been retained by a leading education Trust to act the Chief Executive to help run their engineering and general sciences institutions. He also served as an Independent Director on the Board of the Bharat Electronics Limited. His areas of expertise include Governance, Global Business, Strategy and Planning. He joined the Board of Directors of Nucleus Software Exports Limited in March 2016.

Mr. Vishnu R. Dusad – Managing Director

Mr. Vishnu R. Dusad is the Managing Director of the Company. He is one of the main founders of Nucleus Software Exports Limited. and has served as a director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. Mr. Dusad has over three decades of valuable professional experience in the exciting space of BFSI IT Solutions. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Parag Bhise – Executive Director and Chief Executive Officer (CEO)

Mr. Parag Bhise is the Executive Director and Chief Executive Officer (CEO) of the Company. He holds a master's degree in computer applications from BIT Mesra, MBA from the Management Development Institute, Gurgaon, and MIT Professional Certifications Program. In his most recent Role as EVP Product Engineering, he has been responsible for ensuring that the Company's flagship products – FinnOne Neo® and FinnAxia® – are developed using the latest technologies and techniques. He has more than thirty-three years of experience in the field of software development, delivery, and quality assurance as well as IT infrastructure management and internal systems.

Board of Directors

Mr. Siddhartha Mahavir Acharya (DIN: 00545141)
Chairman, Non-Executive and Independent Director
Qualification - Bachelor of Arts degree.
Master of Economics from the Victoria University of Manchester, UK.

Other Indian Directorships

- None

Mr. Vishnu R. Dusad (DIN: 00008412)
Managing Director
Qualification - Bachelor of Technology from the Indian Institute of Technology (IIT), Delhi

Other Indian Directorships

- Karmayogi Holdings Private Limited
- Nucleus Software Limited
- Indian Software Product Industry Round Table Foundation

Mr. Prithvi Pal Singh Haldea (DIN: 00001220)
Non-Executive and Independent Director
Qualification – Master of Business Administration from Birla Institute of Technology & Science, Pilani

Other Indian Directorships

- Nucleus Software Limited
- Prime Investors Protection Association & League
- Praxis consulting and information services private limited.
- Primedatabase.Com Private Limited
- Venture Media Private Limited

Professor Sadhu Trilochan Sastry (DIN: 02762510)
Non-Executive and Independent Director
Qualification - Bachelor of Technology, IIT, Delhi
Master of Business Administration from IIM, Ahmedabad,
Doctor of Philosophy. from MIT, USA

Other Indian Directorships

- Nucleus Software Limited
- Indiafarm Foods Private Limited

Mrs. Elaine Mathias (DIN: 06976868)
Non-Executive and Independent Director
Qualification - Associate Cost and Management Accountant (ACMA) from Institute of Cost and Works Accountants of India - ICWAI
Chartered Accountant from the Institute of Chartered Accountants of India

Other Indian Directorships

- None

Mr. Parag Bhise (DIN: 08719754)
Executive Director and Chief Executive Officer (CEO)
Qualification - Master's Degree in Computer Applications from BIT Mesra
MBA from the Management Development Institute – Gurgaon.

Other Indian Directorships

- None

Mrs. Yasmin Javeri Krishan (DIN: 08801422)
Non-Executive and Independent Director
Qualification - Chartered Accountant from the Institute of Chartered Accountants of India
MBA (Finance and International Business) from the Stern School of Business, New York University.

Other Indian Directorships

- None

Mr. Anurag Mantri (DIN: 09002894)
Executive Director, Chief Operating Officer (COO), Chief Financial Officer (CFO) and P&L Head - Services
Qualification - Post Graduate in Statistics from Banaras Hindu University (BHU).
Post-graduate degree in Computer Science Applications (PGDCSA) from BHU.

Other Indian Directorships

- None

Dr. Ritika Dusad (DIN: 07022867)
Chief Innovation Officer & Executive Director
Qualification – Doctor of Philosophy (PhD), Physics from Cornell University
Bachelor of Science (BS), Physics from UCLA

Other Indian Directorships

- Karmayogi Holdings Private Limited

Mr. Ravi Pratap Singh (DIN: 00008350)
Executive Director
Qualification - Post Graduate in Statistics from Banaras Hindu University (BHU).
Post-graduate degree in Computer Science Applications (PGDCSA) from BHU.

Other Indian Directorships

- Nucleus Software Limited

Source: Ministry of Corporate Affairs (MCA) and company website

KEY EXECUTIVES

Name of Executives	Division	Designation
Ritika Dusad	Global Innovation and Strategy	Chief Innovation Officer & Executive Director
Anurag Mantri	Services and Cloud	Executive Director and Chief Operating Officer (COO), Chief Financial Officer (CFO) and P&L Head- Services & Cloud
Ashwani Arora	Global Customer Success	P&L Head- Global Customer Success
Ashish Khanna	Global Marketing & Financial Inclusion	Chief of Staff & Head of Marketing

Source: As provided by the management

SHAREHOLDING PATTERN

Shareholding Pattern as on 30th September 2023

Sr. No.	Particulars	Number of Shares	% Holdings
(A)	**Shareholding of Promoter and Promoter Group**		
	Karmayogi Holdings Private Limited	9,000,000	33.62
	Madhu Dusad	3,066,248	11.45
	Nucleus Software Engineers Private Limited	2,385,882	8.91
	Vishnu Rampratap Dusad	1,603,492	5.99
	Other Promoters and Promoter Group	3,560,244	13.30
	Sub Total (A)	**19,615,866**	**73.27**
(B)	**Public Shareholding**		
I	**Institutions**		
	Mutual Funds	92,650	0.35
	Alternate Investment Funds	65,114	0.24
	NBFCs registered with RBI	175	0.00
	Foreign Portfolio Investors Category I	930,637	3.48
	Foreign Portfolio Investors Category II	56,445	0.21
	Sub Total (B-I)	**1,145,021**	**4.28**
II	**Non Institutions**		
	Directors and their relatives (excluding independent directors and nominee directors)	153,177	0.57
	Investor Education and Protection Fund (IEPF)	46,052	0.17
	Resident Individuals holding nominal share capital up to INR 0.2 million	4,066,250	15.19
	Resident Individuals holding nominal share capital in excess of INR 0.2 million	946,795	3.54
	Non Resident Indians (NRIs)	272,946	1.02
	Bodies Corporate	354,575	1.32
	Any Other (specify)	172,557	0.64
	Sub Total (B-II)	**6,012,352**	**22.46**
(C)	**Non Promoter- Non Public shareholder**		
	Custodian/DR Holder	85	0.00
	Sub Total (C)	**85**	**0.00**
	Total Public Shareholding (B) = (B-I)+(B-II)	**7,157,458**	**26.73**
	Total (A+B+C)	**26,773,324**	**100.00**

Total number of shareholders : 33,318*

**No of shares pledged is Nil*

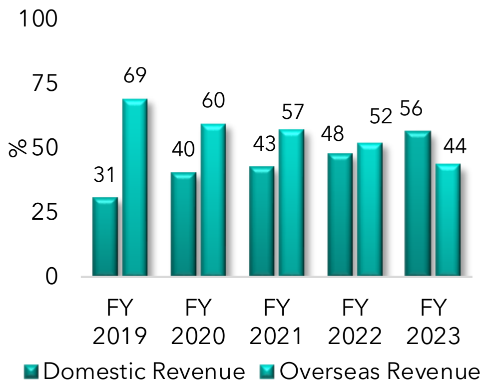
Source: BSE Website

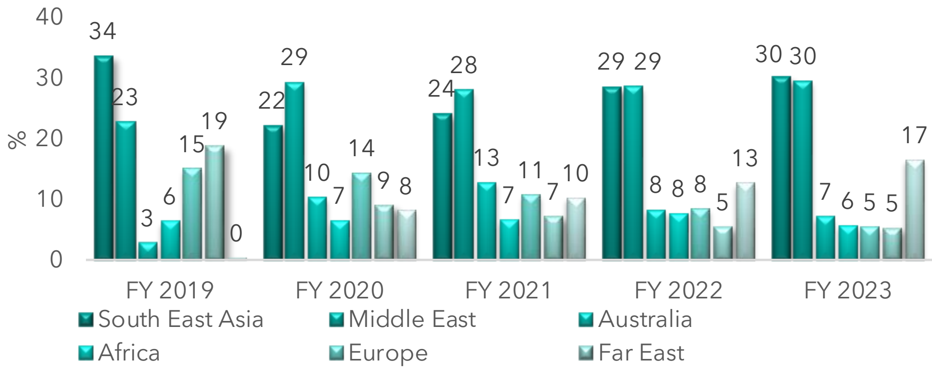
COMPANY PERFORMANCE (FY 2019-23)

- GEOGRAPHICAL AND SEGMENTAL PERFORMANCE
- STAKEHOLDER DETAILS
- COUNTRY RISK INSIGHT
- FUTURE PLANS

GEOGRAPHICAL AND SEGMENTAL PERFORMANCE

<u>Majority business derived from domestic market.</u>





The domestic market's contribution to total revenue witnessed an increasing trend during the review period, suggesting a growing reliance or strategic focus on the Indian market.

Nucleus Software Exports Limited's regional revenue analysis from FY 2019 to FY 2023 shows mixed trends. Southeast Asia and the Middle East have remained key markets with their recent recovery and stability, respectively. In contrast, Australia and Europe have experienced significant decline, indicating potential market challenges or strategic shifts. The Far East and Africa also saw reduced revenues, albeit less drastically. The 'Others' category has grown, suggesting successful expansion into new territories or increased sales in smaller markets. Overall, overseas revenue dipped in FY 2022 but showed signs of recovery in FY 2023, with diversification appearing to be a beneficial strategy for the Company.

As informed, the Company partners with 200+ Financial Institutions in over 50 countries including India, North and South America, Far East, South-East Asia, Europe, Middle East, Africa and Australia.

Source: Annual reports and as provided by the management

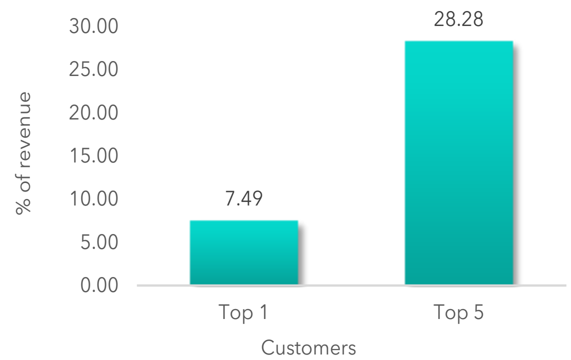
STAKEHOLDER DETAILS

Customer Details (FY 2023)

The Company is dedicated solely to clients in the banking and financial sector. The top customers of the Company in FY 2023 are given below:

Top Customers

Name
Bajaj Finance Limited
Bangkok Bank Public Company Limited
Bank Audi
DCB Bank Limited
CIMB Group Holdings Berhad



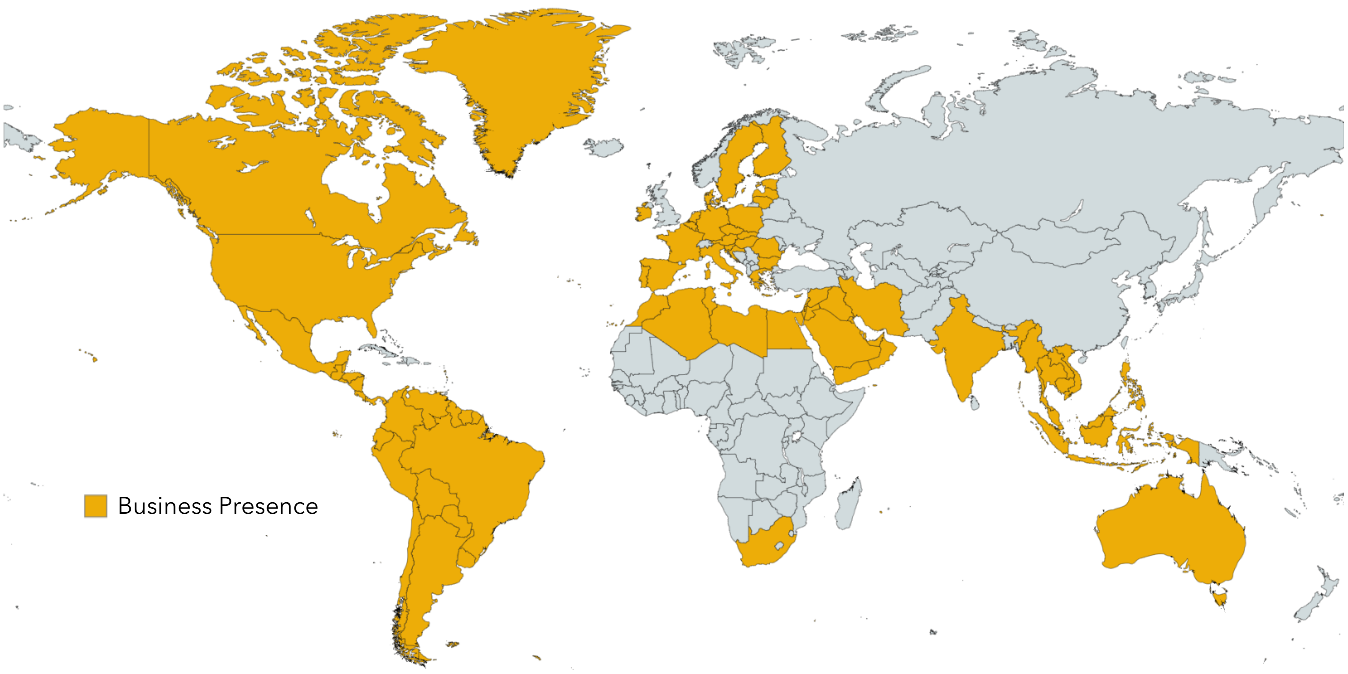
Nucleus Software Exports Limited's key clients include many big names like Citibank NA, General Motors Financial Company, Inc., HDFC Bank Limited, ICICI Bank Limited, United Overseas Bank Limited, Axis Bank Limited, State Bank of India Limited (SBI), Bajaj Finance Limited, Yes Bank Limited, Mahindra Rural Housing Finance Limited, Mahindra & Mahindra Financial Services Limited, Bank of Sydney Limited, Bank of Queensland Limited, Military Commercial Joint Stock Bank (MB Bank), Emirates NBD Bank PJSC, First Abu Dhabi Bank, and over 200 such leading financial institutions.

Major global customers of the Company are Standard Chartered Bank Limited, CIMB Group Holdings Berhad, Royal Bank of Scotland, General Motors Financial Company, Inc., Emirates NBD Bank PJSC, Bayerische Motoren Werke AG (BMW), Toyota Financial Services Limited, Citibank NA, DBS Bank Limited, BNP Paribas and Arab Bank, whereas major domestic customers are HDFC Bank Limited, ICICI Bank Limited, Tata Capital Limited, SBI, Axis Bank Limited and IndusInd Bank Limited.

Source: Company website, Annual Report and as provided by the management

Geographical Reach

Export countries/regions: The Company has customers in more than 50 countries including India, North and South America, Far East, South-East Asia, Europe, Middle East, Africa and Australia amongst others.



Note: This world map has been reproduced by D&B-India from https://mapchart.net/world.html, a public domain webpage, for representing the geographical spread of the Subject Entity's business/operations. Nothing herein should be construed to mean any opinion, view or belief of D&B-India with respect to any physical or political borders of any country. D&B-India has represented this world map on 'as is', 'as available' basis from the said link and does not intend to represent anything except for territorial spread of the Subject Entity's business/operations.

Source: Company website and as provided by the management

FUTURE PLANS

The Company's future plans include leveraging its robust product innovation and research and development capabilities. It has strategic initiatives to create new products, expand sales and market development, and recruit talented individuals to facilitate transformation and sustain growth momentum.

The focus remains on the Banking and Financial Services (BFS) sector, with efforts to employ the latest architecture and technology stack, incorporating advanced features and functionalities that cater to the ever-evolving needs of the BFS sector. Additionally, the Company is modernizing data pipelines to drive analytics and decision-making, researching applications of emerging technologies like digital currencies and quantum computing to ensure its solutions are future ready.

As appraised, the Company is looking to grow organically and is not looking actively for any acquisitions in the medium term. The Company is focused on product innovation and future capex would be targeted towards new product development and investment in new technology.

The Company plans to tie-up with system integrators to improve their growth rate in Europe, Southeast Asia. As informed, some sales partners have been onboarded for post implementation support activities within international markets, while complete outsourcing of support activities is not being undertaken by the Company.

Source: Annual Report 2023 and as provided by the management

COUNTRY RISK INSIGHT

Any firm, entity or individual who conducts cross-border transactions is exposed to country risk, the risk associated with a country's overall political, economic and commercial performance. **D&B's Country Risk Indicator (DCRI)** provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the **DCRI** seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years.

The **DCRI** comprises a composite index of four overarching country risk categories:

a) Political Risk
b) Commercial Risk
c) Macroeconomic Risk
d) External risk

The **DCRI** is supplemented with a rating trend, which encapsulates whether the risk environment in a country is improving, deteriorating or stable.

Improving	↑	Indicates that the country's overall risk profile is improving as a result of favourable political, commercial, economic and / or external developments.
Deteriorating	↓	Indicates that the country's overall risk profile is deteriorating owing to adverse political, commercial, economic and / or external developments.
Stable	↔	Indicates that the country's overall risk has not changed appreciably, even though some minor changes to its political, commercial, macro-economic, and / or external risk environment may have occurred.

Exports Destination: DCRI Trend

Exports Destination	DCRI Trend		Headline News
Australia	Deteriorating	↓	Australia has recorded its driest September on record, raising concerns about impact on agricultural production and farm incomes.
China	Stable	↔	Uptick in retail sales and industrial production coincides with sustained regulatory easing, while a meeting between leaders attempts to stabilise ties between Mainland China and US.
France	Stable	↔	France's high debt burden and rising public spending may drive it towards breaching EU's proposed fiscal consolidation roadmap, negatively affecting credit environment.
Germany	Stable	↔	German economy contracts in Q3, increasing chances of recession this year; domestic and external demand weak and economy will likely shrink in 2023.
Indonesia	Stable	↔	Newly instituted 30% retention mandate for proceeds from certain natural resource exports expected to bolster local investments in Indonesia but also exacerbate risk to currency convertibility.
Iran	Stable	↔	Security concerns remain a key downside for Iran's risk outlook, as heightened tensions with the US over Gulf oil shipments coincide with Western concerns about Iran's nuclear research programme.
Iraq	Stable	↔	Attacks intensify on US military bases in Iraq owing to US support for Israel; America likely to opt for strategic counter-operations rather than directly involve Iraq in conflict.

Japan	Stable	↔	Government's new stimulus package likely to boost wages; real GDP growth and economy-wide liquidity also likely to improve.
Poland	Stable	↔	Political transition delayed in Poland as PiS invited to form government; central bank shifts to inflation targeting again amid flickering growth prospects.
Saudi Arabia	Stable	↔	Escalation in Israel-Hamas conflict could set back Arab-Israel normalisation process.
Singapore	Stable	↔	Stronger activity in Singapore's hospitality and services sectors compensates for lacklustre manufacturing growth, helping stabilise near-term economic prospects.
South Africa	Stable	↔	South Africa's National Health Insurance Bill will introduce a single-funder model, impacting services offered by private healthcare providers and affecting private health sector.
Spain	Stable	↔	Pedro Sanchez's return as PM becoming more likely, though it depends on controversial support of Catalan separatists, which could affect Sanchez's popularity and long-term stability.
Thailand	Deteriorating	↓	Growth in Thailand continues to disappoint, but stabilising exports and upcoming stimulus measures could salvage credit and market environments.
United Arab Emirates	Stable	↔	Despite escalating geopolitical uncertainty due to Israel-Hamas conflict, UAE economy set to continue riding high owing to non-oil sector, supplemented by high oil prices.
United Kingdom	Stable	↔	UK PM's cabinet reshuffle brings back familiar faces; a bleak winter draws closer as cost-of-living crisis weighs on consumer spending, raising recessionary fears ahead of festive season.
United States of America	Stable	↔	Swell before slump? US Q3 GDP estimate strong, but weak jobs report suggests turning point in economy and monetary policy cycle.
Vietnam	Stable	↔	US-Vietnam relations enhanced by upgrade to Comprehensive Strategic Partnership; along with economic stabilisation, this improves business prospects.

Source: D&B Country Risk Services (December 2023)

PEER ANALYSIS

- D&B Peer Comparison

COMPETITOR DETAILS

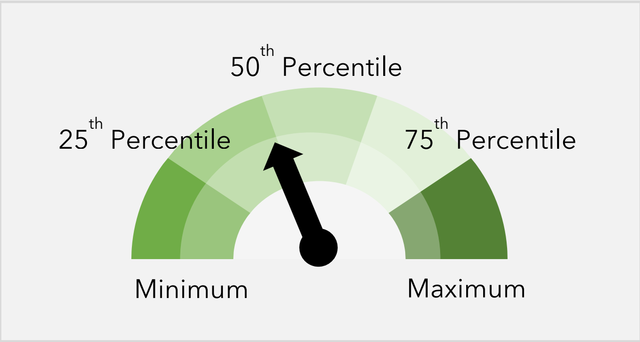
The Fintech industry is becoming increasingly crowded, with more competition for customer acquisition in 2023. Traditional banks and financial institutions are also entering the digital space, creating a competitive landscape for fintech companies. Nucleus Software Exports Limited aims to mitigate this threat by continuing to differentiate itself through superior software solutions and maintaining its reputation for excellence and innovation.

The Company's strategy is centered around differentiating its offerings and leveraging its established reputation to stay ahead in the market. The robustness and flexibility of products and focus on retail banking provides a competitive edge to the Company. Also, the Company's distinctiveness stems from its steady commitment to innovation.

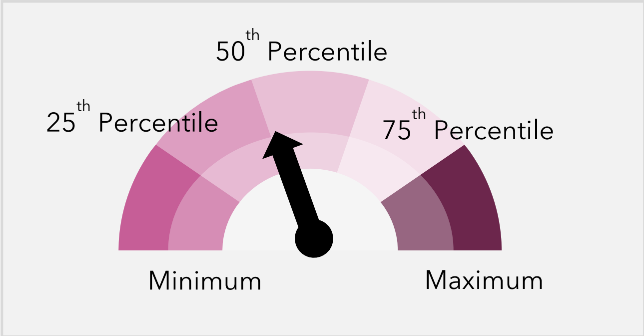
Source: Annual Report 2023 and as provided by the management

PEER PERFORMANCE – FY 2023

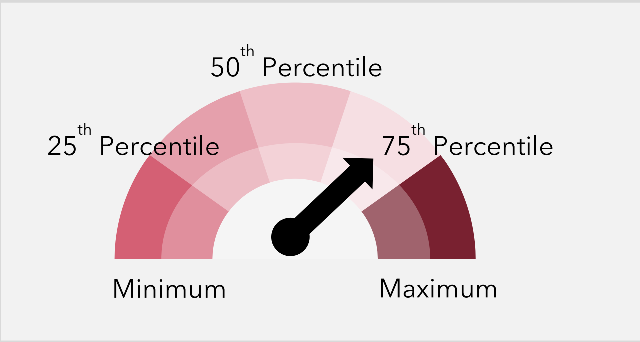
D&B has considered a list of 63 companies operating in the domestic IT products domain with revenue ranging from INR 1,000 million to INR 1,903,540 million for the following peer comparison.



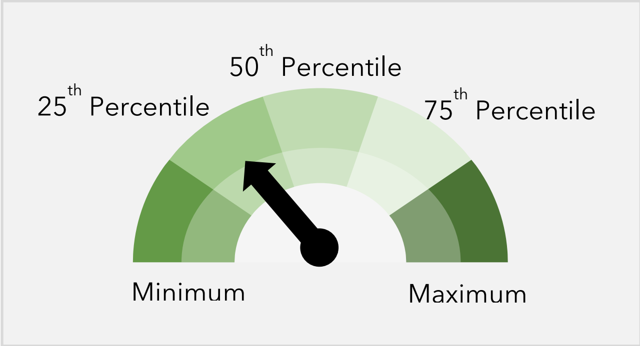
REVENUE



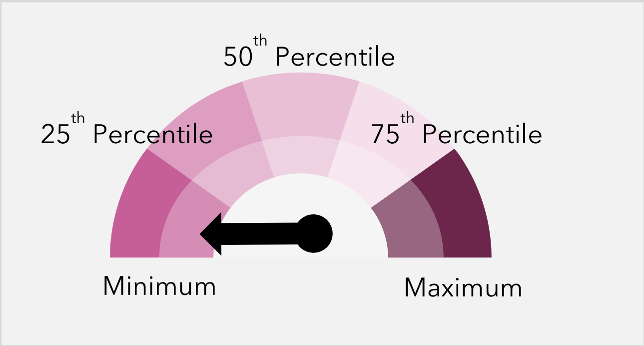
PROFIT AFTER TAX



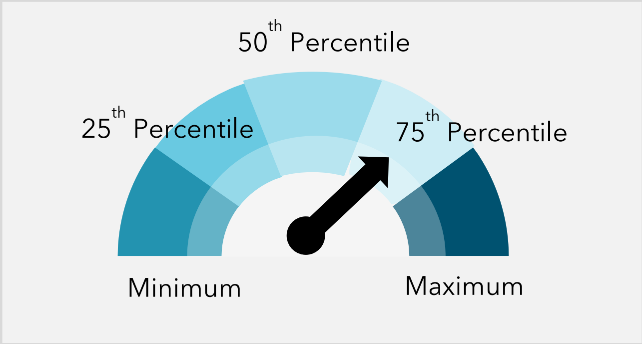
REVENUE GROWTH



CURRENT RATIO



TOTAL DEBT-EQUITY RATIO



RETURN ON CAPITAL EMPLOYED

FINANCIAL PERFORMANCE (FY 2019-23)

- FINANCIAL ANALYSIS
- SENSITIVITY ANALYSIS
- INCREMENTAL WORKING CAPITAL ANALYSIS
- FREE CASH FLOW ANALYSIS

KEY FINANCIAL ELEMENTS AND RATIOS

(INR in million)

Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
Number of Months	**12**	**12**	**12**	**12**	**12**	
Revenue	3,968	4,442	4,544	4,481	5,847	
Net Profit after Tax	755	1,022	1,121	421	1,303	
Tangible Networth	4,682	5,395	6,455	4,622	5,851	
Capital Employed	4,682	5,450	6,488	4,630	5,910	
Total Borrowings	-	55	33	8	59	
Investments	2,694	2,458	1,916	2,086	3,138	

**Investments includes long term investments only*

Key Financial Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
GROWTH RATIOS						
Revenue Growth (%)	-	11.95	2.30	(1.39)	30.48	
Net Profit Growth (%)	-	35.36	9.69	(62.44)	209.50	
PROFITABILITY RATIOS						
Gross Profit Margin (%)	35.81	37.78	33.71	17.52	36.00	
Operating Profit Margin (%)	12.63	14.77	23.50	5.16	23.89	
OPBITDA (%)	14.39	17.29	26.01	8.10	26.82	
Net Profit Margin (%)	19.03	23.01	24.67	9.40	22.28	
Return on Tangible Networth (%)	16.13	18.94	17.37	9.11	22.27	
Return on Capital Employed (%)	19.95	23.78	22.67	12.33	29.41	
Return on Fixed Assets (%)	248.36	260.71	357.01	115.34	379.88	
Return on Total Assets (%)	11.98	13.94	13.20	6.08	15.56	
LIQUIDITY RATIOS						
Quick Ratio (Times)	1.92	2.28	2.97	1.95	1.94	
Super Quick Ratio (Times)	0.34	0.41	0.12	0.17	0.15	
Current Ratio (Times)	1.94	2.31	3.04	2.02	2.02	
TURNOVER RATIOS						
Inventory Turnover Ratio (Times)						
Fixed Asset Turnover Ratio (Times)	13.05	11.33	14.47	12.28	17.05	
SOLVENCY RATIOS						
Long Term Debt Equity Ratio (Times)	-	0.01	0.00	-	0.01	
Total Debt Equity Ratio (Times)	-	0.01	0.01	0.00	0.01	
Total Liabilities to Tangible Networth (%)	34.64	35.92	31.53	49.89	43.14	
Interest Coverage Ratio (Times)	*	259.20	294.20	285.50	347.60	
EFFICIENCY RATIOS						
Collection Period (Days)	56	66	65	62	103	

**Interest coverage ratio and debt to equity ratio cannot be calculated due to nil debt in FY 2019*

- Revenue of the Company exhibited an uneven trend during the review period. The revenue growth in FY 2020 and FY 2021 was mainly driven by the addition of new customers. However, it declined in FY 2022 owing to the disruptions to operations in Q1-FY 2022, due to Covid-19 pandemic. The Company mainly caters to BFS sector which considers technology spend as discretionary and deferred planned investments. Also, a slowdown in the Banking and Financial Services (BFS) sector impeded the growth in Company's revenue. In FY 2023, the revenue witnessed a strong growth of ~30% led by the increased penetration in domestic markets. As appraised, the domestic growth was achieved on the back of long due price revisions and new orders. The product portfolio of the Company has been supported by continued product innovation and the development of new offerings within existing products which remained the key driver for increased demand for the Company's offerings. For the period ending September 2023, the Company achieved revenue of INR 3,854 million. This financial performance was mainly driven by the completion of significant milestones for a large Australia based project.

- The Company's profitability margins remained healthy from FY 2019 to FY 2021. Owing to the nature of business, the margins were mainly influenced by the movement in salaries and wages. In FY 2022, the significant decline in gross margins emanated from a steep increase in salaries and wages as indicated by the 37.78% increase in median remuneration of employees (excluding executive directors). As informed, the manpower expense increased significantly during the covid pandemic owing to significantly higher increments given to employees for retention of key manpower and new additions owing to more hands-on requirements. However, the gross margins recovered in FY 2023 aided by addition of business leading to improved utilization of manpower resources. The operating and net margins also witnessed a similar trend and recovered in FY 2023 owing to the cascading effect of the gross margins. Additionally, the net margins were also impacted by the increase in travelling and conveyance expenses, business promotion expenses, bad debts written off and depreciation / amortization and depletion.

- The total debt of the Company stood negligible as compared to the tangible networth as indicated by gearing ratio standing at 0.01 times as on 31st March The operations of the Company remained largely debt free. The tangible networth of the Company also increased year-on-year (except in FY 2022) on account of majority of profits being retained in the business. The average retention for the five-year period stood at ~75%. Accordingly, the interest coverage ratio also remained healthy throughout the review period.

- Owing to the operations of the Company, the collection period remained high and exhibited an increase in FY 2023. It remained lowest at 56 days in FY 2019 and thereafter increased to 66 days in FY 2020. However, collection period declined year-on-year from 66 days in FY 2020 to 62 days in FY 2022 and then increased to 103 days in FY 2023. Moreover, manpower costs remain a substantial cost for the Company and is a part of the working capital requirement. The Company met its working capital requirements through internal accruals, short-term bank loans and customer advances.

- Liquidity position remained adequate as indicated by the current ratios that stood more than 2 times during the period FY 2020-23. Unencumbered cash and current investments constituted ~58% of the total current assets in FY 2023. The net cash accruals of the Company exhibited an uneven due to the fluctuating profitability but remained sufficient in absence of current maturities to be paid. Further, the cashflow from operations witnessed a marginal decline in FY 2023 as compared to FY 2022 but remained high.

SENSITIVITY ANALYSIS

For the purpose of undertaking sensitivity analysis, we have considered the impact of movement in certain key factors, on the profitability of the Company which are mentioned as below:

- Revenue
- Salaries and wages
- Interest cost

We have considered the below mentioned independent scenarios to measure sensitivity of the above factors on some of the key financial elements of the Company. In each of these scenarios, all other factors have been kept constant.

1. Increase in salaries and wages by 5%	2. Decline in revenue by 5%	3. Decline in salaries and wages by 5%	4. Increase in revenue by 5%	5. Increase in interest cost by 1%

SCENARIOS

Note: The data along with the different scenarios is only estimation

The results of the analysis are as follows and all the results have been compared with the base case scenario:

Particulars	Base	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Gross Profit Margin (%)	29.46%	26.30%	29.07%	32.62%	29.81%	29.46%
Operating Profit Margin (%)	17.58%	14.43%	16.57%	20.74%	18.50%	17.58%
Net Profit Margin (%)	18.39%	16.01%	17.89%	20.76%	18.83%	18.38%
Interest Coverage ratio (Times)	322.55	281.00	298.28	364.10	346.81	280.46

Note: Base case scenario is weighted average of financial elements of FY 2021 to FY 2023.

Key Observations

- ✓ Salaries and Wages account for ~63% of the total revenue of the Company. It can be observed that increase/decrease in the salaries and wages (Scenario 1 and 3) has higher impact on the profitability levels of the Company than increase or decrease in the revenue of the Company (Scenario 2 and 4). Thus, the profitability margins of the Company are more susceptible to the movement in salaries and wages than revenue.
- ✓ Debt equity ratio of the Company has been underleveraged at 0.01 times as on 31st March 2023 and hence an increase in the interest cost (Scenario 5) has minimal impact on the interest coverage ratio and net profit margin of the Company.

Analysis of Working Capital Cycle

Working capital requirement of the Company is a direct function of its receivables, payables and inventory held and is influenced by advances received from customers, advances given to suppliers and unbilled revenue. Accordingly, the calculation for adjusted working capital cycle of the Company is given below.

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trend
Collection Period (Days) (B)	56	66	65	62	103	
Customer Advances (Days) (D)	41	54	46	47	52	
Unbilled Revenue (Days) (F)	-	2	14	10	8	
Adjusted Working Capital Cycle (Days) (B + F - D)	**15**	**13**	**32**	**25**	**59**	

An analysis on payment behavior (vis-à-vis Industry Payment Behavior), receivables management and inventory management are given below.

Supplier Industry Payment Behavior

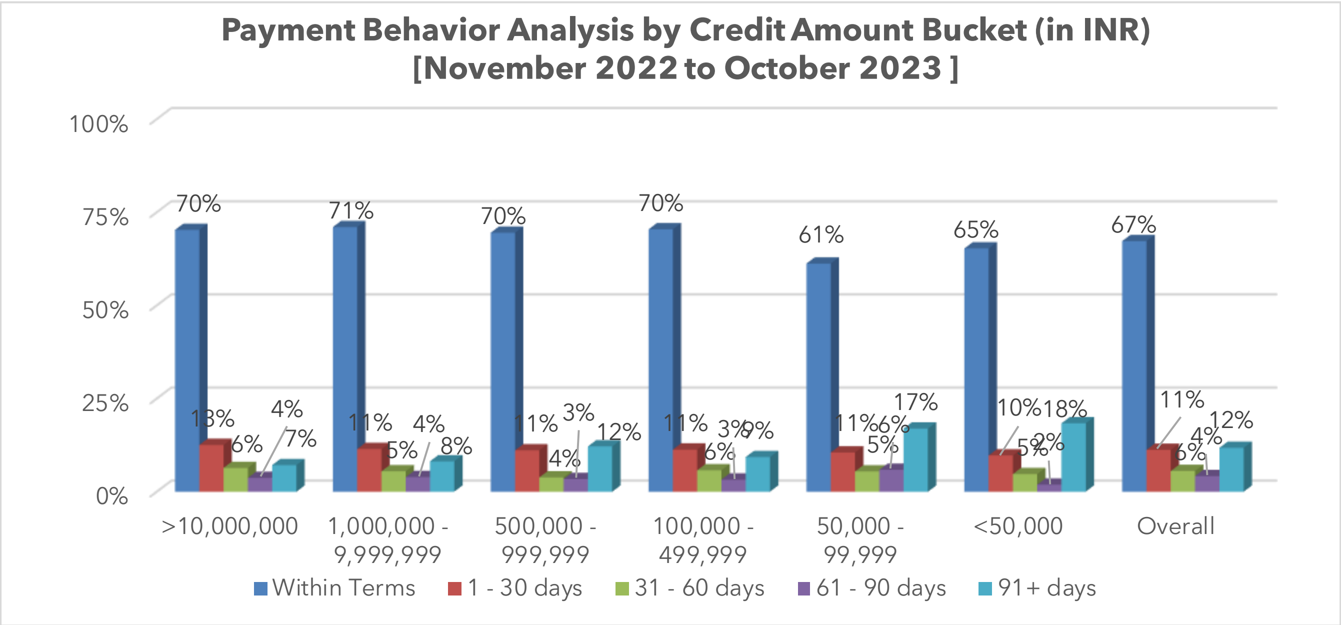
Payment behavior analysis is based on customers' trade/payment experiences which are being shared by Trade Participants (suppliers) under the D&B India Trade Exchange Program. Trade/Payment experiences reflect how bills are met in relation to the terms granted. The payment behavior analysis by outstanding credit amount buckets provide insight on how entities in the Pharmaceutical Industry have dealt with credit amount falling into different buckets i.e. The percentage of credit amount falling into a particular bucket size (large, medium, small) was within terms, 1 to 30 days past due, 31 to 60 days past due, etc. (i.e., ageing buckets).

Note: The payment behavior analysis should not be used as a substitute for predictive scores / indicators. Further, user's discretion is suggested since limited number of suppliers may be sharing data. Also, in some instances, payment beyond terms can be the result of disputes over merchandise, lost invoices, etc.

Payment Behavior Analysis by Credit Amount Buckets (November 2022 to October 2023)

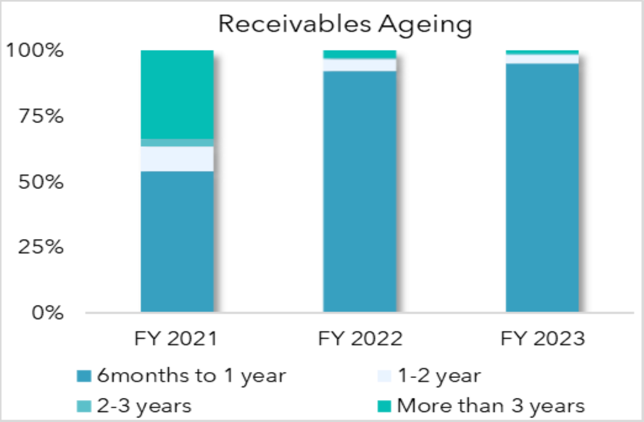
Credit Amount Buckets in INR	Credit Amount Bucket Size	% of Payment Experiences Instances	% of Total Value of Payment Experiences	% of Total Credit Amount					
				Total Credit Amount	Within Terms	1 - 30 days	31 - 60 days	61 - 90 days	91+ days
>10,000,000	Large	47%	99.48%	100.01%	70%	13%	6%	4%	7%
1,000,000 - 9,999,999				100.01%	71%	11%	5%	4%	8%
500,000 - 999,999	Medium	17%	0.41%	100.00%	70%	11%	4%	3%	12%
100,000 - 499,999				100.00%	70%	11%	6%	3%	9%
50,000 - 99,999	Small	35%	0.11%	100.00%	61%	11%	5%	6%	17%
<50,000				100.00%	65%	10%	5%	2%	18%
Total (Overall)		100%	100%	100.00%	67%	11%	6%	4%	12%

As seen from the above table, as per the data available with D&B, 67% of the players in the information technology industry make payment within terms while an additional 11% make payment within the first 30 days past due date.



Receivables Analysis

The Company's outstanding receivables as on 31st March 2021, 31st March 2022 and 31st March 2023 are given below.



Receivables Ageing	FY 2021	FY 2022	FY 2023
Less than 6 months	707	673	1,483
6months to 1 year	45	68	121
1-2 year	8	3	4
2-3 years	2	0	0
More than 3 years	28	2	2
Total	**789**	**747**	**1,610**

The Company has ~92% of its receivables which were outstanding for less than 6 months and included not due receivables and 8% of receivables being due but for more than 6 months but less than 1 year.

INCREMENTAL WORKING CAPITAL ANALYSIS

The working capital requirement of a company is based on several parameters – Accounts receivables, inventory, advances to suppliers, unbilled revenue, contract assets, unearned revenue, customer advances and accounts payable. The working of the overall adjusted working capital cycle of the Company based on all of these parameters (as applicable to Company) is given below.

In Days	FY 2021	FY 2022	FY 2023	Weighted Average
Due to Customers	46	47	52	49
Unearned revenue/Deferred Income	56	67	38	50
Accounts Receivable	65	62	103	83
Unbilled Revenue	9	8	5	7
Working Capital Cycle	**(28)**	**(44)**	**18**	**(10)**

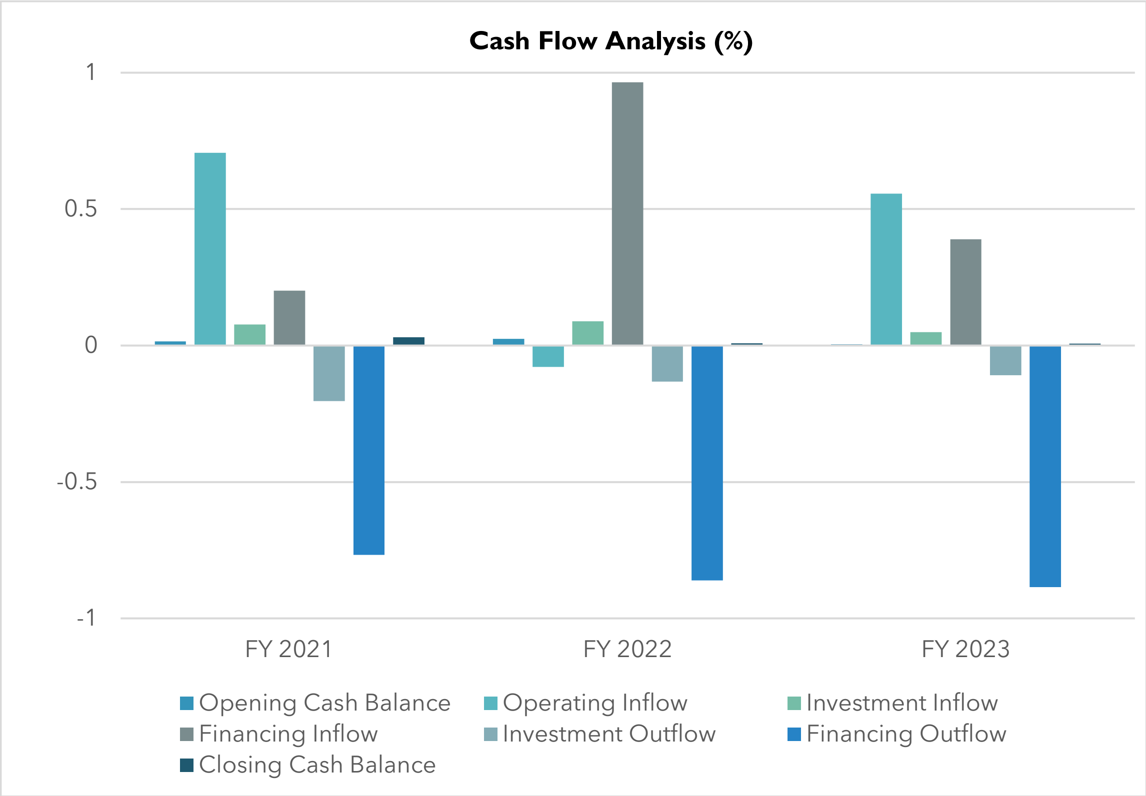
Using the historical adjusted working capital requirements while tweaking weights in favor of the most recent year, the overall working capital requirement of the Company per day is calculated and then extrapolated based on the adjacent scenarios.

Scenarios	Scenarios		
	Scenario 1	Scenario 2	Scenario 3
	10%↑	FY 2023	10%↓

Scenarios	Working capital requirement (INR in million)								
	1 day	10 days	30 days	60 days	190 days	250 days	365 days	270 days	330 days
Scenario 1	18	176	529	1,057	3,348	4,405	6,432	4,758	5,815
Scenario 2	16	160	481	961	3,044	4,005	5,847	4,325	5,286
Scenario 3	14	144	433	865	2,739	3,604	5,262	3,893	4,758

Given that the weighted average adjusted working capital requirement of the Company is -10 days, working capital requirements for each scenario corresponding to higher than 1 day have been highlighted by a darker shade for easy reference.

FREE CASH FLOW ANALYSIS



Free Cash Flow to The Firm (FCFF) & Free Cash Flow to Equity (FCFE)

(INR in million)

Particulars / Year	FY 2021	FY 2022	FY 2023
Net Cash Generated in Operating Activities	1,362	709	785
Net Capital Expenditure (business assets)	(26)	(239)	(38)
Net Investments (others)	(1,230)	1,826	(94)
Free Cash Flow to the Firm (FCFF)	**106**	**2,296**	**653**
Less: Interest* (1 - Tax Rate)	0	0	0
Add: Net Borrowings	(113)	(2,110)	(213)
FCFE	**(7)**	**186**	**440**

Note: A tax rate of 30% has been assumed

FCFF[1] improved in FY 2022 due to an improvement in net investments in spite of decline in net cash generated from operating activities due to reduction in profitability. However, FCFF declined in FY 2023 due to decline in net investments even though net cash generated from operating activities has improved due to improvement in the profitability.

FCFE[2] of the Company depicted an increasing trend during the review period. It increased in FY 2022 on account of an increase in FCFF although cash is utilized by the Company for buyback of equity shares. It further increased in FY 2023 due to lower utilization of cash for any financing activity even though FCFF have reduced in FY 2023 as compared to FY 2022.

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[1]*FCFF indicates the amount of cash generated after meeting its operating expenses, taxes, changes in its net working capital requirements, capital expenditure and investing requirements. This indicates cash available with the Company for distribution among investors (both debt holders and equity holders). Free cash flow is important because it allows the Company to pursue opportunities that enhance shareholders' value.*

[2]*FCFE indicates the cash available to equity shareholders' post reinvestments, capex, and repayment of debt obligations. FCFE is a measure of capital usage and used to determine the value of the Company.*

PROVISIONAL FINANCIAL PERFORMANCE

INR in million

Particulars	Six Month Ended	
	30-Sep-22	**30-Sep-23**
Revenue from Operations	2,362	3,854
Other Operating Income	-	-
Less: Expenditure	**(2,171)**	**(2,780)**
Employee benefit expenses	(1,681)	(2,120)
Operation and Other expenses	(397)	(597)
Depreciation and amortisation expenses	(93)	(64)
Profit/Loss from Operations before other income, finance costs, exchange difference and exceptional Item	**191**	**1,074**
Other income	149	232
Profit / Loss from Operations before finance costs, exchange difference and exceptional Item	**340**	**1,306**
Finance Costs	(4)	(4)
Profit/Loss before Tax	**336**	**1,302**
Tax expenses	**(86)**	**(332)**
Net Profit / Loss for the period	**250**	**970**
Operating Profit / Loss Margin (%)	**8.07**	**27.85**
Net Profit / Loss Margin (%)	**10.59**	**25.17**

Source: BSE Website

INDUSTRY OUTLOOK

- SECTOR OVERVIEW
- MACRO ECONOMIC SUMMARY
- OPPORTUNITIES AND CHALLENGES
- PORTERS FIVE FORCES

SECTOR OVERVIEW

D&B's sector overview is an overview for the entire IT-BPM industry and does not pertain specifically to the IT product industry.

Industry Overview

The IT-BPM industry plays a pivotal role in driving India's overall economic growth. Currently, the industry (including e-commerce) contributes nearly 9% to the country's GDP. The industry is also one of the largest employers in private organized sectors in the country, employing nearly 5.4 million people. The industry recorded nearly 7% estimated growth in direct employee pool in FY2023(E) with a highest-ever net addition of approximately 300,000 to its employee base. The sector is also one of the largest private sector employers of women workforce. The IT-BPM hired approximately 200,000 women in FY2022.

Information technology in India is an industry consisting of two major components: IT services and hardware as well as Business Process Management (BPM). In fact, E-commerce has also been included in this industry since FY 2013 and contributes substantially to the growth of the industry. India is amongst the largest exporters of IT services in the world as it enjoys a cost advantage over other nations along with the required skills. Tier 1 cities like Bengaluru are 8-10 times more cost efficient than other low-cost destinations (considering required manpower skills as well).

While IT services continues to have the dominant share in the industry, E-commerce is incremental in increasing market share of the domestic IT-BPM industry. IT-BPM companies are found in clusters in India, largely concentrated in urban cities like Bangalore, Chennai, Hyderabad, Mumbai, and Pune, cities that have easy availability of skilled workforce.

Changing Business Model in Indian IT-BPM Industry

Key Parameter	Shift From	Shift To
Product Offerings	Capacity	IP Focused Product Development
Solution Focus	Cost Advantage	Automation, Efficiency & cost optimization
Delivery focus	Globalized (global product & solution)	Globalized (global as well as local market focus)
Deal	Standalone	Bundled
Pricing	Fixed Pricing	Differentiated Pricing Strategy
Market Coverage	From Known and Met	Unknown & Unmet
Talent Focus	Scale (volume of Workforce)	Skilled (valuable trained Professional)
Operating Model	Size	Agile

Macroeconomic Scenario

After a healthy rebound in 2021, the global economy witnessed a stagflationary situation in 2022, as growth across the major countries moderated and inflation remains sticky at record-high levels in the face of aggressive monetary tightening around the world.

Real GDP growth	2021	2022Est.	2023P	2024P
World	**6.0%**	**3.4%**	**2.9%**	**3.1%**
India	8.7%	6.8%	6.1%	6.8%
China	8.1%	3.0%	5.2%	4.5%
Japan	1.7%	1.4%	1.8%	0.9%
USA	5.7%	2.0%	1.4%	1.0%
UK	7.4%	4.1%	-0.6%	0.9%
EU	5.2%	3.5%	0.7%	1.6%

Source: International Monetary Fund, January 2023 Outlook

Uncertainty related to food and energy supply emerged as major risk to stable governance, debt sustainability and business continuity across developed and emerging markets. The three economic heavyweights - the US, China, and the EU - continue to grapple with a host of challenges. Consequently, even fundamentally strong, export-oriented developing markets faced weak growth in 2022.

As the global economy continues to slowdown, central bankers are ramping down the pace of interest rate hikes, the policy playbook deployed in the two previous global recessions might not work this time. What complicates the job of central bankers are unusually tight labour markets, which translate into high demand pressures, and the fact that evidence of inflation reduction globally is still quite weak. However, the consensus points toward the fact that a global recession may not be upon us, but a global slowdown has been set in motion and businesses should remain vigilant and resilient.

Business especially with cross border linkages should consider two key points. The timing and intensity of this economic slowdown is likely to differ as the US is on a much better footing than the EU; and some developing markets in Asia, the Middle East and Latin America will outperform the US in coming months. Secondly, businesses cannot rely on the kind of policy support that was forthcoming in the last two global recessions (2008 and 2020). With higher interest rates, government debt is now costlier, hence fiscal support, too, will likely be limited or targeted. Businesses must thus critically assess the implications of the slowdown on their operations, their subsidiaries, or suppliers.

The first month of 2023 was quite eventful - Croatia joined the Eurozone as its 20th member, Brazil witnessed a mini-insurrection, India overtook China as the world's most populous nation, and the US hit its debt ceiling. Before this quarter ends, the conflict between Russia and Ukraine will have crossed its one-year mark, the Bank of Japan would have selected a successor to its longest-serving governor, and President Xi would have been confirmed as China's top leader for another term. Some of these events may have profound implications over the coming decades, while the others may pose the biggest risk to the global economy in 2023.

Given where inflation levels are currently hovering (and the fact that core pricing pressures have not yet abated), more will have to be done to weather the storm. This is reflected in central bank commentaries. We expect central banks, including the US Fed, to continue hiking rates in the upcoming meetings of Q1 2023, albeit at a slower pace. Whether this will result in a global recession is not even the most important question at this point. What businesses should know is that we are heading toward a synchronized global economic slowdown, and that they should prepare for a possible recession in developed markets. Further, the logic that a central-bank-engineered recession (if at all) should be mild, might hold true for the US, but in Europe, the course that the ongoing Russia-Ukraine war takes may continue to impact outcomes. Moreover, milder than usual weather has played an important role in easing pressure on energy prices in Europe.

India's Key Economic Indicator

India's economy is showing signs of resilience with GDP estimated to grow by approximately 7% in FY 2023[3]. Although this translates into a moderation in demand (compared to FY 2022), the estimated GDP growth in FY 2023 represents a return to pre pandemic era growth path. Despite this moderation in growth, India continues to remain one of the fastest growing economies in the world.

There are quite a few factors that is aiding India's economic recovery – notably its resilience to external shocks (ongoing Russia – Ukraine conflict) and rebound in private consumption. This rebound in private consumption is bringing back the focus on improvements in domestic demand, which together with revival in export demand is a precursor to higher industrial activity. Already the capacity utilization rates in Indian manufacturing sector are recovering as industries has stepped up their production volumes. As this momentum sustains, the increasing capacity utilization would lead to fresh round of capacity expansion plan. The universal vaccination program by the Government has played a big part in reinstating confidence among the population, in turn helping to revive private consumption.

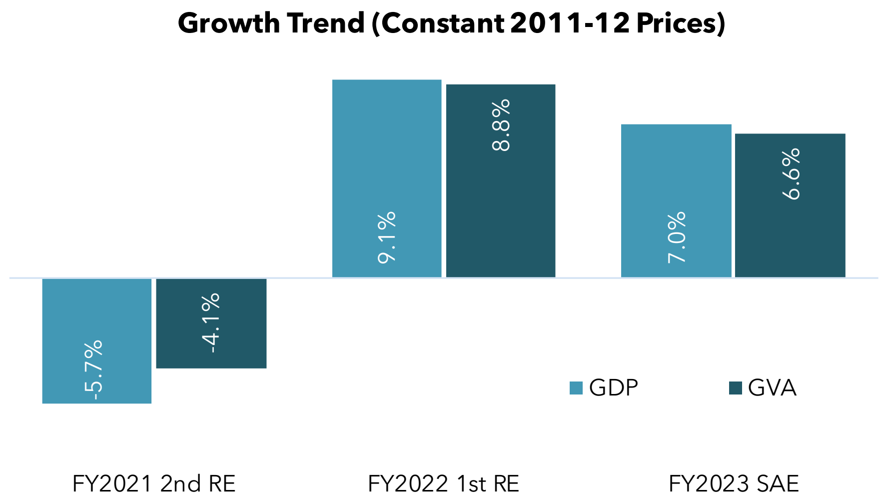
Realizing the need to impart external stimuli, the Government stepped up its spending on infrastructure projects which in turn had a positive impact on economic growth. The capital expenditure of central government increased by more than 60% during FY 2023[4]. This has provided the much-needed confidence to private sector, and in turn attracted private investment.

On the lending side, the financial health of major banks has witnessed an improvement which has helped in improving the credit supply. With capacity utilization improving, there would be demand for credit from corporate sector to fund the next round of expansion plans. Banking industry is well poised to address that demand. Underlining the improving credit scenario is the credit growth to micro, small and medium enterprise (MSME) sector which increased by nearly 31% in January – November 2022 period, compared to corresponding period previous year[5]. The extended Emergency Credit Linked Guarantee Scheme (ECLGS) by the Union Government has played a major role in improving this credit supply.

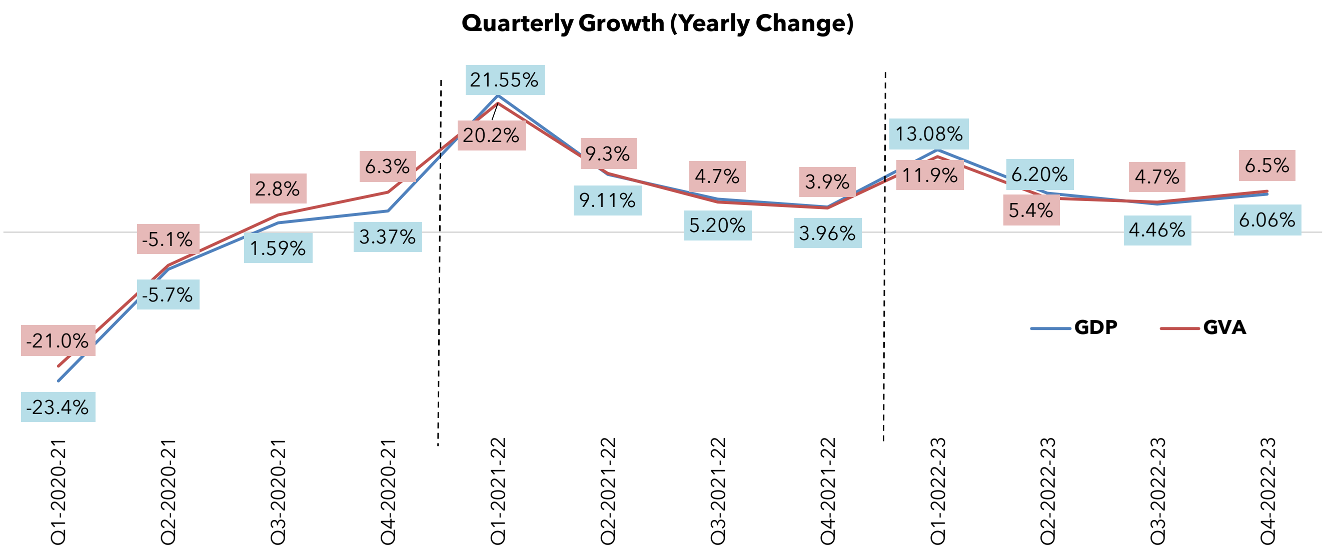
The slowdown in growth rate in FY 2023, compared to the previous fiscal on the back of slowing domestic as well as external demand owing to series of interest rate hikes globally to tackle high inflation. The year-on-year moderation in growth rate is also partly due to a fading impact of pandemic-induced base effects which had contributed towards higher growth in FY 2022. On quarterly basis, the growth moderated in Q2 and Q3 of FY 2023 which highlights impact of slowing

[3] *As per RBI First Advance Estimates. However, IMF have revised its India GDP growth for FY 2023 downward to 6.8%*
[4] *India Economic Survey FY 2023*
[5] *India Economic Survey FY 2023*

economy on the back of monetary tightening. During Q3 FY 2023, the country's GDP grew by 4.36% against 6.28% y-o-y increase in the corresponding quarter last fiscal. However, the fourth quarter of FY 2023 saw a rebound in growth rate, indicating an optimistic scenario.

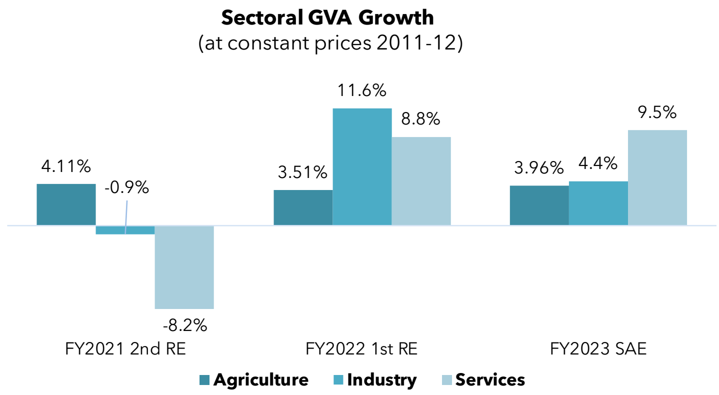


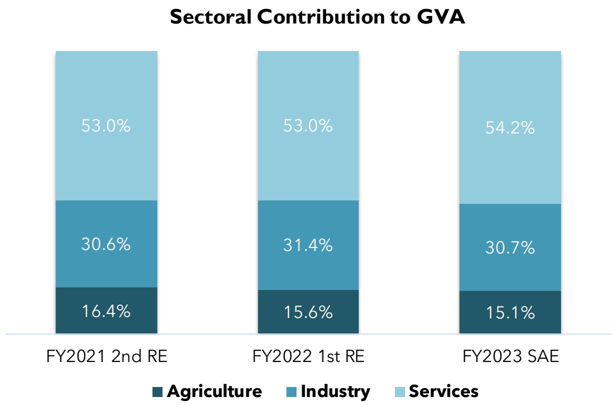
Source: Ministry of Statistics & Programme Implementation (MOSPI)
RE stands for Revised Estimates, SAE stands for Second Advance Estimates



Source: Ministry of Statistics & Programme Implementation (MOSPI)

Sectoral analysis of GVA reveals growth tapered sharply in industrial sector which is estimated to have grown by just 3.6% in FY 2023 against 11.6% in FY 2022. In the industrial sector, growth across major economic activity such as mining, manufacturing, construction sector slowed registering a growth of 3.4%, 0.6% and 9.1% in FY 2023 against a growth rate of 7.1%, 11.05% and 14.8% recorded in FY 2022, respectively. Utilities sector too observed a marginal moderation in y-o-y growth to 9.2% against a decline of 3.6% in the previous years.





Source: MOSPI, RE stands for Revised Estimates, SAE stands for Second Advance Estimates

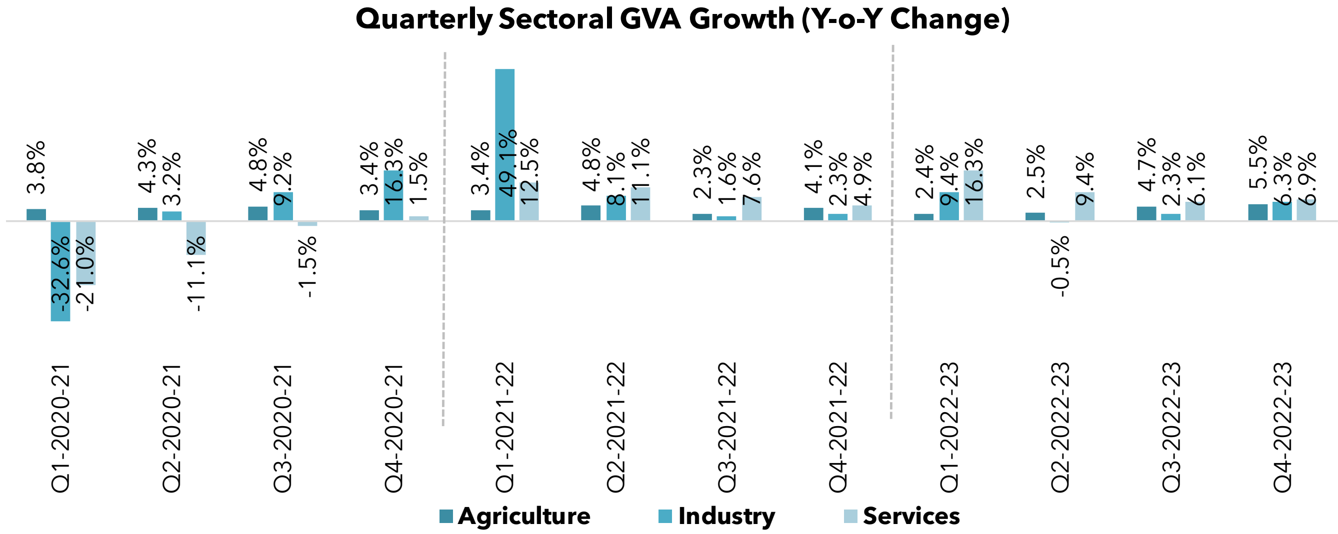
Talking about the services sectors performance, with major relaxation in covid restriction, progress on covid vaccination and living with virus attitude, business in service sector gradually returned to normalcy in FY 2022. Economic recovery was supported by the service sector as individual mobility returned to pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen and grow by 14.2% in FY 2023 against 13.8% in the previous year and financial services, real estate and professional services sector recorded 6.9% y-o-y growth against 4.7%. However, overall service sector growth was curbed by moderation in public administration and defense services sector which recorded 7.1% yearly increase against 9.7% increase in the previous year.

Quarterly GVA Performance

Quarterly GVA numbers for Q4 FY 2023 presents an optimistic picture, with an improved growth rate across industrial sectors. Manufacturing sector increased by nearly 4.5% in Q4 FY 2023, after two quarters of contraction. Meanwhile agriculture and other sectors within the industrial sector continued its stable growth.

Agriculture sector GVA strengthen in Q4 FY 2023 to register 5.47% yearly growth compared to both corresponding quarters last year (4.06%). Any growth between 3.5-4% in farm sector is considered above the long-term trend line. Construction sector witnessed 10.39% y-o-y growth in Q4 of FY 2023 against 4.93% y-o-y growth in the previous quarter, mining and quarrying sector, and Electricity, gas, water supply& other utility services sector registered strong growth in Q4 FY 2023.

Within service sector, quarterly growth moderated across all segments in Q4 FY 2023 against the previous quarter. Trade, hotel, transport, communication, and broadcasting segment observed 91% y-o-y growth in Q4 as compared to 9.64% growth in the last quarter. Other services sector broadly classified under Public Admin, Defence & Other Services and Financial, Real Estate & Professional Services too observed 3.12% and 7.11% growth in Q4 FY 2023 against 1.99% and 5.79% y-o-y change in Q3 FY 2023.

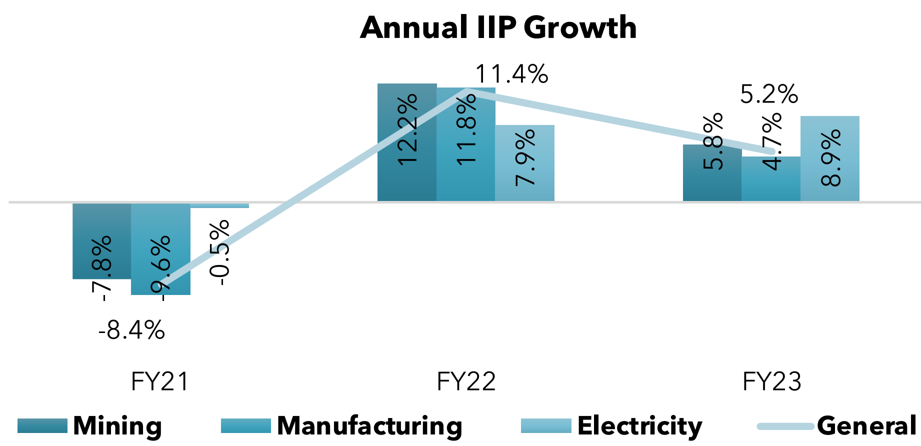


Source: MOSPI

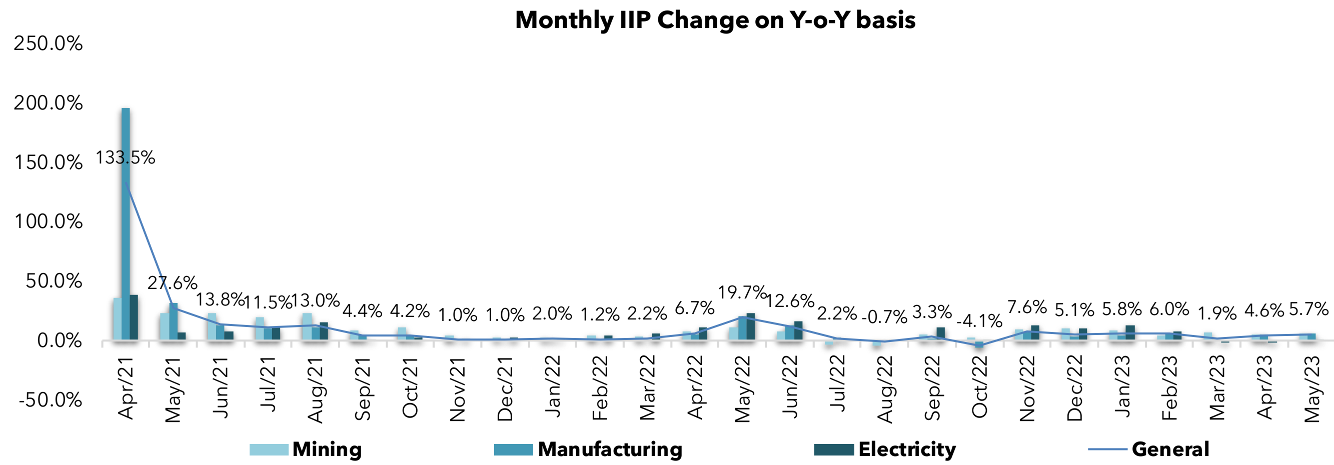
Index of Industrial Production

After experiencing three years of deteriorating industry growth, the country's Index of Industrial Production (IIP) index registered 11.4% y-o-y growth in FY 2022 where growth was evenly spread across all sub-segments. Manufacturing index, with 77.6% weightage in overall index, registered 11.7% y-o-y growth in FY 2022 while mining sector index registered the highest growth. On use-based classification basis, infrastructure/construction goods, capital good, intermediate good and consumer durable outperformed over the other sector and registered healthy double-digit growth.

After the pre-pandemic pent up demand that triggered a strong revival in industrial activity in FY 2022, annual IIP growth rate moderated in FY 2023 to 5.1%. However, this rate was still above the pre-pandemic rate – indicating the robust revival in industrial activity.

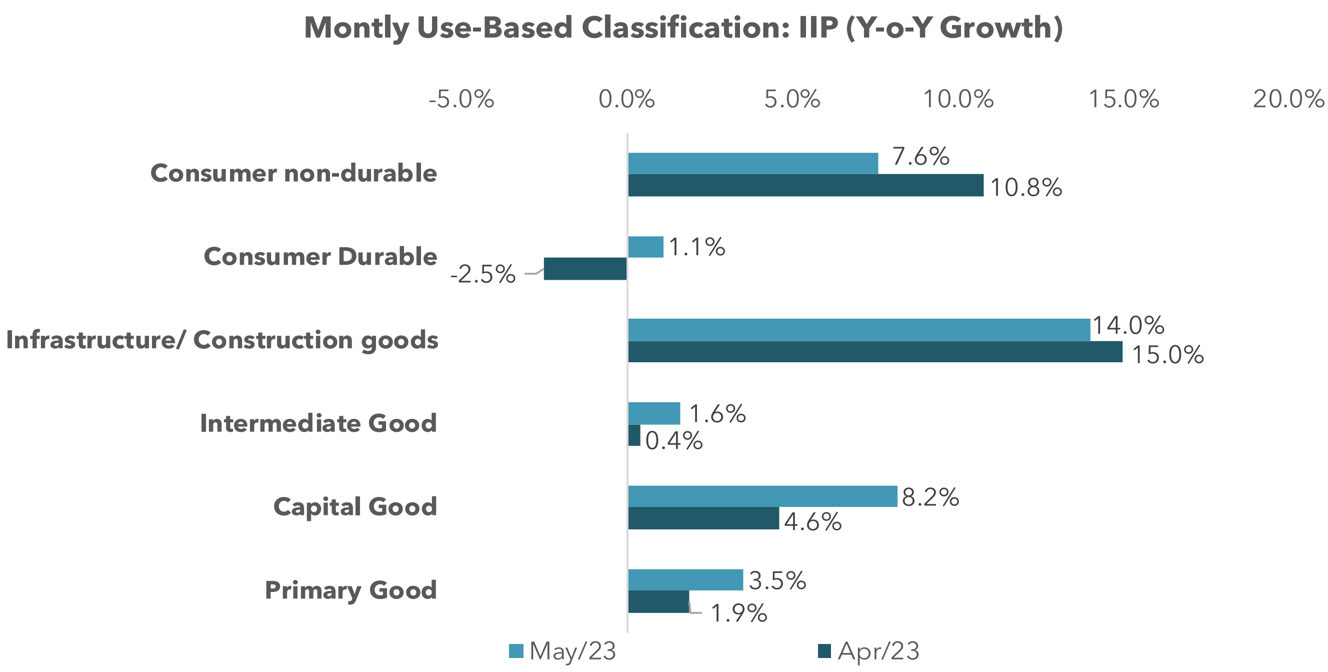


Source: MoSPI



Source: MoSPI

Although the monthly IIP growth rate has come down from the high level that was recorded during the later CY 2022, the growth pattern during the current year is pointing towards a stabilization of growth. For the year FY 2023, IIP growth has settled to a stable growth rate, and this trend is continuing in the initial years of FY 2024 (April and May 2023).



Sources: MOSPI

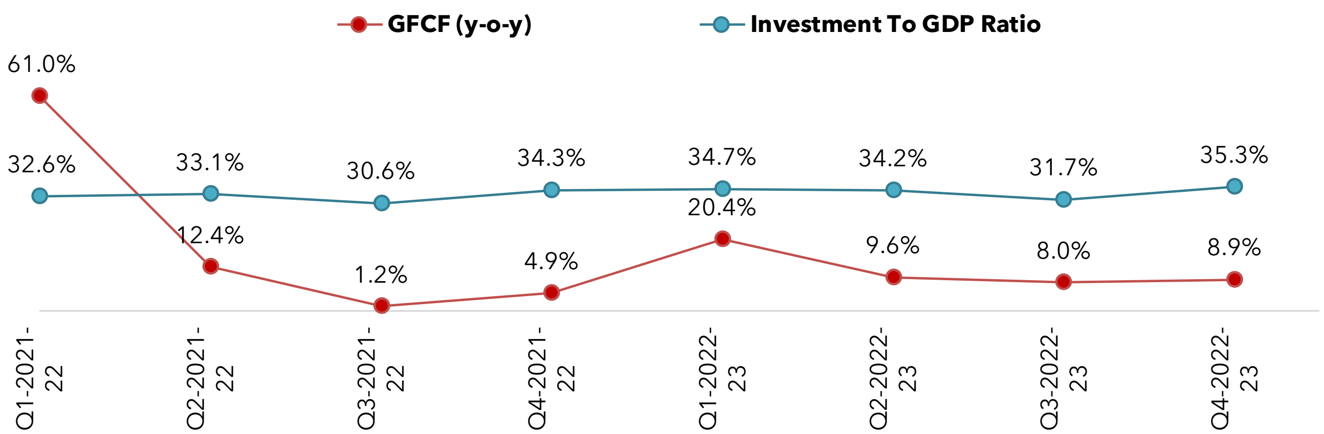
As per the use-based classification, growth in all segments excluding primary goods deteriorated in December 2022 against previous month. Consumer good and intermediate goods were worst hit segments. The Contracting IIP data points towards adverse operating business climate as global headwinds, high inflation, and monetary tightening started having adverse impact on manufacturing activity.

Investment & Consumption Scenario

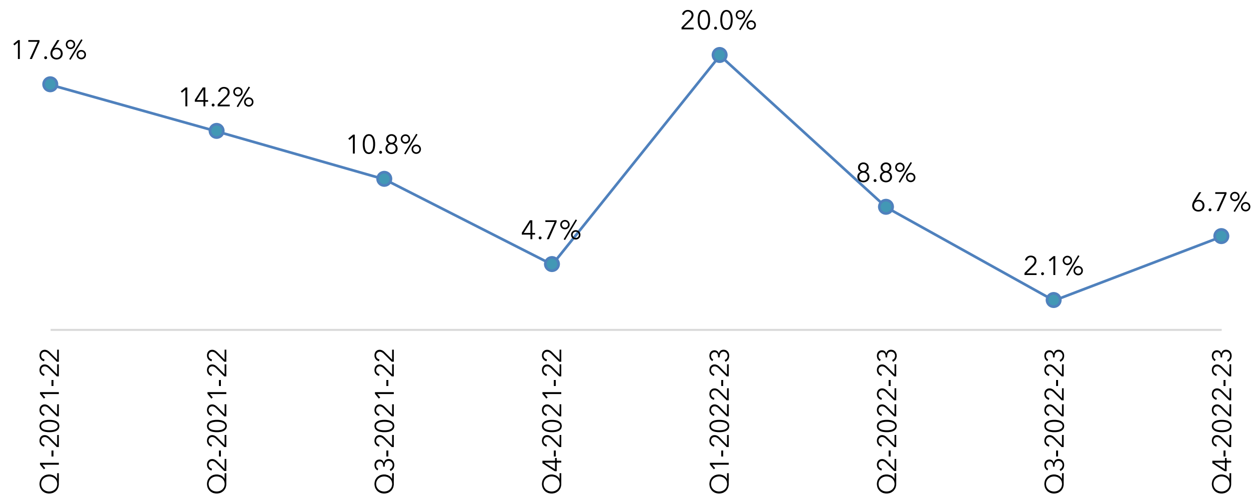
Other major indicators such as gross fixed capital formation (GFCF), a measure of investments, grew by 8.9% in Q4 FY 2023, in line with the growth rate that was registered during the last two quarters (Q2 and Q3 FY 2023).

Despite the festive season demand and largely a covid-free economy, Private Final Consumption Expenditure (PFCE) a realistic proxy to gauge household spending, observed a continued moderation in Q3 FY 2023 where yearly growth softened to 2.1% which was nearly 7% lower compared to Q2 FY 2023. However, for the last quarter (Q4 FY 2023), PFCE increase by 6.7%.

Quarterly Capital Investment Trend in India



Quarterly Private Consumption Trend in India, PFCE (Y-o-Y Growth)

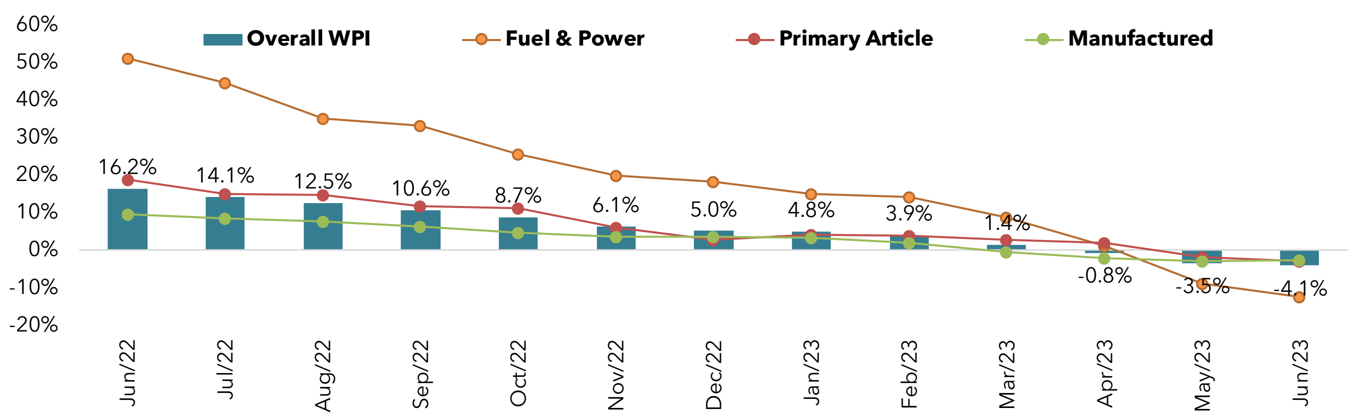


Sources: MOSPI

Inflation

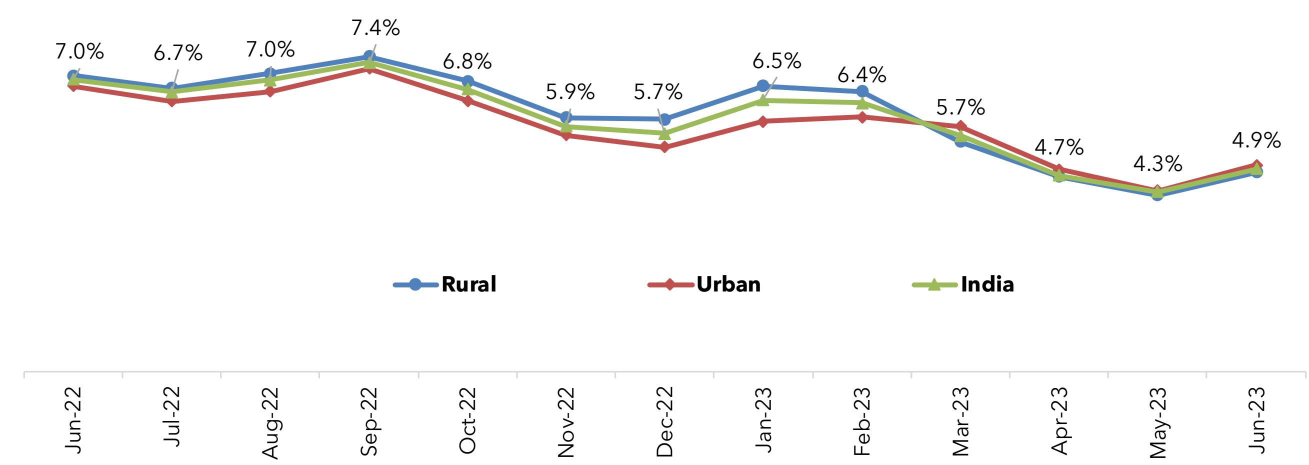
Wholesale Price Index (WPI) is moderating on the back of softening of prices. Compared to June 22, WPI in June 2023 dropped by 4.1%. This is primary on the back of softening of fuel & power prices. Monthly y-o-y change (June 2023 v/s June 2022) for manufactured products was -2.7%, and this too contributed to the moderation in WPI. Softening prices of mineral oils, chemicals & chemical products, textiles, crude petroleum & natural gas, textiles, and food products. contributed towards moderation in WPI inflation.

Monthly (Y-oY) Change in WPI, (2011-12)



Source: MOSPI, Office of Economic Advisor

Y-o-Y Growth in Monthly Consumer Price Indices (2011-12 Series)



Source: CMIE Economic Outlook

Retail inflation rate (as measured by Consumer Price Index) again jumped above 6% tolerance limit of the central bank in January 2023 after observing mild moderation in the previous two month. The overall CPI grew by 6.5% in January 2023 due to spike in food inflation and CPI food index grew by 5.9% during FY 2023 against 4.2% y-o-y growth in the previous year. Within food index, Cereals and product-led food inflation reached 16.1 per cent in January 2023 from 13.8 per cent in December 2022. As a part of anti-inflationary measure, the RBI has hiked the repo rate by 225 bps since May 2022 to current 6.5% (May 2023), with latest fourth round hike announced on 8 Feb 2023. The Reserve Bank of India has estimated an average inflation rate of 6.5% for FY 2023. Since then, retail inflation appears to be softening, as it grew by 6.4% and 4.3% respectively in February and March of 2023.

Growth Outlook

Amidst the difficult and uncertain external economic environment, the Indian government has delivered a balanced Union Budget which focuses on achieving an inclusive and sustainable growth while adhering to the fiscal glide path. Notwithstanding the external risk, there is a sustained momentum in economic activity supported by domestic drivers. The consumer confidence survey by the Reserve bank of India points towards rising confidence of households both for the current situation as well as the future expectations (for a one-year period).

Rural demand is likely to be boosted by good prospects for agricultural output and discretionary spending is expected to support urban consumption supporting. Resilient domestic financial markets, sturdy growth in credit and the government's thrust on capital expenditure is expected to drive momentum in investment activity. Capacity utilization in the manufacturing sector has surpassed its long period average. Thus, the stance taken by the government to not only emphasize on the top-down approach to growth i.e., focusing on substantial capital outlay, but also to place focus on the bottom of the pyramid by trying to unleash the potential of the primary sector in the Union Budget should support India's growth momentum in FY 2024.

Some of the key factors that would propel India's economic growth in the coming years

Government focus on infrastructure development

Infrastructure development has remained recurring theme in India's economic development. The launch of flagship policies like National Infrastructure Pipeline (NIP), and PM Gati Shakti plan have provided the coordination & collaboration that was lacking earlier. Both NIP and PM Gati Shakti are ambitious billion-dollar plans that aims to transform India's infrastructure, elevating it to the next level. These projects are expected to improve freight movement, debottleneck the logistics sector, and improve the industrial production landscape, which would provide the incremental growth in GDP. In its Union Budget FY 2023, the Government has increased the capital expenditure by 35% to nearly INR 7.5 lakh crore – which indicates the strong Government focus on improving the overall infrastructure landscape in India.

Development of Domestic Manufacturing Capability

The Government launched Production Linked Incentive (PLI) scheme in early 2020, initially aimed at improving domestic manufacturing capability in large scale electronic manufacturing and gradually extended to other sectors. At present it covers 14 sectors, ranging from medical devices to solar PV modules. The PLI scheme provides incentives to companies on incremental sales of products manufactured in India. This incentive structure is aimed to attracting private investment into setting up manufacturing units and thereby beef up the domestic production capabilities. The overall incentives earmarked for PLI scheme is estimated to be INR 2 lakh crore. If fully realizing the PLI scheme would have the ability to add nearly 4% to annual GDP growth, by way of incremental revenue generated from the newly formed manufacturing units.

Strong Domestic Demand

Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions are points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. This revival is perfectly captured by the private final consumption expenditure (PFCE) metric. PFCE as a percentage of GDP increased to nearly 59.2 during the first half of FY 2023[6], which is the highest level it has achieved during the past few years. Although pent-up demand has played a part in this surge, this is an indication of normalization of demand.

There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power.

- The share of middle class increased from nearly 14% in 2005 to nearly 30% in 2021 and is expected to cross 60% by 2047[7]. This expanding middle class household segment is fueling India's growth story and would continue to play a key role in propelling India's economic growth.
- As per National Statistics Office (NSO) India's per capita income (in current prices) stood at INR 1.72 lakhs in FY 2023 which is nearly double of what it was in FY 2015. This increase in per capita income has impacted the purchasing pattern as well as disposable spending pattern in the country. Consumer driven domestic demand is majorly fueled by this growth in per capita income.

Digitization Reforms

Ongoing digitization reforms and the resultant efficiency gains accrued would be a key economic growth driver in India in the medium to long term. Development of digital platforms has helped in the seamless roll out of initiatives like UPI, Aadhaar based benefit transfer programs, and streamlining of GST collections. All of these have contributed to improving the economic output in the country. Some of the key factors that has supported the digitization reforms include – the growth in internet penetration in India together with drop in data tariffs, growth in smartphone penetration, favorable demographic pattern (with higher percentage of tech savvy youth population) and India's strong IT sector which was leveraged to put in place the digital ecosystem. All these factors are expected to remain supportive and continue to propel the digitization reforms in India.

Government Regulation

The willingness of the Indian Government to boost the services sector enabled the industry to make rapid strides within a short time. With its flagship Digital India initiative, the Government aims to integrate the Government departments and the people of India. It aims at ensuring the government services are made available to citizens electronically by reducing paperwork. In Union Budget 2022-23 too, the government announcement progressed further in this direction with below major announcements:

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[6] India Economic Survey FY 2023, Full year data is yet to be released

[7] As per the survey conducted by People Research on India's Consumer Economy. Households with annual income in the range of INR 5 – 30 lakh is considered as middle-class households

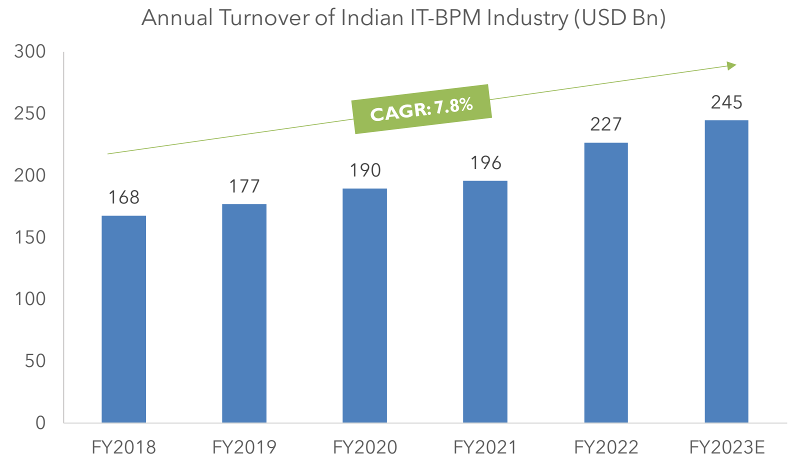
- The government announced the expansion of 'one class-one TV channel' programme of PM eVIDYA from 12 to 200 TV channels which will enable all states to provide supplementary education in regional languages for classes 1-12.
- Setting up of 750 virtual labs in science and mathematics and 75 skilling e-labs for simulated learning environment in FY23.
- Establishment of a digital university, built on a networked hub-spoke model, and available in different Indian languages and ICT formats.
- The government proposes to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks
- To facilitate better land records management, the government will promote the adoption or linkage of National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software'

Besides above other major announcement also included:

- Plans to set up a National Tele Mental Health Programme which will include a network of 23 tele-mental health centres of excellence. The National Institute of Mental Health and Neurosciences (NIMHANS) will act as the nodal centre and the International Institute of Information Technology-Bangalore (IIITB) will be providing the technology support.
- The government plans to bring the data exchange among all mode operators on Unified Logistics Interface Platform (ULIP), designed for Application Programming Interface (API).
- Launch of an open platform for the National Digital Health Ecosystem consisting of digital registries of health providers and health facilities, unique health identity, consent framework and universal access to health facilities
- Contracts for laying optical fibre in all villages, including remote areas, to be awarded under the Bharatnet project through PPP in FY23 with the aim to be completed by 2025 along with the measures to enable better and more efficient application and adoption of the optical fibre.
- Startups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS). In select it is, in all states, the required courses for skilling, will be started.
- e-Passports will be issued and rolled out in FY23 by using embedded chip and futuristic technology to enhance convenience of the citizens in their overseas travel.
- Data centers and energy storage systems including dense charging infrastructure and grid-scale battery systems will be given the infrastructure status

With positive budget announcements, the IT sector role is expected to strengthen further in the developments of the country. The focus on digital innovation and the promotion of blockchain technology through digital currency, which will be led by the RBI, will lead to adoption of high-end technologies and need for upskilling amongst various job seekers. India is foreseen to enter the arena of digital currency and bring in transparency to transactions and enable accounting of all money with aim to reduce the use of cash-based transactions. The focus on enabling affordable broadband and mobile service proliferation in rural and remote areas will encourage the adoption of 5G, which is planned to be launched in 2022. It will also create immense business opportunities for tech Startups functioning in gaming, content deliver services, animations, cloud technology, etc. The government of India has realized that the dream to become a digitally advanced nation can be fulfilled by making internet connectivity available across all villages at affordable price. Bringing internet in both fixed-line and wired form to rural parts was key focus of the budget which is believed to promote R&D and commercialization of technologies and solutions. The above announcements are likely to push the pace of digitization driving the revenue of overall of IT sector.

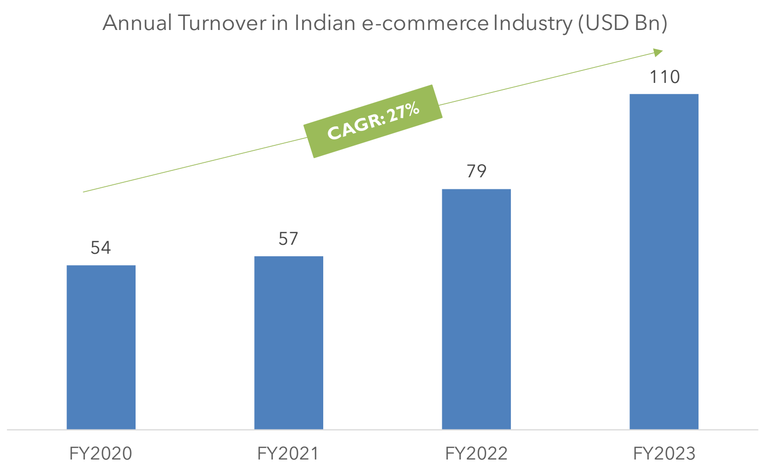
Market Scenario



Source: NASSCOM

The industry registered strong growth of 15.8% in FY 2022-highest since FY 2011, with overall IT-BPM revenue (excluding e-commerce) reaching USD 227 Bn in FY 2022 with addition of USD 19 Bn over last accounting for 7.9% y-o-y growth in FY 2023. The growth was spread across all sub-sectors which observed healthy double-digit growth.

Indian IT-BPM industry is export oriented where export contributed 79% to the total industry revenue in FY 2023. India's IT-BPM export revenue is estimated to have grown to USD 194 billion in FY 2023 from USD 178 billion in FY 2022, registering 9% Y-o-Y growth, while domestic IT-BPM revenue is estimated to have grown by 4.1% on Y-o-Y basis to reach USD 51 Bn in FY 2023. Meanwhile, the e-commerce recorded a growth of 39% to reach USD 79 billion in FY 2022.



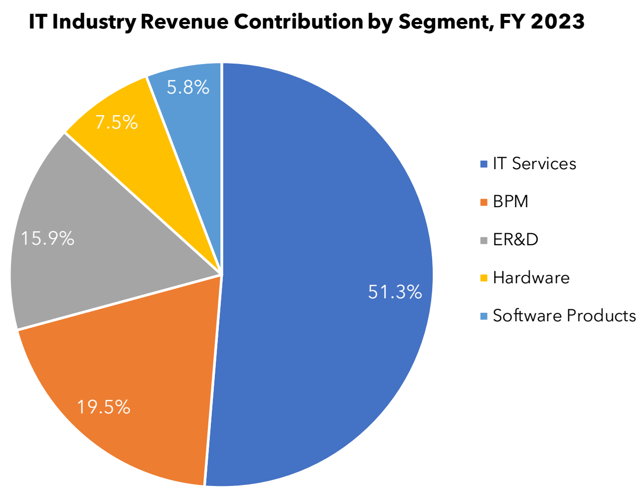
Source: NASSCOM

Interim review: During Q1 FY 2023, revenue in the industry grew by 1.8% quarter-on-quarter (Q-o-Q), as demand continued to accelerate. Digital revenues maintained an uptrend increasing at 6.7% sequentially. Q2 FY 2023 witnessed similar trends with revenue growing by 1.9% Q-o-Q and 10% Y-o-Y with businesses continuing focus on digital transformation. During the quarter, Digital revenues maintained an uptrend increasing at 3.7% sequentially.

Market Segmentation

By segmentation, the overall IT-BPM industry (excluding e-Commerce and including hardware) is estimated to earn 51.3% of the revenue from IT services while 19.5% from BPM services, 15.9% from ER&D, 7.5% from the IT hardware sector and 5.8% from software products in FY 2023. The remaining share of the revenue to come from sale of hardware. Revenue from e-commerce is estimated to record a growth of 39.2% to reach USD 110 billion in FY 2023.

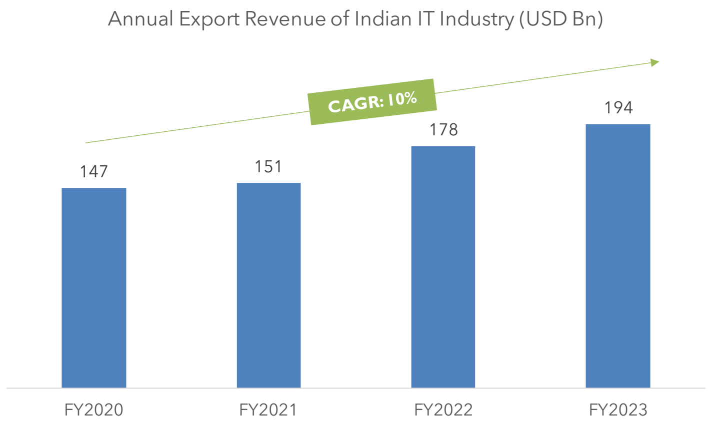
During the past two years, COVID-19 pandemic accelerated the technology adoption across industries as businesses relied on digital tools for resilience and business continuity. The overall industry revenue has been driven by the fast-paced digitization and cloud adoption. Digital revenue share stood at 30-32%, recording an incremental revenue of USD13 bn in FY2022, registering 25% growth on y-o-y basis. The industry observed over 290 cross border M&As deal with digital as their primary focus.



Source: NASSCOM

Export Revenue

Indian IT-BPM industry is export driven, with export contributing ~79% of the industry revenue in FY 2023. Within exports, IT services export accounts for the largest share while the share of hardware in export is negligible, as IT hardware manufactured in India is primarily consumed to meet domestic demand. IT services export contributed the most to total industry revenue with nearly 51% share followed by BPM and the ER&D. In FY 2023, the value of export revenue generated by IT-BPM industry is estimated to be USD 194 Bn, registering 9% y-o-y growth. Factors such as economy of scale, business risk mitigation, utilization improvement and superior competency have all lead to the growth of the Indian BPM industry.



Source: Dun & Bradstreet Research

The USA, UK and EU remain the major markets for the IT software and services exports, accounting for ~90% of the total IT-BPM exports, however, there are new challenges surfacing in these traditional geographies. Consequently, India is exploring new opportunities in Asia Pacific (APAC), Latin America, Middle East Asia, Europe, Japan, China, and Africa along with catering to the demand to traditional market.

Demand Drivers

Large Talent Pool & Cost Competitiveness

Presence of a large employee base with high IT skills and a cost differential with their peers in the developed markets of the US and Europe has helped the country emerge as a sought-after IT-BPM outsourcing destination. As per industry estimates, labor cost efficiency in India is up to 30-40% more than source countries (primarily US) that gives huge opportunity for the outsourcing business model to expand. Indian IT industry is a global talent powerhouse and a representative of millennials, showcasing diversity, and leadership in digital skills that too at competitive costs. India boasts of a digitally skilled talent pool of 1.6 million with over 30% increase in learning and development budget of companies. To fulfill the robust digital driven IT growth, tech companies are upskilled with 2.8 lakh employees in the digital space in FY 2022. In FY 2022, India's digital talent pool surged to 1.6 million from 1.17 Mn in FY 2021, registering 36.8% y-o-y growth.

Global Technology Spending

Organizations worldwide have been preferring computerization as well as automation to streamline costs and increase operation efficiency, business. Moreover, amidst strict restriction during Covid, business looked technology as a solution to keep the business running and respond to consumer increasingly reliance to several online platform including gaming, digital content, social media, and E-commerce. Consequently, the global IT spending surged to USD 4.4 trillion in 2022. It is further slated to grow by 2.4% to USD 4.5 trillion in 2023. This created great opportunities for the export-oriented Indian IT-BPM industry which grew substantially.

Preferred Outsourcing Destination

Indian IT-BPM industry has earned more than 25 years of outsourcing experience and possesses a strong ecosystem. Indian companies are steadily upgrading their capabilities to rapidly adapt with emerging demand. With expanding GCC base and tech value proposition, India's continued to be ranked 1st as sourcing destination with nearly 60% share in global outsourcing market which witnessed significantly higher growth of 8-10% reaching USD 262 billion in 2022.

Growing Technology Absorption in Domestic Market

While the first phase of India's technology industry development was driven by export of software and services, the current boom is largely led by domestic demand. A major source of growth in domestic IT-BPM revenue has been Government initiatives and technology adoption programmes by government for its citizen and inter-departmental services. Enterprise services comprising of M-wallets/m-banking for financial inclusion; digital marketing; online payments; analytics; automotive (EV/autonomous vehicles); etc. and smart projects comprising of smart city, transportation, utilities buildings, etc., E-commerce.

Changing Solution Landscape of Indian IT-BPM

Growing Demand for Analytics & Data Science Solutions, AI Driven Solution

The penetration of digital technologies, due to the proliferation of handheld electronic devices and integration of sensors, has led to an avalanche of data. It is estimated that 2.5 quintillion bytes of data is produced every day. The rapidly increasing volume as well as complexity of data could be attributed to growing mobile traffic, cloud computing, as well as developments in the deployment of Internet of Things (IoT) and Artificial Intelligence (AI) technologies. The advent of 5G, and democratization of IoT & AI is expected to increase the data generation in the coming years.

The growth in data (volume & complexity) was accompanied by an equally astounding improvement in computing power as well as advances in storage capabilities. Together this led to the advance of Big Data as well as Data Analytics – disciplines that use cutting edge digital technology to extract actionable insights from the mountain of data that is being generated on a regular basis. Today, a large volume of data is regularly analyzed and interpreted as part of business processes. Aspects like sales forecast, customer behavior, customer retention, market studies, and marketing effectiveness are decoded using data analytics tools.

Artificial Intelligence, as a concept, has been around for decades but the practical application was lacking earlier due to the shortcoming in technology tools. The advances in computing power & storage capability have helped in exploring the true potential of AI applications. Today, AI research is flourishing around the world, with regions like USA, China, India, and Europe making rapid progress. The avenues that are witnessing rapid progress within the domain of AI are Neural Networks, Natural Language Processing, Machine Learning & Probabilistic Reasoning, Computer Vision, Fuzzy Systems, and Search & Optimization.

Current Scenario

According to IDC (International Data Corporation), the global revenue for AI (including software, hardware, and services) was estimated to value at USD342 Billion in 2021, increasing by nearly 15.2% over previous year. Annual revenue growth is expected to accelerate with 18.8% yearly growth in 2022. Covid induced digital penetration are serving as a catalyst for innovation and transformation with global artificial intelligence (AI) spending expected to grow over USD 500 Bn by 2024.

Amongst three segment, AI Software is the largest segment accounting for nearly 88% of the market revenue, and include software applications like CRM AI Applications, ERM AI Applications, AI for content workflow, management applications, production applications, and collaboration applications. AI services is the second largest segment within the industry, after AI software and comprise of AI IT services and AI business services and expected to be the fastest growing segment from 2023 onwards. The hardware segment comprises of server & storage applications that support deployment of AI software and services and currently is the fastest growing segment.

Indian Scenario

In India the Banking and Financial Services (BFS) sector is the pioneer in adopting analytics tools and services, with few companies integrating AI (Artificial Intelligence) and ML (Machine Learning) related initiatives. After banking and finance, analytics is finding increasing usage in marketing and advertising domain, where customer data is increasingly used to developed marketing strategies.

Indian analytics industry is a mix of startups, traditional IT-BPM firms, captive units of global IT firms, and pureplay multinational analytics companies. The nature of work executed ranges from basic data analysis to complex services incorporating AI/ML concepts. The biggest differentiator in this industry is qualified manpower, which is in short supply. The manpower shortfall in this industry is estimated to run into thousands. The education infrastructure in India is yet to integrate analytics into their curriculum, resulting in the dearth of new professionals entering the labor pool.

Demand Landscape in India

Indian economy has witnessed a drastic transformation in the past couple of decades, moving away from a closed & controlled economy to a more open and market friendly economy. This transformation has created innumerable market opportunities in the form of new product categories, new market segments and new geographies. India became a major exporter of goods ranging from auto components to textiles to pharmaceutical products, and in the process helped in creating several home-grown multinational conglomerates. These MNCs have successfully expanded their operations to multiple countries across the world. Corporates is increasingly relying on data analytic solutions to navigate this changing business environment.

Thus, the changing business scenario is acting as a driver leading to mainstream uses of data and analytics solutions.

- **Changes in Business Environment:** Indian businesses no longer operate in isolation. Rather the economy of a country is closely linked to the global economy as well as economies of its trading partners. Thus, any change in the business environment, in any of the major global economy will have a direct link on the business scenario in the country. The pace of this change has quickened over the past few years, leaving Companies to grapple with sudden & unexpected changes.

- **New product launches, customer surveys, and sales channels:** The changes in business environment and advent of technologies have created a need to bring changes in product mix, develop new sales channels, and improve customer surveys. However, to undertake these initiatives a Company need to have a solid understanding of the path their industry is currently traversing. Highlighting the opportunities and pitfalls in the coming years could serve as a helpful tool for a Company to design their strategy.

Fortunately for companies, the innovations in digital technologies allow them to capture and process data that is being generated and create insights that help them navigate this changing business landscape. According to Gartner, over the next couple of years AI technology & services will increasingly move from the pilot stage to operational deployment where it will be used to solve the business problems. Since India is one of the early movers in data & analytics solutions, the forecast of operationalization of AI services is expected to materialize in Indian market too.

Behavioral Product Management

Behavioral product management involves integrating learnings from behavior science / human psychology into aspects like product design and management. From a consumer product / service industry perspective, the objective is to use behavioral science to understand what appeals /does not appeal to a consumer and using those learnings to design a better product. The learnings could be anything from attributes of the product to its price.

Integrating consumer feedback and perceptions into product design / improvement is deeply entrenched in the industry and is considered one of the major phases in product development. However, a data driven approach was missing, which meant customer perceptions was not quantified. On the other hand, integrating behavioral science gives the product manager tools and techniques to covert qualitative perceptions into measurable indicators. This is a much more proactive approach compared to the spontaneous / unstructured approach that was existing earlier.

Using behavioral science enterprises has been able to automate and simplify product design while creating a pricing framework to get the product price right. Auto log in features in mobile apps and option of a simplified interface in webpages / mobile apps are just two of the features that has come out due to the integration of behavioral science.

The penetration of digital channels and rise of social media has given consumers multiple avenues to express their opinions, which earlier was very restricted. A focused customer feedback exercise was the only sure way to gather consumer insights. This change has helped both companies and consumers. From a consumer point of view, he has access to forums / platform where views can be aired, and which will be heard by Companies / brand owners.

From an enterprise perspective, social media feed has become an integral channel to gather consumer insights. Considering the volume of social media feed generated, it becomes extremely difficult to find valuable insights. This problem has been solved by the advances in Artificial intelligence and machine learning, wherein tools based on AI/ML are deployed to find interesting patterns. These patterns are then analyzed through the lens of a behavioral science backed product development & management. The entire process, which is an integration of AI/ML tools and behavioral product management helps Companies to design better products / services.

With digital going to be the future, behavioral product management would emerge as the key toolset for a product management to design better products / services.

IT Infrastructure Services/Cloud services

In cloud services, software services are hosted in data centers - away from customer location – and delivered to clients through internet. Traditionally, servers hosting software services were located on customer premises. Migrating to cloud services frees up the resources that the customer must incur for hosting and maintaining the service. Exponential increase in data which necessitated innovative solutions in storage and computing power played a significant role in the development of cloud services as well as related software applications.

Software as a Service (SaaS), Platform as a Service (PaaS), Business Process as a Service (BPaaS), Infrastructure as a Service (IaaS), Communications as a Service (CaaS), X as a service (XaaS)8 are key services offered on cloud-based technology. Under IaaS, servers, storage facilities, and networking capabilities are owned and offered by a service provider to customer – on - demand - for which customer makes payment (rent) based on "Pay As You Go" (PAYG9) pricing model. IaaS is growing fast as a low-cost alternative amongst start-ups as company do not require investing in the physical infrastructure.

Advantages & Key Attributes

Notable attributes & advantages that are driving the cloud computing segment globally include:

- **Limited Investment in IT Infrastructure:** In cloud computing, the IT infrastructure required to run an application is hosted in the premise of cloud service provider. Thus, the investment by enterprise on IT infrastructure is low, and is limited to subscription to access the cloud platform. This results in huge savings for enterprise, and this attribute has played a major role in the increasing popularity of cloud computing.
- **Flexibility in payment:** Majority of the cloud services run on the pay per use model, which helps an enterprise in limiting their expenses.

Market Growth

According to IDC, the global cloud computing market was valued at nearly USD 369 Bn in 2021. Annual revenue in this segment is expected to increase to USD 590 Bn by 2023. This would make cloud computing one of the fastest growing segments in the global technology sector. This continuing growth in cloud computing could be accorded to the following factors:

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[8]*XaaS is a collective term for referring anything as a service" or "everything as a service." This refers to an increasing number of services (any possible services) that are delivered over the Internet rather than provided locally or on-site*

9 PAYG: In this model actual usage is metered and customer pay on the basis of what they consume

- **Digitization:** Digital technology & interface has disrupted the global technology landscape, with customers across industrial segments quickly migrating to evolving digital technologies. The spread of internet increase in connected devices, transformation in business environment, innovations in products & services, and introduction of new business models are driving this digital adoption. All these evolving digital services is best served through cloud channels, which in turn has helped in the spread of cloud computing.
- **Application Programming Interface (API):** Technological breakthroughs in the last few years in API domain has helped companies launch digital platforms, atop APIs. Today more and more enterprises are adopting APIs, and it has become an integral part of the evolving digital ecosystem. Payment services, through banks / other third-party intermediates is one of the segments that has witnessed high adoption of APIs. A cloud infrastructure is an integral component in launching & operating an API. This growth in API has directly resulted in the growth of cloud computing.
- **Artificial Intelligence & Cognitive Computing:** Commercial application of AI, Cognitive Computing & Machine Learning has become widespread. These technologies involve massive data usage, which is made possible by a robust cloud infrastructure. Fourth Industrial Revolution, which is spreading across the world today is driven by these new technologies (AI, Cognitive Computing & Machine Learning). Consequently, it could be commented that the commercialization of these technologies has necessitated the need for a strong cloud computing infrastructure.

Growing cloud technology is helping businesses to accelerate their digital journey where many entities are regularly reviewing their IT infrastructure management strategies. Companies are evaluating managed services for the benefit it brings to the businesses. Many organizations are shifting their business to the various cloud platform such as Amazon Web Services, Microsoft Azure, Google cloud, IBM cloud etc. to achieve agility, flexibility, scalability, security compliance, cost reduction, and more, with minimal management. With increasing number of cloud players entering the market, storage cost is likely to come down which will be benefiting businesses with competitive cloud pricing.

The migration to cloud has increased the risk of data threat and infringement and required a strong enterprise networking and security solution. With digital tools like IoT, Cloud and AI / ML expected to become widespread, the challenges posed to enterprise networking and security solution provider is only expected to get more complex. For this, solution providers will have to constantly innovation to meet these evolving challenges.

Digital Workspace

The spread of Covid-19 and the subsequent transformation into a home based / remote work scenario for an extended period has brought to fore the concept of a robust digital workspace. Although companies across the world are either recalling employees or in the process of doing so it is widely agreed upon that a return to pre-covid style of working will not happen. The emerging trend is that of a hybrid model of working. This meant the digital workspace that have become prominent over the past year and half will remain relevant, transforming to an integral part of model work culture. As per Gartner, Digital Workplace is characterized by a working style that increase employee engagement and agility which is tailored towards raising employee productivity and flexibility. This is done by creating a digital platform by bringing together data, digital applications, new / improved engagement interfaces and collaboration tools. A robust digital workplace that is built on the above factors provides a remote working model that balances employee flexibility, productivity, and digital security.

Some of major trends that are expected to define digital workplace in the coming years include:

- Remote working, where employees with scattered at various locations, will lead to a transition from centralized IT landscape to a decentralized landscape. End user computing models that involve digital desktop and visualization technologies will gain momentum due to their ability to enable a robust remote working model while ensuring lower expenses.
- Automation of routine work is expected to become a norm, rather than an exception.
- On-demand workforce, which involves short term contracts could witness a growth. The switch to a remote working model has opened the possibility of hiring talent without location restriction, and as per the work requirement. Acceptance of digital workplace and remote working could be the factors that will increase the penetration of gig economy in knowledge work.
- Virtual collaboration has become a necessity, and the demand for strong collaboration tools that combines communication feature have increase. All major technology companies have either introduced new tools or have improved their existing offering to suit the current demand. The need for digital platform and cloud infrastructure to support such tools will become paramount.

Competitive Landscape

The Indian IT-BPM industry is highly fragmented and comprises of large multi-billion-dollar companies, small domestic companies and global MNCs. The first category is Tier I with big and mid-sized players that offer all services across the value chain. These are engaged in providing end-to-end software solutions including process automation, IT infrastructure maintenance, software testing and platform hosting. The competition in this segment is limited in terms of number of players but is fierce when it comes to offerings and pricing.

Then there are offshore service providers who specialize in IT services along with BPMs. The next category is of companies that only provide and specialize in BPM services. The last category is small and emerging players. This segment is very niche as there is presence of boutique companies specializing in limited domains (at times even one or two offerings). The competitive advantage for these companies is specialized skill sets along with lower pricing.

Indian Market landscape	
Players	6000+ Indian Tech Service companies, 2000 Product companies, 1000 SaaS companies
Patents	With a massive focus on IP Creation, India ranked 40th in Global Innovation Index, 138K Tech patent filed between 2015-22.
Start-ups	25000+ firms, 78+ Unicorns, over 1,400 new tech startups were founded in 2022
Global capability centers (GCC)	1430+, where 43% are portfolio & transformation hubs

MACROECONOMIC SUMMARY

A] Global Economy

Across economies, signs of an economic slowdown were evident in Q1 2023 GDP data. The Fed and the European Central Bank have pushed ahead with a 25-bps hike in their latest meetings (May); for the U.S., we expect a pause now. While inflation is still far from the Fed's stated target, it is largely moving in the right direction, discounting the frustratingly slow pace of growth. For the ECB, the banking jitters across the Atlantic have served as a cautionary tale, prompting them to dial down the pace of rate increments even when core inflation continues to remain high for the most part. If other central banks needed any indication to pause their aggressive hiking cycle, they now seem to have it.

With JP Morgan's rescue of First Republic Bank on May 1, three out of the four largest U.S. bank failures have now happened in the past two months. but the bigger issue at hand is the worsening credit conditions in the U.S. As a first step, these bank failures are likely to force all lenders and financial institutions to review their books closely to find parallels with the issues that plagued the failed institutions. This will create tighter credit conditions throughout the economy, particularly small and mid-sized banks – are likely to face far more stringent regulatory scrutiny. This will squeeze their operating margins and limit risk-taking. Sectors such as commercial real estate that are reliant on funding from mid-sized lenders in the US will face the pinch a bit more strongly than the rest. For businesses, the bottom line remains that access to financing is more difficult and costlier than last year.

After The Organization of the Petroleum Exporting Countries' (OPEC) decision to reduce production, the price of Brent crude oil appears to be stable at close to USD80/bbl; moreover, China's reopening has improved demand. Despite the resilience of Russian supply, around 1mb/d of Russian oil supply is at risk as the EU embargo on refined oil products came into force. Meanwhile, non-OPEC countries have limited spare capacity to offset OPEC's production cuts. Consequently, we could see oil prices edging higher toward USD100/bbl as the year progresses – which will be bad news for inflation and the global economy.

The armed conflict between rival factions in Sudan is a reminder of the risk posed by political instability in the region. This is especially critical in the wake of renewed global commercial interest for resource and commodity extraction. Apart from the humanitarian losses accompanying deadly violence, the conflict is also worth watching from the standpoint of regional stability.

North America

The economic picture in the region continues to give mixed signals. In Canada, the housing market and oil production continue to soften, whereas manufacturing and retail sales have managed to hold up well. In the US, private consumption remains an area of strength, whereas manufacturing continues to show sustained signs of weakness. In both the economies, labor markets are driving a large part of the economic resilience and making it harder to call which way the fight against inflation is going for now. The Canadian government announced spending plans in its 2023/24 Budget titled 'Made-in-Canada Plan', wherein most proposals were designed to incentivize investment in clean energy technology and address the realignment of global trading patterns. In US, as credit conditions tighten further, we are likely to see downside risks to the economy becoming more prominent in the coming quarter, although an outright recession is still not our base case scenario. Apart from the banking system, the performance of the housing market in the coming quarter would be worth monitoring, when activity in the market usually peaks seasonally. Also, the performance of household consumption, particularly on services, as the excess savings of households have been considerably run down and services inflation remains a key driver of current inflation in the region.

Western and Central Europe

After avoiding a recession in 2022, lead indicators of economic growth for the Eurozone and UK economies continue to provide businesses with reasons for remaining mildly optimistic about Q2 2023. However, headwinds continue to cloud the outlook. First, while headline inflation is dropping rapidly in many Eurozone economies, core inflation is rising, which signals that the ECB will continue to increase interest rates, before possibly pausing in the second half of the year. Second, while being on a downward trajectory, the UK's headline inflation is taking longer than expected to come down and remains in double-digit territory, which will lead the Bank of England (BoE) on a hiking trajectory. Over the last year, interest rates have risen dramatically in both the UK and the Eurozone. However, all else equal, and with inflationary pressures still strong, interest rates are likely to increase further before possibly stabilizing. Rate cuts are unlikely in the short term. With higher interest rates feeding through European economies, credit risk increases significantly, and insolvencies become more frequent. In the EU, they rose 27% in Q4 2022, relative to Q3. In the UK, business liquidations continue to fare at substantially higher levels than in pre-pandemic years, consolidating a trend that started in 2021.

Asia Pacific

Growth in 2023 is set to be slower than 2022, with the notable exceptions of Mainland China, Hong Kong SAR, and Thailand. China is consolidating its gains from reopening and is likely to achieve its growth target of around 5% for 2023. Economies of Taiwan Region, South Korea, Vietnam, and Malaysia have all witnessed a slowdown in Q1 2023, accompanied by weak exports. The slowdown in Vietnam has even prompted the central bank to cut interest rates. Elsewhere, most central banks (except for Australia) have either hit the pause button or have given indications for one. The region's banking sector has, thus far, proved resilient to the financial market turmoil witnessed in the U.S. and Europe however, given the considerable global linkages in the financial system, a contagion in case of further distress cannot be ruled out.

Nordics

On average, the Nordic economies weathered the energy crise relatively well in 2022. However, in Q4 2022, the regional economies exhibited vastly different GDP performances, with strong growth in Iceland and Denmark (2.2% and 1.1%, respectively), mild growth in Norway (0.2%), and negative growth in both Finland (-0.2%) and Sweden (-0.6%). Although inflation seems to have peaked, it remains well above the target in all the economies of the region, possibly indicating that interest rates will rise further in H1 2023. At the same time, a prolonged banking turmoil represents an important risk for some economies, which are characterized by vulnerable housing markets. A multi-speed dynamic is likely to persist in the Nordic region in 2023, with demand remaining subdued and core inflation still upwards and possibly outpacing wage rates.

Latin America & Caribbean

The growth rate in Latin America is expected to slow down markedly in 2023. This is due to the implementation of restrictive monetary policies, weaker economic momentum in developed countries, and lower average prices for major commodity exports. Our projected growth for the region is 1.3% in 2023, before it picks up slightly to 2.1% in 2024. There will likely be some support in the form of increased visitor arrivals and recovering demand from China. Inflation in the region has already peaked and is expected to decrease later this year in most countries. There are also potential risks from further foreign exchange depreciation, extreme weather events, and socio-political instability that could increase inflation. More central banks in Latin America will consider rate cuts as economic activity declines, inflation eases, and inflation expectations return to the target range, regardless of concern over the direction of the global economy. In 2023, Latin American politics is likely to see high levels of uncertainty, and in the worst case, governance crises across several countries in the region.

Eastern Europe & Central Asia

The World Bank has raised its 2023 economic growth forecast for the Eastern Europe & Central Asia (EECA) region to 1.4% from an earlier 0.1%, citing improved outlooks for both Russia and Ukraine despite their ongoing war. Supply chain has significantly improved due to lower energy prices and easing supply bottlenecks. However, many countries in Eastern Europe are yet to see their inflation trajectory peak despite being ahead of the European Central Bank in raising interest rates. For Eastern European and Central Asian countries, financial stability is a key challenge in the wake of high and rising public debt, further accentuated by the high cost of debt servicing amid expectations of lower economic growth. As the budget deficit across Eastern Europe widens, the foreign borrowings have been near their all-time high, despite significantly higher borrowing costs. Real household income for all Eastern European nations has consistently declined since June 2022. Having said that, an all-out recession was avoided this winter thanks to low energy prices and government relief measures. Output in Eastern Europe, although expected to slow down sharply in 2023, would still be higher than average for Europe.

Middle East & North Africa

In a surprise move in April, OPEC+ reduced oil production, which will keep prices above the $80/bbl limit and retain GDP growth in the Middle East and North Africa (MENA) region above trend. We still expect notable moderation from 2022, especially in the oil exporting Gulf Cooperation Council (GCC) countries. The removal of COVID restrictions in China will increase demand for oil and boost tourism in MENA. However, the non-oil sectors may face headwinds due to a variety of factors, including rising inflation, labor shortages, and political instability. In particular, the ongoing conflict in Yemen and the recent political turmoil in Lebanon are potential risks to the region's stability and economic growth. In addition, an escalation in the fighting in Sudan between the forces of two rival generals could draw in foreign armed groups and regional powers, triggering a new refugee crisis.

Sub-Saharan Africa

Economic recovery in Sub-Saharan Africa has been restricted by the wider global slowdown and persistent inflation. While fuel prices are easing, 80% of economies in the region are experiencing double-digit food inflation, causing currency depreciation against the U.S. dollar – particularly across commodity-exporting countries such as Nigeria and South Africa. In turn, fall in local currency value has raised external debt costs and contributed to higher government debts. Inflation will ease through the coming quarters in some countries more than others. Violence has erupted in Sudan as the transitional government collapsed over disagreements on the integration of the paramilitary force, headed by Mohamed Hamdan Dagalo, into the national army, led by the President, Abdel Fattah al-Burhan. Should the fighting escalate, the conflict will have regional repercussions, adding to instability in an already volatile province, especially around the important trade route of the Red Sea. Given this difficult environment, growth in most other countries in Sub-Saharan Africa will slow this year. Policy space to address these challenges is thin since fiscal positions have deteriorated during the COVID crisis and monetary policy has had to contend with global central banks.

[B] Indian Economy

SHORT TERM OUTLOOK

India's economy will remain susceptible to spikes in financial market volatility as long as advanced economies continue to have high interest rates. India's banking system has adequate liquidity, supported by the safety buffer of the Statutory Liquidity Ratio (SLR) requirement, sound credit quality and a low NPA ratio. The economy is also supported by adequate FX reserves, while the current account deficit is expected to remain below 3% and the fiscal deficit remains under control. Going forward, the easing of retail inflation is likely to support household demand, and the significant moderation of wholesale inflation will ease input price pressures for corporates. Industrial output remains steady and the government's thrust on capital expenditure would sustain investment momentum.

Risks and Opportunities

We believe that support from pent-up domestic demand is likely to wane as demand reaches the pre-pandemic level. Moreover, exporters will continue to face challenges going forward as pressures from de-globalization will further add to the slowing of global growth and moderate global trade. Easing supply chain pressures and declines in commodity prices suggest that India's retail and wholesale inflation print will remain low. High interest rates, weak external demand and the impact of the El Nino on rural demand pose downside risks to industrial activity.

[A.2.a] Credit Environment Outlook

The softening of inflationary pressure is creating room for an extended pause in the policy interest rates. In tandem with the 250 basis points increase in policy repo rates during May 2022 to February 2023, the weighted average lending rate (WALR) on sanctioned fresh rupee loans increased by 173 basis points (bps) and that on outstanding rupee loans by 95 bps.

Despite the increase in lending rates, the bank credit to the commercial sector is strengthening, current account deficit has eased, and inflation pressures have subsided, all of which indicate growing macroeconomic stability.

[A.2.b] Supply Environment Outlook

India now ranks 38th out of 139 nations on the World Bank's 2023 Logistics Performance Index (LPI), up six places as a result of significant investments in both technology and soft and hard infrastructure. In order to lower transportation costs and strengthen the economy by 2024–25, the government has initiated the PM Gati Shakti programme, a National Master Plan for multimodal connectivity, in October 2021. In 2022, the prime minister launched the National Logistics Policy (NLP) to ensure quick last-mile delivery, end transport-related challenges, save time and money for the manufacturing sector and ensure desired speeds in the logistics sector.

The government intends to invest in projects for last-mile connectivity and coastal shipping in 2023, to reduce costs and boost supply chain infrastructure for homegrown manufacturers; to this end, the government has allocated INR 750 Bn towards 100 critical transport infrastructure projects for last-and first-mile connectivity for the ports, coal, steel, fertilizer and food grains sectors.

[A.2.c] Market Environment Outlook

India has inked 13 free trade agreements along with 6 limited coverage preferential trade agreements and is negotiating new trade agreements with the European Union, UK, Canada, and Russia other countries on a fast-track basis.

India’s New Foreign Trade Policy (FTP) 2023 is in Effect from April 1 targets US$2 trillion exports (goods and services) by 2030 with focus on incentive to remission, export promotion through collaboration, ease of doing business and thrust on emerging areas.

Under FTP new export hubs have been announced as well as measures targeting the e-commerce, dairy and apparel and clothing sectors, among others. The FTP also envisages to boost e-commerce exports to USD 200 Bn – 300 Bn by 2030.

The National Quantum Mission, with a corpus of INR 60.03 Bn to scale-up scientific and industrial research and development for quantum technologies, will spur new R&Ds and innovations in areas of Quantum Technology and Quantum Computing benefiting various sectors including health, space applications and financial and energy.

[A.2.d] Political Environment Outlook

Tensions between India and China continue as India rejects Chinese efforts to rename parts of the disputed border region. India and Australia are deepening security ties amid the former's tensions with its neighboring countries. India’s focus on the defense sector has increased with the introduction of an open general export license policy, the launch of seven defense public sector units and the establishment of two defense industrial corridors. India is a member of the World Bank Multilateral Investment Guarantee Agency (MIGA); the new-model bilateral investment treaty (BIT) means that India can accede to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the Washington Convention).

SWOT

STRENGTH

- ✓Experienced management and strong brand recognition
- ✓Large clientele base and consistent addition of new customers
- ✓Sound financial profile with adequate capital structure and adequate liquidity
- ✓Improving collection period

WEAKNESS

- ✓As inherent to the IT products industry, movement in expenses for salaries and wages has led to fluctuation in profitability
- ✓High concentration of business in Banking and Financial Services (BFS) sector; nevertheless, established products in the segment mitigates the risk to some extent

SWOT

OPPORTUNITY

- ✓ Increased awareness on machine learning (ML) and artificial intelligence (AI)
- ✓ Availability of qualified employee at competitive prices
- ✓ Transformation across industries
- ✓ Increasing emphasis on automation, digitization, and innovative solutions in various industries across the world
- ✓ Changing business models with increase in demand for cloud infrastructure
- ✓ Favourable government initiatives such Digital India

THREAT

- ✓ Continuously evolving technology may lead to increased competition in case of new products; nevertheless, established relationship and stickiness due to compatibility with existing customers mitigates the risk for the Company to a large extent
- ✓ Management of manpower costs amidst pricing pressure

**Opportunities and Threats are specific to the industry whereas Strengths and Weakness are specific to the Company; please refer the next section for details of opportunities and threats/challenges*

OPPORTUNITIES & THREATS

OPPORTUNITIES

Increased awareness on machine learning (ML) and artificial intelligence (AI)

The launch of AI platforms has led to modern engineering practices and developer productivity being key discussion topics within the leadership band. The exposure created by the buzz of these platforms may benefit the Company in gaining higher penetration into existing clients by aligning their software development and engineering practices towards the machine learning and quantum computing tools offered by the Company.

Availability of qualified employees at competitive prices

The Indian tech industry added over 4.5 lakh net new hires in FY 2022. The industry recorded nearly 10% estimated growth in direct employee pool in FY 2022. It has abundance of skilled and talented work force relating to IT industries. Due to large available talent pool the cost of IT qualified employees is decreasing. However, with growing app development and support in the NexGen tech like the artificial intelligence, machine language and Big Data analytics, the need for quality talent which is hard to come by unless the Company is paying high remuneration may become latent.

Transformation across industries

Industries around the globe are undergoing a major digital transition and moreover, technology has become common with an ever-evolving corporate and consumer focus. In addition to this, IT has become a vital infrastructure related to security, communication, and networking among various other functions. Thus, there is enormous market potential for engineering and technology solutions across numerous business verticals.

Increasing emphasis on automation, digitization, and innovative solutions in various industries across the world

There is an increasing emphasis seen towards automation and digitization in various industries to increase efficiency and optimization of available resources. Further globalization has led to increased competition where innovation is valued, and the continuously changing technology trends require heavy investments in innovation. The industry has seen acceleration in adoption post COVID-19. The Company's established market position enables it to invest in various initiatives in different verticals allowing it to reap benefits.

Favorable government initiatives such as Digital India

Government has announced many export promotion schemes to expand IT sector which enables them to increase foreign direct investment inflow and exchange of information. Further, Government has taken many initiatives like Make in India and Digital India to improvise the transparency of the system. To implement these initiatives the government is spending a huge sum in IT infrastructure and development sector. National Optical Fibre Network (NOFN) is an ambitious initiative to trigger a broadband revolution in rural areas. NOFN was envisaged as an information super-highway through the creation of a robust middle-mile infrastructure for reaching broadband connectivity to Gram Panchayats. Further, the Government efforts to enable digital retail payments has digital transactions easier for citizens in rural areas as well. Also, several initiatives undertaken to include majority population in the banking system is an enabler for future development of the overall banking system.

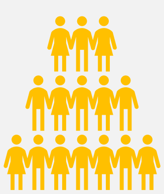
THREATS

Continuously evolving technology may lead to increased competition in case of new products; nevertheless, established relationship and stickiness due to compatibility with existing customers mitigates the risk for the Company to a large extent.

Information Technology is continuously evolving both in software and hardware services. Initially the vendors used to have their own IT infrastructure and they used to outsource limited processes to low-cost destinations like India to minimize the costs. Gradually more and more processes were outsourced. But after the financial crisis, the trends changed significantly. To cut back on costs, the clients started resorting to "Total IT Outsourcing" wherein they started to outsource even the management of their IT infrastructure apart from software services and business processes they earlier used to outsource.

The technology has now further advanced to 'cloud computing' wherein the clients (especially the SME enterprises) do not incur expenditure to have an in-house IT infrastructure. Instead, they try to share the resources, applications, software etc. of any service provider over the network. However, the same is subject to concerns about the security of the data that is stored on the network, which may serve as a trigger for change in future. The Company itself is a propagator of innovative products and services based on integration of AI/ML based design, engineering and implementation. Thus, staying relevant requires quick adoption of new technologies and integration of the same.

Going ahead due to the innovative technology offerings related to automation, and digitalization, the composition of services is changing linked to the increased requirements of clients at lowered costs, thus changing the nature of IT sector.



Management of manpower costs amidst pricing pressure

IT sector has manpower intensive business model. For the Company, employee costs constituted on an average ~63% of its revenue during the review period. Therefore, increase in employee costs, due to improvement in the domestic economic environment, adverse changes in the laws of key markets providing for compulsory hiring of local staff, temporary retention of client staff due to gradual transformation towards total outsourcing, etc., could, going forward, adversely affect the margins of the Company. Further, the Company operates in the technology driven and digital AI/ML segment where skillset requirement of employees is high. Therefore, the ability of the Company to hire and retain talent coupled with its ability to manage their cost via efficient utilization rate remains critical.

PORTER'S FIVE FORCES MODEL

**Specific to the Information Technology (IT) industry*

Threat from New Entrants (Medium)

- Government regulations promoting IT sector by extending tax holidays, liberal system for raising capital for start-ups
- Digitization, cloud technologies and IoT helping new entrants with specific domain knowledge and suite of new services and products

Threat from Substitutes (Medium)

- Innovation driven by ease in access to technology platforms and leveraging the platforms to create more efficient solutions
- Evolution of engineering practices, exposes old products and services to risk of redundancy
- Recent technology built on core modules leading to stickiness

Competitive Rivalry (Medium)

- Strong growth opportunities for Indian IT sector, highly qualified talent pool making it the most preferred destination for outsourcing.
- High competition from MNCs having a suite of both services and products
- High number of small and unorganised players
- High stickiness for core products leading to competitive advantage

Bargaining Power of Suppliers (Medium)

- High demand for work force with specialized skill set
- High bargaining power of software license providers
- Largely similar skilled resources with low unique capabilities

Bargaining Power of Customers (Medium)

- Customers largely concentrated in USA and Europe having better bargaining strength
- For products and complex process handling, the high switching costs makes the bargaining power medium
- Customer to decide the nature of contract - outcome based or fixed price and material contracts

ESG INITIATIVES

- ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES
- CORPORATE SOCIAL RESPONSIBILITY SPENDING

ESG INITIATIVES

Key Inputs

Environmental	Social	Governance
• Emission • Natural resources • Environmental opportunities	• Human capital • Product liability • Social opportunities	• Corporate governance • Corporate behaviour

Environmental Performance

Conservation of Energy

The Company is always on the lookout for energy efficient measures for operation, and values conservation of energy through usage of latest technologies for improving productivity and quality of products and services. The Company focuses on processes to monitor and improve environmental performance through various means and initiatives focusing on energy, carbon, water, and waste. Moreover, operations of the Company also involve low energy consumption, but still the endeavour is to reduce electricity consumption and the resultant carbon footprint. A few of the energy conserving measures, include the following:

- Replacement of sodium vapor and CFL based lights by LED based lights have been completed.
- Strong measures are being observed to ensure that no equipment is left in a switch on mode during non-working hours unnecessarily.
- Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
- Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
- Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting, and water use.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- Regular maintenance of all water pumps to improve pump efficiency and thereby reduction in energy demand.
- Wastewater from the RO plant is being recycled to conserve water.
- Continuous monitoring of floor areas after normal working hours and switching off lights and air conditioning.
- Installation of chillers graded with VFD in HVAC plant to reduce energy consumption immensely has been being done.
- Replacement of aluminum blade assemblies of cooling tower by FRP blade assemblies has been done.
- Installation of 158.6 kWh terrace solar plant has been completed and being maintained through OEM i.e., Tata Power Limited.

Social Performance

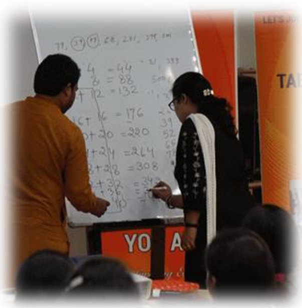
For social performance, the Company has considered its business relationships and the interdependence with its stakeholders like employees, community. The Company has been making timely payments of its dues to its employees, vendors, and statutory authorities. Further, the management believes it is the responsibility of the Company to give back to the society and the environment at large without which it cannot operate. Since the Company is an economic organ of society, the progress and sustainability of the Company is measured by its contribution to the society along with its economic growth.

The Company has accordingly founded the Nucleus Software Foundation (NSF) which is a not-for-profit organization that began its journey using technology and innovative pedagogy to improve educational outcomes of underprivileged children. Along the way, NSF took up many social initiatives, to transform the lives of various disadvantaged and marginalised sections of the community. Its efforts focus on Quality of life, Gender equality, Relative poverty, and Education.

Some of the initiatives undertaken include,

- *NSF Education Program* – Educates children using easy-to-use technology and enhanced teaching and learning material.
- *NSF Hybrid Remediation Program for Government Schools* - Focus on bringing students to grade based learning levels, using hands-on tools & practice workbooks in addition to the NSF Digital Tab.
- *NSF Training Program for Teachers* - Empowers teachers to adopt new technology and tools with NSF assistance, initially, and eventually to function independently.
- *NSF Scholarship Program* - NSF Scholarship Program aims to help students from underprivileged backgrounds complete higher education.
- *NSF Vocational Training* - Empowers rural women with skills for employability, entrepreneurship and direct livelihood opportunities.
- *NSF Disaster Rehabilitation* - Aids national disaster relief initiatives.
- *Fostering Self-Reliance* - Equips less privileged and disabled to generate a sustainable livelihood.
- *Employee Volunteering* – The Company's employee volunteers support and partner with multiple non-profit organizations.

A Glimpse into the Company's Social Initiatives



Governance Performance

For governance performance, the Company is committed to ethical business practices and strives to integrate good corporate governance in its day-to-day operations. The management believe that an industry can achieve sustainable growth only when it considers human values, ethics, and social responsibility as a part of its long-term business plans and strategy. The Company provides maximum service to all the stakeholders in order to enhance shareholders' value and promote national interest. The Company's Board of Directors oversee business strategies and ensure fiscal accountability, ethical corporate behaviour and fairness to all stakeholders comprising regulators, employees, customers, vendors, investors, and the society at large.

The Company has engaged with its stakeholders in a transparent manner with no action being initiated by competent authorities viz. SEBI, Stock exchange etc. It enjoys a high level of comfort amongst its investors due to timely dissemination of information and reputed management.

Source: Company website, Annual Reports and as provided by the management

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The objective of CSR will be achieved through concentrated and dedicated initiatives/ projects encompassing the following identified core areas:

Education–

- ✓ To encourage the development of human capital of the country by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields.
- ✓ Including special education and employment enhancing vocation skills specially among children, women, elderly and differently abled and livelihood enhancement projects.
- ✓ Providing basic computer-based literacy programs for unprivileged children in nearby villages.
- ✓ Assisting in providing better infrastructural facilities to schools for construction/renovation/repair of hostels, school buildings, classrooms etc.

Health & Medical Care –

- ✓ Promoting preventive health care measures
- ✓ Assisting in providing better infrastructural facilities to Medical Centers/Hospitals/Dispensaries etc.
- ✓ Actively supporting healthcare programmes of nearby localities.

Community at large –

- ✓ Setting up homes and hostels for women, orphans, setting up old age homes, daycare centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- ✓ Promote employment opportunities for differently abled persons.
- ✓ Development of rural based projects

Environment

- ✓ Promote ecological balance, protection of flora and fauna, animal welfare, conservation of natural resources and maintaining quality of soil, air and water.
- ✓ Promoting recycling waste for energy production and installation of solar panels.

CSR expenditures

- ✓ Average net profit of the Company as per section 135(5): INR 875 million
- ✓ Two percent of average net profit of the company as per section 135(5): INR 17.5 million

Details of CSR amount spent against other than ongoing projects for the financial year:

1	2	3	4	5	6	7	8	9	10
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local Area (Yes/No)	Location of the project		Amount spent for the project (INR in million)	Mode of implementation Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name	CSR registration number
1	Education of underprivileged kids (School for Underprivileged)	2	Yes	UP	Ghaziabad	1.3	No	Sandeepon music and educational trust	CSR00025187
2	Education for underprivileged Kids Learning centres for Remediation	2	No	Uttarakhand	Dehradun	1.5	No	Mountains children foundation	CSR00002578
3	Education for tribal kids (Educational quality improvement and remediation)	2	No	MP	Dewas, Khandwa, Mandla, Betul, Chhindwada	1.7	No	Parivaar	CSR00000052
4	Scholarships for Martyr kids	2	No	UP	Ghaziabad, Moradabad, Lucknow, Unnao, Meerut	1.5	Yes	Nucleus Software Foundation	CSR00013556
5	Remedial education at Government schools and local community centers	2	Yes	UP	Noida	0.8	No	Sandeepon music and educational trust	CSR00025187
6	Women empowerment Tailoring and Embroidery course	2	No	Tamil Nadu	Chennai	2.7	No	Sevai Karangal	CSR00020375
7	Teaching and learning material distribution for educational quality improvement	2	No	Madhya Pradesh, Uttarakhand, Uttar Pradesh	Dewas,Khandwa,Mandla,Betul,Chhindwada,Dehradun, Noida	2.3	Yes	Nucleus Software Foundation	CSR00013556
8	English Math remedial program design trainings and implementation (Shantanu, Manoj, Himanshu)	2	No	Madhya Pradesh, Uttarakhand, and Uttar Pradesh	Dewas,Khandwa,Mandla,Betul,Chhindwaa,Dehradun, Noida	5.7	Yes	Nucleus Software Foundation	CSR00013556
	Total					**17.5**			

Source: Annual Report 2023

RATING DRIVERS AND SENSITIVITIES

- RATING GLOSSARY
- RATING DRIVERS
- RATING SENSITIVITIES

RATING GLOSSARY

D&B Rating

5A **2**

D&B Indicative Risk Rating consists of two parts, the Financial Strength, and the Composite Appraisal. Financial Strength is an indication of the tangible networth. The Composite Appraisal is linked to the level of risk and is an overall evaluation of credit worthiness. It considers the financial condition and several factors such as trade reference history, legal structure, management experience and any adverse listings.

Indicative Risk Rating: D&B Indicative Risk Rating of '5A' implies that the Company has a tangible networth of INR 4,800,000,000 and above as per latest available audited financial statements.

Financial Strength	Tangible Networth
5A	INR 4,800,000,000 & Above
4A	Between INR 2,000,000,000 & INR 4,799,999,999
3A	Between INR 960,000,000 & INR 1,999,999,999
2A	Between INR 200,000,000 & INR 959,999,999
1A	Between INR 96,000,000 & INR 199,999,999
A	Between INR 48,000,000 & INR 95,999,999
B	Between INR 28,000,000 & INR 47,999,999
C	Between INR 14,000,000 & INR 27,999,999
D	Between INR 9,600,000 & INR 13,999,999
E	Between INR 4,800,000 & INR 9,599,999
F	Between INR 2,800,000 & INR 4,799,999
G	Between INR 1,200,000 & INR 2,799,999
H	Upto INR 1,199,999

Note: The Financial Strength component of D&B Rating is derived from Tangible Networth of the Company. The changes are being made to the ranges of monetary values of the Tangible Networth cut offs for both Current as well as Former assigned Financial Strength component. This change applies to all Indian businesses in the Dun & Bradstreet Data Cloud. The ranges are being updated to align with Dun & Bradstreet global standards from 21st April 2023.

Composite appraisal: '2' indicates that the overall status of the Company is 'Good'.

Composite Appraisal	
1 Strong Minimal Risk	Proceed with transaction – offer extended terms if required
2 Good Low Risk	Proceed with transaction
3 Fair Slightly greater than average Risk	Proceed with transaction but monitor closely
4 Limited Significant Level of Risk	Review each case before extending credit and obtain more information. Take suitable assurances before extending credit, guarantees may be needed

Alternate Ratings	Description
N	Negative Tangible Networth
ER	Certain lines of business, primarily banks, insurance companies and government entities do not lend themselves to classification under the D&B Rating system. Instead, we assign these types of businesses as Employee range symbol based on the number of people employees. No other significance should be attached to this symbol. ERN should not be interpreted negatively. It simply means we do not have information indicating how many people are employed at this firm.
NQ	Not Quoted. This is generally assigned when a business has been confirmed as no longer active at this location, or when D&B is unable to confirm active operations. It may also appear on some branch reports, when the branch is located in the same city as the headquarters.
-	Undetermined - Assigned to concerns where there is insufficient information available to express any opinion on the condition, financial soundness, or payment history of the concern. A concern with no telephone number will also be assigned a "– "condition.
NB	New Business: Less than 24 months

RATING DRIVERS

Experienced management having strong strategic viewpoint towards Company's growth:

Nucleus Software Exports Limited commenced its operations in 1989 and currently has established itself in the Indian IT industry. The Nucleus Software Group is led by Mr. Siddhartha Mahavir Acharya, Chairman, Non-Executive Independent Director. He is a graduate with degrees in Arts and Economics from universities in Madras, Hong Kong, and Manchester, UK. A retired IAS officer, he has served in high-ranking roles in the Indian government, retiring as Secretary in the Ministry of Defence in 2009. With expertise in Governance, Global Business, and Strategy, he has been on the Board since March 2016 and was also an Independent Director at Bharat Electronics Limited. Mr. Acharya is closely supported by the Managing Director – Mr. Vishnu R. Dusad and Chief Executive Officer – Mr. Parag Bhise. Mr. Vishnu R. Dusad is an IIT Delhi alumnus with extensive experience in product and software development, business development, and strategic planning, leading the company from its inception. Mr. Parag Bhise, with over 33 years in the field of software development, delivery, and quality assurance as well as IT infrastructure management and internal systems.

The other Board of Directors, comprising qualified members with diverse expertise, play a pivotal role in steering the company towards its objectives. Their collective experience in finance, global business, technology, sales, marketing, and governance equips them to make effective contributions to the Company's strategic choices and management decisions, even in uncertain environments. Further, the Company has a Chief Innovation Officer who drives innovation as one of the Company's core values. The innovation team experiments with new business cases and technologies to stay ahead of the competition. The Company's leadership is adept at understanding business dynamics across various markets and industry verticals, which is crucial for identifying and capitalizing on global market opportunities. This strategic and planning acumen is reflected in the company's robust performance and its ability to navigate the unpredictable global events and economic downturns.

Wide range of offerings to large customer base across geographics:

Nucleus Software Export Limited's diverse product suite and esteemed client base are key strengths, showcasing its capacity to meet varied demands and secure consistent revenue. The Company's product revenue, encompassing license fees, customization, implementation, and maintenance, contributed 84.63% to total revenue in FY 2023. The remaining revenue came from software projects and services, emphasizing application development, maintenance, testing, consulting, and infrastructure management, with a focus on the BFS sector.

The revenue distribution indicates a robust, diversified customer base, with the top customer and top five customers contributing 7.49% and 28.28%, respectively, to the total revenue in FY 2023, ensuring no over-reliance on individual clients. This strategic customer spread mitigates risks and reflects the Company's broad market appeal.

The Company earned around 44% of its revenue from international markets, demonstrating a strong global presence and the capability to engage and retain a multinational clientele. This geographical revenue diversity not only highlights the Company's expansive reach but also its adaptability to economic variances across regions. The Company's global operations, paired with a comprehensive array of products and services, affirm its competitive edge and prospects for ongoing expansion.

Financial profile backed by low debt and adequate liquidity:

The Company's financial risk profile remains strong and is defined by prudently managed capital structure and robust debt protection metrics, as indicated by a nominal gearing ratio of 0.01 times as of 31st March 2023. Majority of capital expenditure and working capital requirements are met through internal accruals and customer advances, thereby minimizing reliance on external borrowings. This lower debt component, relative to the Company's healthy tangible networth, allows financial flexibility in procuring additional funds for future expansion. Moreover, the Company's low debt exposure enhances its appeal to lenders, as it reduces the risk associated with loan servicing. The limited reliance on external debt has translated to minimal interest costs, reflected in a comfortable interest coverage ratio of ~348 times in FY 2023, providing adequate safety margin for fulfilling financial obligations. The low debt-equity ratio also equips the Company with the flexibility to leverage additional resources for capitalizing on future prospects and addressing business exigencies.

Furthermore, the Company's financial profile is backed by a robust liquidity position. Working capital cycle comprised of collection which stood high at 103 days in FY 2023. The working capital requirements were primarily funded through customer advances, internal accruals, and short-term borrowings. The liquidity was supported by substantial net cash accruals, and low maturing debt obligations. In FY 2023, the net cash accruals stood at INR 1,287 million against no maturing debt obligations. The Company's consistent profitability has also contributed to its favourable liquidity position. Further, the Company also issued dividends amounting to INR 187 million for FY 2023. Nevertheless, despite the outflow of funds from dividend pay-out the liquidity position of the Company remained strong with adequate liquidity ratios and strong cash balance with the Company. Further, the presence of unencumbered liquid investments and a healthy cash & bank balance of INR 2,591 million as of 31st March 2023 (INR 3,202 million as of 31st March 2022) further reinforces its liquidity strength. Going forward, it remains critical for the Company to sustain its financial position in terms of liquidity and capital structure.

As inherent to the IT products industry, movement in expenses for salaries and wages has led to fluctuation in profitability:

The topline of the Company witnessed an uneven trend during the review period with a marginal decline in FY 2022. In FY 2023, the revenue witnessed a strong growth of ~30% bolstered by deeper market penetration and increased product pricing within India. Driving this demand is the Company's commitment to product innovation and the introduction of new features in existing offerings. For the period ending June 2023, Nucleus Software Exports Limited reported a revenue of INR 1,960.10 million and a profit after tax (PAT) of INR 548 million, which is approximately 28% of the revenue. This robust financial performance is primarily attributed to the fulfillment of major milestones in a substantial project based in Australia. As of 30th June 2023, the Company's order book stood at INR 7,580 million, indicating a healthy pipeline for future revenue.

The profitability of the Company witnessed an uneven trend during the review period. As inherent to the products industry, salaries and wages are usually high given the strong skillset requirement of employees. Further, the business model is unlike IT service industry and driven by sale of products leading to higher salaries and wages during the development stage of the Company. As informed, given the strong skillset requirement, the manpower expense during the covid pandemic remained higher owing to significant increments given to employees for retention of key manpower and new additions owing to higher attrition rates. Accordingly, operating margins were mainly influenced by the movement in salaries and wages as percentage of revenue. The salaries and wages increased in FY 2022, followed by a decline in FY 2023 resulting in a fluctuating trend in operating margin.

The net margins moved in tandem with operating margins. Further, the net margins of the Company derived high support from non-operating income mainly comprising sale of investments. Accordingly, the return indicators also fluctuated but remained moderate in FY 2023. The diversified presence across industries and clientele, along with strategic initiatives, is expected to support the Company's business profile going forward. However, it shall remain critical for the Company to improve its margins as the scale of operations increase with the improvement in the macro-economic conditions.

Talent management amidst rising salaries and attrition:

The demand for skilled IT professionals remains at a high level, creating a competitive bidding environment for talent acquisition. Consequently, salaries within the IT industry have been experiencing a steady rise. Further, given the high skillset requirement of in product development, retention of talent and overall qualification/experience requirement in the IT products industry is even higher. This intensified demand for skilled individuals has made it challenging for IT companies to retain their workforce, as they face constant poaching attempts from other companies. Accordingly, salaries and wages of the Company increased at a CAGR of 10.46% during the review period and represented ~64% (average) of the revenue.

The significant attrition rate in the IT industry also presents challenges in project delivery. As employees depart, they carry their valuable knowledge and experience with them, resulting in potential delays and cost overruns on projects. The loss of key personnel can disrupt project timelines and impede successful execution. As informed, the average attrition within the organization is less than 10%. However, it faced higher attrition in line with the industry during the covid pandemic with multiple revisions being undertaken within the organization.

The Company has taken significant measures to manage attrition risk, including providing growth opportunities through rotations, recognizing and addressing areas of improvement through feedback, and investing in learning and development initiatives. Going forward, managing attrition and retaining skilled employees are pivotal considerations for the Company striving for seamless project delivery and sustained growth.

High concentration of business in Banking and Financial Services (BFS) sector; nevertheless, established products in the segment mitigates the risk to some extent:

The Company is engaged in software product development and provides support services mainly for corporate business entities in the banking and financial services sector. Nucleus Software Exports Limited is one of the leading providers of lending and transaction banking products to the global financial services industry. The core tech platforms of Nucleus Software Exports Limited are for the financial services sector, which includes retail lending, corporate lending, microfinance, and Islamic Finance. As informed, more than 50% of India's retail loans are either originated, processed, and collected through the Company's digital lending platform FinnOne Neo®. However, as the Company's revenue is entirely derived from the Banking and Financial Services (BFS) sector, it, remains exposed to the uncertainties in the sector, especially given the industry concentration.

Further, the Company operates in a highly competitive industry. The competition could have an adverse effect on the Company's ability to influence the market conditions and the pricing levels.

RATING SENSITIVITIES

Sustenance of profitability while scaling up of operations:

Throughout the review period, the Company, despite its scale of operations and a wide array of business offerings, grappled with margin challenges. These margin pressures manifested as an uneven trend, making it vital to assess their long-term viability. To address these challenges and ensure sustained growth, the Company must optimize its workforce utilization, seeking efficiency gains in its operations to improve the margins. By strategically allocating and deploying its workforce, it can enhance productivity, reduce operational costs, and thereby fortify its financial performance. In conclusion, the Company's ability to navigate these challenges and adapt to changing market dynamics, while simultaneously improving its operational efficiency, will be pivotal in securing its financial sustainability and fostering future growth.

Management of manpower costs amidst pricing pressure and high attrition:

Personnel costs constituted on an average ~63% of the revenue of the Company. The Company has witnessed y-o-y increase in the employee costs backed by increase in the head count. As informed, the average attrition within the organization is less than 10%. However, it faced higher attrition in line with the industry during the covid pandemic with multiple revisions being undertaken within the organization. Going forward, the ability of the Company to manage its manpower cost and maintain low attrition rate remains critical.

Steady dividends pay out to the promoters during the review period:

Throughout the review period, the Company maintained steady dividends pay-outs to its shareholders. Despite the Company's strong financial and liquidity profile, characterized by substantial unencumbered liquid investments and increasing cash accruals, the quantum of dividend outflow has remained significant. The dividend pay-out as a percentage of net profit stood at approximately 7.76% in FY 2021, 41.33% in FY 2022, and 14.35% in FY 2023. While the current outflow does not impact the Company's financial profile, caution must be exercised to limit future cash outflow through dividends, buy back or bonus issuance. Consequently, prudent fiscal management is crucial to maintain a balanced approach to dividends and ensure sustained financial strength and flexibility for the Company's future endeavours.

ANNEXURE

- FINANCIAL STATEMENTS
- AUDITORS OBSERVATIONS
- BANK DETAILS
- GROUP DETAILS
- AWARDS, CERTIFICATIONS & MEMBERSHIPS
- MEDIA ARTICLES

FINANCIAL STATEMENTS - Standalone

Five Year Balance Sheet

INR in million

LIABILITIES AS ON	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Shareholders Fund					
Equity Share Capital	290	290	290	268	268
Capital Reserve	9	9	9	9	9
General Reserve	-	66	66	-	-
Capital Redemption Reserve	33	33	33	56	56
Securities Premium Account	-	10	10	-	-
Retained Earnings	4,273	4,989	6,008	4,337	5,483
Other Reserves	95	21	53	24	63
Total Shareholders Fund	**4,700**	**5,418**	**6,469**	**4,694**	**5,879**
Non-Current Liabilities					
Deferred Tax Liability	-	-	13	4	25
Provisions	64	81	99	234	231
Lease Liabilities (Long Term)	-	33	8	-	39
Other Non Current Liabilities	4	-	-	-	-
Less : Current Portion of Long Term Debt	-	12	-	-	-
Total Non-Current Liabilities	**68**	**126**	**120**	**238**	**295**
Current Liabilities and Provisions					
Accounts Payable	103	182	137	114	112
Other Payables / Accruals	407	289	330	379	265
Deferred Income	513	530	694	825	602
Lease Liabilities	-	22	25	8	20
Due to Customers	451	657	577	574	836
Unclaimed / Unpaid Dividends	4	4	4	3	3
Provision for Income Tax	6	5	39	-	121
Provision for Retirement Benefits	18	24	22	39	37
Duties and Taxes Payable	52	80	86	126	233
Other Current Liabilities	-	19	1	-	-
Total Current Liabilities and Provisions	**1,554**	**1,812**	**1,915**	**2,068**	**2,229**
TOTAL LIABILITIES AND EQUITY	**6,322**	**7,356**	**8,504**	**7,000**	**8,403**

INR in million

ASSETS AS ON	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fixed Assets					
Land and Buildings	141	188	154	122	158
Plant and Equipment	5	18	21	22	16
Leasehold Land	54	53	52	51	51
Transportation Vehicles	19	24	14	10	19
Furniture, Fixtures and Fitting	13	10	8	6	2
Office Equipment	7	7	5	3	3
Computers / Servers / Printers and other IT Equipment	65	90	56	151	90
Capital Work in Progress	-	2	4	-	4
Total Fixed Assets	**304**	**392**	**314**	**365**	**343**
Intangible Assets					
Software	18	22	13	68	24
Product Development	-	1	1	4	4
Total Intangible Assets	**18**	**23**	**14**	**72**	**28**
Investments					
Investment in Subsidiaries	209	149	149	149	149
Investment in Mutual Funds	954	1,041	940	1,297	2,579
Investment in Quoted Shares	388	187	53	26	64
Investment in Unquoted Shares	269	210	-	-	-
Investment in Debentures / Bonds	874	871	774	614	346
Total Investments	**2,694**	**2,458**	**1,916**	**2,086**	**3,138**
Other Assets					
Deferred Tax Asset	79	52	-	-	-
Due from Subsidiaries (Non Current)	-	-	17	15	-
Other Loans Receivable	1	18	-	2	3
Other Deposits (Non Current)	3	1	-	102	256
Security Deposits (Non Current)	20	25	24	7	19
Other Assets	182	206	393	166	122
Total Other Assets	**285**	**302**	**434**	**292**	**400**
Current Assets					
Cash and Bank	522	736	103	71	169
Balance in Unclaimed Dividend Account	4	4	4	3	3
Fixed Deposit Account	-	-	120	279	161
Margin Deposit Account	-	-	9	-	-
Accounts Receivable	611	800	809	759	1,647
Other Receivables	-	-	-	-	1
Prepayments	32	37	34	46	92
Other Loans and Advances	43	52	46	2	8
Due from Subsidiaries	-	-	8	-	-
Security Deposits (Current Assets)	-	1	-	20	3
Current Investments	1,638	2,432	4,573	2,852	2,261
Tax Refund	4	-	-	-	-
Deferred Taxation	1	-	-	-	-
Balance with Customs, Port Trust And Excise Authorities	1	11	4	3	4
Unbilled Revenue	-	13	112	100	82
Other Current Assets	165	95	4	50	63
Total Current Assets	**3,021**	**4,181**	**5,826**	**4,185**	**4,494**
TOTAL ASSETS	**6,322**	**7,356**	**8,504**	**7,000**	**8,403**

Five Year Profit and Loss Statement

INR in million

For the Period Ended	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Number of Months	**12**	**12**	**12**	**12**	**12**
Revenue	**3,968**	**4,442**	**4,544**	**4,481**	**5,847**
Less: Direct Expenditure	**(2,547)**	**(2,764)**	**(3,012)**	**(3,696)**	**(3,742)**
Electricity / Power and Fuel and Water Expenses	(41)	(44)	(27)	(26)	(29)
Sub Contract / Job Work Charges	-	-	(130)	(163)	(124)
Salaries and Wages	(2,409)	(2,596)	(2,729)	(3,313)	(3,330)
Cost of Material, Product, Software and Hardware	(19)	(13)	(6)	(10)	(6)
Software Development and Business Process Management Exp	(78)	(111)	(120)	(184)	(253)
Gross Profit	**1,421**	**1,678**	**1,532**	**785**	**2,105**
Less: General and Administration Expenses	**(563)**	**(653)**	**(254)**	**(303)**	**(394)**
Staff Welfare Expenses	(61)	(71)	(45)	(46)	(53)
Insurance	(4)	(5)	(4)	(4)	(12)
Communication Expenses	(17)	(17)	(10)	(11)	(12)
Professional and Legal Fees	(39)	(51)	(37)	(66)	(51)
Technical Fees / Charges	(89)	(123)	-	-	-
Repairs and Maintenance	(42)	(59)	(46)	(39)	(41)
Travelling and Conveyance Expenses	(187)	(229)	(13)	(13)	(83)
Staff Recruitment Expenses	(29)	(32)	(10)	(25)	(41)
Expenses towards Community Development and Donations	(10)	(15)	(17)	(20)	(18)
Directors' Remuneration and Fees	(12)	(14)	(17)	(16)	(24)
Lease / Rent Charges	(33)	(6)	(5)	(3)	(5)
Other General Expenses	(40)	(31)	(50)	(60)	(54)
Less: Selling and Distribution Expenses	**(165)**	**(192)**	**(92)**	**(104)**	**(120)**
Advertising and Marketing Expenses	(124)	(141)	(90)	(98)	(89)
Business Promotion Expenses	(21)	(31)	(2)	(1)	(24)
Brokerage, Discount and Commission	(20)	(20)	-	(5)	(7)
Less: Loss on Sale of Fixed Assets	-	-	(1)	-	-
Less: Loss on Sale of Investment	(86)	-	(1)	-	-
Less: Loss on Foreign Exchange Transactions	(29)	-	-	-	-
Less: Bank and Finance Charges	(3)	(3)	(2)	(2)	(3)
Less: Bad Debts written off	(4)	(62)	-	(13)	(20)
Less: Depreciation / Amortization and Depletion	(70)	(112)	(114)	(132)	(171)
Operating Profit	**501**	**656**	**1,068**	**231**	**1,397**
Add: Other Non Operating Income	**433**	**640**	**403**	**340**	**341**
Dividend Income	214	320	2	14	5
Lease Rent and Hire Charges	1	-	-	-	-
Interest Income	173	163	136	97	72
Profit on Sale of Fixed Assets	3	1	-	1	4
Profit on Sale of Investments	36	55	207	198	209
Profit on Foreign Exchange Transactions	-	28	7	13	40
Miscellaneous Income	6	73	51	17	11
Earnings before Interest and Tax (EBIT)	**934**	**1,296**	**1,471**	**571**	**1,738**
Less: Interest Expenditure	**-**	**(5)**	**(5)**	**(2)**	**(5)**
Interest on Short Term Loans	-	-	(4)	(2)	(5)
Interest on Long Term Loans	-	(5)	-	-	-
Other Interest	-	-	(1)	-	-
Profit before Tax and Extraordinary Items	**934**	**1,291**	**1,466**	**569**	**1,733**
Less: Total Tax Provision	**(179)**	**(269)**	**(345)**	**(148)**	**(430)**
Tax Provision	(197)	(211)	(280)	(129)	(419)
Add / (Less): Current Year Deferred Tax	18	(58)	(65)	(19)	(11)
Profit after Tax	**755**	**1,022**	**1,121**	**421**	**1,303**
Extraordinary Items : Others	(13)	(14)	(15)	(1,918)	30
Profit after Tax and Extraordinary Items	**742**	**1,008**	**1,106**	**(1,497)**	**1,333**
Less: Dividends	(251)	(292)	(87)	(174)	(187)
Plus Retained Earnings b/f	3,782	4,273	4,989	6,008	4,337
Retained Earnings c/f	**4,273**	**4,989**	**6,008**	**4,337**	**5,483**

Five Year Cash Flow Statement

INR in million

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A) Opening Balance of Cash & Cash Equivalents	186	139	424	110	151
B) Cash inflows from Operating activites	377	690	1,059	563	519
C) Cash Inflows from Investment activities	266	427	118	1,829	133
D) Cash Inflows from Financing activities	-	-	-	-	-
E) Total Cash available (A+B+C+D)	**829**	**1,256**	**1,601**	**2,502**	**803**
F) Cash Outflows from Investment activities	441	527	1,374	242	265
G) Cash Outflows from Financing activities	252	319	113	2,110	213
H) Total Disbursement (F + G)	**693**	**846**	**1,487**	**2,352**	**478**
Cash and cash equivalents adjusted pursuant to slump exchange	3	7	(4)	1	3
Closing Balance of Cash & Cash Equivalents (E-F-H)	**139**	**417**	**110**	**151**	**328**

FINANCIAL STATEMENTS - Consolidated

Five Year Balance Sheet

INR in million

LIABILITIES AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Shareholders Fund					
Equity Share Capital	290	290	290	268	268
Capital Reserve	9	9	9	9	9
General Reserve	66	66	66	-	-
Capital Redemption Reserve	33	33	33	56	56
Securities Premium Account	-	10	10	-	-
Foreign Exchange Adjustments	4	-	-	-	-
Retained Earnings	4,586	5,165	6,243	4,560	5,681
Other Reserves	97	35	69	43	93
Total Shareholders Fund	**5,085**	**5,608**	**6,720**	**4,936**	**6,107**
Non-Current Liabilities					
Deferred Tax Liability	-	1	14	-	20
Security Deposits (Long Term)	-	3	4	3	-
Provisions	78	84	105	249	247
Lease Liabilities (Long Term)	-	33	24	5	39
Other Non Current Liabilities	4	12	-	-	-
Total Non-Current Liabilities	**82**	**133**	**147**	**257**	**306**
Current Liabilities and Provisions					
Accounts Payable	123	150	130	143	123
Other Payables / Accruals	437	333	342	414	325
Deferred Income	513	530	593	826	602
Lease Liabilities	-	30	40	19	24
Due to Customers	499	666	694	578	834
Unclaimed / Unpaid Dividends	4	4	4	3	3
Provision for Income Tax	18	30	44	3	122
Provision for Retirement Benefits	22	31	34	54	50
Duties and Taxes Payable	71	95	99	136	246
Other Current Liabilities	-	21	-	-	-
Total Current Liabilities and Provisions	**1,687**	**1,890**	**1,980**	**2,176**	**2,329**
TOTAL LIABILITIES AND EQUITY	**6,854**	**7,631**	**8,847**	**7,369**	**8,742**

INR in million

ASSETS AS ON:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fixed Assets					
Land and Buildings	127	198	66	139	163
Plant and Equipment	13	26	28	27	20
Leasehold Land	208	53	173	51	51
Transportation Vehicles	19	24	15	10	19
Furniture, Fixtures and Fitting	13	10	9	6	3
Computers / Servers / Printers and other IT Equipment	66	91	57	151	91
Capital Work in Progress	-	2	5	-	4
Total Fixed Assets	**446**	**404**	**353**	**384**	**351**
Intangible Assets					
Goodwill	7	-	-	-	-
Software	18	23	13	68	24
Product Development	-	1	1	4	4
Total Intangible Assets	**25**	**24**	**14**	**72**	**28**
Investments					
Investment in Mutual Funds	954	1,041	940	1,297	2,579
Investment in Quoted Shares	388	187	827	26	64
Investment in Unquoted Shares	269	210	-	-	-
Investment in Debentures / Bonds	874	871	-	614	346
Investment Properties	-	142	139	136	133
Total Investments	**2,485**	**2,451**	**1,906**	**2,073**	**3,122**
Other Assets					
Deferred Tax Asset	79	52	-	1	-
Other Loans Receivable	-	1	-	2	3
Other Deposits (Non Current)	2	1	181	101	256
Security Deposits (Non Current)	37	34	32	13	24
Other Assets	187	208	211	168	122
Total Other Assets	**305**	**296**	**424**	**285**	**405**
Current Assets					
Cash and Bank	825	568	323	358	505
Balance in Unclaimed Dividend Account	4	4	4	3	3
Fixed Deposit Account	-	312	123	199	3
Accounts Receivable	711	902	892	832	1,746
Prepayments	34	40	-	49	94
Other Loans and Advances	55	7	81	47	66
Security Deposits (Current Assets)	-	5	4	23	7
Current Investments	1,761	2,438	4,579	2,859	2,263
Balance with Customs, Port Trust And Excise Authorities	2	12	5	6	3
Interest Receivable	4	-	-	-	-
Unbilled Revenue	-	13	-	-	-
Other Current Assets	197	155	139	179	146
Total Current Assets	**3,593**	**4,456**	**6,150**	**4,555**	**4,836**
TOTAL ASSETS	**6,854**	**7,631**	**8,847**	**7,369**	**8,742**

Five Year Profit and Loss Statement

INR in million

For the period ended:	31/Mar/19	31/Mar/20	31/Mar/21	31/Mar/22	31/Mar/23
Number of Months	**12**	**12**	**12**	**12**	**12**
Revenue	**4,840**	**5,208**	**5,135**	**4,972**	**6,345**
Less: Direct Expenditure	**(3,245)**	**(3,310)**	**(3,398)**	**(4,108)**	**(4,171)**
Electricity / Power and Fuel and Water Expenses	(46)	(45)	(27)	(27)	(30)
Salaries and Wages	(3,059)	(3,137)	(3,245)	(3,886)	(3,881)
Cost of Material, Product, Software and Hardware	(24)	(16)	(6)	(10)	(6)
Software Development and Business Process Management Expenses	(80)	(112)	(120)	(185)	(254)
Education, Training and Course Material	(36)	-	-	-	-
Gross Profit	**1,595**	**1,898**	**1,737**	**864**	**2,174**
Add: Other Operating Income	-	-	2	-	-
Less: General and Administration Expenses	**(712)**	**(814)**	**(464)**	**(470)**	**(554)**
Staff Welfare Expenses	(76)	(86)	(61)	(55)	(59)
Insurance	(5)	(5)	(5)	(5)	(15)
Communication Expenses	(25)	(23)	(16)	(16)	(16)
Professional and Legal Fees	(102)	(191)	(155)	(161)	(142)
Technical Fees / Charges	(57)	(65)	(41)	(38)	(46)
Repairs and Maintenance	(49)	(65)	(50)	(42)	(45)
Travelling and Conveyance Expenses	(211)	(244)	(17)	(15)	(88)
Staff Recruitment Expenses	(36)	(46)	(10)	(33)	(46)
Expenses towards Community Development and Donations	(10)	(14)	(17)	(20)	(18)
Directors' Remuneration and Fees	(13)	(18)	(17)	(17)	(24)
Lease / Rent Charges	(84)	(31)	(24)	(14)	(13)
Other General Expenses	(44)	(26)	(51)	(54)	(42)
Less: Selling and Distribution Expenses	**(64)**	**(74)**	**(14)**	**(17)**	**(46)**
Advertising and Marketing Expenses	(22)	(22)	(12)	(11)	(14)
Business Promotion Expenses	(22)	(32)	(2)	(1)	(25)
Brokerage, Discount and Commission	(20)	(20)	-	(5)	(7)
Less: Loss on Sale of Fixed Assets	-	-	(1)	-	-
Less: Loss on Sale of Investment	(60)	(3)	(1)	-	-
Less: Loss on Foreign Exchange Transactions	(26)	-	-	-	-
Less: Bank and Finance Charges	(5)	(4)	(4)	(4)	(4)
Less: Other Expenses written off	(4)	(67)	-	(8)	(5)
Less: Depreciation / Amortization and Depletion	(99)	(136)	(139)	(154)	(187)
Operating Profit	**625**	**800**	**1,116**	**211**	**1,378**
Add: Other Non Operating Income	**302**	**375**	**429**	**348**	**339**
Dividend Income	79	102	2	14	5
Interest Income	176	164	136	98	72
Profit on Sale of Fixed Assets	3	1	-	1	4
Profit on Sale of Investments	37	58	207	199	209
Profit on Foreign Exchange Transactions	-	27	7	13	38
Miscellaneous Income	7	23	77	23	11
Earnings before Interest and Tax (EBIT)	**927**	**1,175**	**1,545**	**559**	**1,717**
Less: Interest Expenditure	**-**	**(7)**	**(6)**	**(4)**	**(6)**
Interest on Short Term Loans	-	-	(7)	(4)	-
Interest on Long Term Loans	-	(7)	-	-	(6)
Other Interest	-	-	1	-	-
Profit before Tax and Extraordinary Items	**927**	**1,168**	**1,539**	**555**	**1,711**
Less: Total Tax Provision	**(218)**	**(278)**	**(359)**	**(146)**	**(433)**
Tax Provision	(233)	(238)	(294)	(133)	(422)
Add / (Less): Current Year Deferred Tax	15	(40)	(65)	(13)	(11)
Profit after Tax	**709**	**890**	**1,180**	**409**	**1,278**
Extraordinary Items : Others	(29)	(9)	(15)	(407)	30
Profit after Tax and Extraordinary Items	**680**	**881**	**1,165**	**2**	**1,308**
Less: Dividends	(260)	(292)	(87)	(174)	(187)
Plus Retained Earnings b/f	4,130	4,576	5,165	6,243	6,071
Retained Earnings c/f	**4,550**	**5,165**	**6,243**	**6,071**	**7,192**

Five Year Cash Flow Statement

INR in million

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A) Opening Balance of Cash & Cash Equivalents	423	445	568	323	358
B) Cash inflows from Operating activites	561	747	1,149	576	497
C) Cash Inflows from Investment activities	126	210	118	1,827	134
D) Cash Inflows from Financing activities	-	-	-	-	-
E) Total Cash available (A+B+C+D)	**1,110**	**1,402**	**1,835**	**2,726**	**989**
F) Cash Outflows from Investment activities	410	500	1,374	242	260
G) Cash Outflows from Financing activities	260	341	134	2,128	227
H) Total Disbursement (F + G)	**670**	**841**	**1,508**	**2,370**	**487**
Effect of exchange rate changes on cash and cash equivalents (E)	5	7	(4)	2	3
Closing Balance of Cash & Cash Equivalents (E-H)	**445**	**568**	**323**	**358**	**505**

AUDITOR'S COMMENTS & OBSERVATIONS

Standalone

Observation as per auditor's report for the year ended 31st March 2023

Other Matter

The Standalone Financial Statements of the Company for the year ended 31st March 2022, were audited by the predecessor auditor who expressed an unmodified opinion on those statements on 17th May 2022. The auditor's opinion is not modified in respect of this matter.

Based on the audit procedures carried on by the auditor and as per the information and explanations given to them, the Company has provided loans to parties other than subsidiaries as below:

INR in million

Particulars	Amount
Aggregate amount during the year - Others (loan to employees)	8
Balance outstanding as at balance sheet date - Others (loan to employees)	8

- ✓ According to the information and explanations given to the auditor and on the basis of their examination of the records of the Company, in the case of loans given, in the auditor's opinion the repayment of principal has been stipulated and the repayments or receipts have been regular except for the loan of INR 38 million given to Nucleus Software Limited (wholly owned subsidiary) which is repayable on demand. As informed to the auditor, the Company has not received any amount during the year and provision for doubtful debt has been made by full amount. The loans to employees are interest free as per the policy of the Company. Further, the Company has not given any advance in the nature of loan to any party during the year.

- ✓ According to the information and explanations given to us and on the basis of Auditor examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans given except for the loan of INR 38 million given to Nucleus Software Limited (wholly owned subsidiary), the schedule for repayment of principal have not been stipulated and accordingly Auditor are unable to comment on the amount overdue for more than ninety days. Further, the Company has not given any advances in the nature of loans to any party during the year.

✓ According to the information and explanations given to the auditor and on the basis of Auditor examination of the records of the Company, in the Auditor's opinion the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment except for the following loan to its related party as defined in Clause (76) of Section 2 of the Companies Act, 2013 ("the Act"):

INR in million

Particulars	All Parties	Promoters	Related Parties
Aggregate of loans/advances in nature of loan - Repayable on demand* (A) - Agreement does not specify any terms or period of Repayment (B)	-	-	38
Total (A+B)	**-**	**-**	**38**
Percentage of loans/advances in nature of loan to the total loans	-	-	**84.00**

*Loan given to Nucleus Software Limited, a wholly owned subsidiary

Source: Annual reports 2023

Observation as per auditor's report for the year ended 31st March 2022

✓ With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

Auditor draws attention to Note 2.42 to the standalone annual financial statements for the year ended 31st March 2022 according to which the managerial remuneration paid to two executive directors of the Company (amounting to INR 38 million) and consequently the total managerial remuneration for the financial year (amounting to INR 62 million) exceeds the prescribed limits under Section 197 read with Schedule V to the Companies Act,2013 by INR 21 million. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the company proposes to obtain in the forthcoming Annual General Meeting. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by auditor.

Note 2.42: As recommended by Nomination and Remuneration committee, the Company has paid remuneration of INR 23 million to Mr. Parag Bhise (Chief Executive Officer & Whole-time Director) and INR 14 million to Mr. Anurag Mantri (Chief Financial Officer & Whole-time Director) (Charge taken from Subsidiary Company Nucleus Software Solution Pte Ltd). Total remuneration paid to these two directors and consequently, the total managerial remuneration of INR 62 million paid during the year ended 31st March 2022 exceeds the prescribed limit under section 197 read with schedule V in the Companies Act 2013 by INR 21 million. Pursuant to the provisions of Companies Act 2013 and in view of inadequacy of profits for the financial year ended 31st March 2022, the Company shall seek approval of the shareholders by way of special resolution in its forthcoming Annual General Meeting for the above-mentioned remuneration. The Company is probable that the approval will be received.

✓ Based on the audit procedures carried on by auditor and as per the information and explanations given to auditor, the Company has provided loans to parties other than subsidiaries as below:

INR in million

Particulars	Amount
Aggregate amount during the year - Others (loan to employees)	5
Balance outstanding as at balance sheet date - Others (loan to	4

✓ According to the information and explanations given to auditor and on the basis of Auditor's examination of the records of the Company, in the case of loans given, in auditor opinion the repayment of principal has been stipulated and the repayments or receipts have been regular except for the loan of INR 38 million given to Nucleus Software Limited (wholly owned subsidiary) which is repayable on demand. As informed to auditor, the Company has demanded and received repayment of INR 2 million during the year. Thus, there has been no default on the part of the party to whom the money has been lent. The loans to employees are interest free as per policy of the Company. Further, the Company has not given any advance in the nature of loan to any party during the year.

✓ According to the information and explanations given to auditor and on the basis of Auditor's examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans given except for the loan of INR 38 million given to Nucleus Software Limited (wholly owned subsidiary), the schedule for repayment of principal have not been stipulated and accordingly auditor is unable to comment on the amount overdue for more than ninety days. Further, the Company has not given any advances in the nature of loans to any party during the year.

- ✓ According to the information and explanations given to auditor and on the basis of Auditor's examination of the records of the Company, in auditor opinion the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment except for the following loan to its related party as defined in Clause (76) of Section 2 of the Companies Act, 2013 ("the Act"):

INR in million

Particulars	All Parties	Promoters	Related Parties
Aggregate of loans/advances in nature of loan - Repayable on demand* (A) - Agreement does not specify any terms or period of Repayment (B)	-	-	38
Total (A+B)	**-**	**-**	**38**
Percentage of loans/advances in nature of loan to the total loans	-	-	**91.00**

According to the information and explanations given to auditor and on the basis of Auditor's examination of the records of the Company, statutory dues relating to Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues which have not been deposited on account of any dispute are as follows:

INR in million

Name of the statute	Nature of the dues	Forum where dispute is	Amount involved	Amount unpaid	Year to which the amount
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	0.2 (Refer Note Below)	Nil	AY 2014-15
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	0.2 (Refer Note Below)	Nil	AY 2015-16
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (Refer Note Below)	1	AY 2015-16
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (Refer Note Below)	1	AY 2016-17
Income Tax Act, 1961	Income Tax	National Faceless Appeal Centre	6 (Refer Note Below)	6	AY 2017-18
Income Tax Act, 1961	Income Tax	National Faceless Appeal Centre	14 (Refer Note Below)	10	AY 2018-19

Note: Amount calculated by the Company on the basis of additions to income made by the Assessing Officer

Source: Annual reports 2022

Observation as per auditor's report for the year ended 31st March 2021

Emphasis of matter

✓ Auditor draws attention to note 2.41 to the standalone financial statements, which describes the information security incident on 30th May 2021 involving a ransomware attack experienced by the Company. The management has initiated the process of containment and remediation efforts to address the event and to recover and restore impacted application and data. It has also initiated the process to investigate and ascertain the nature, extent and causes of data breach. The impact of this cyber security incident including any possible litigations and claims is presently not ascertainable. Auditor opinion is not modified in respect of this matter.

Note 2.41: On 30th May 2021 (after the end of the period of 31st March 2021 to which these standalone financial statements pertain) the Company experienced an information security incident involving a ransomware attack and consequent isolation of impacted IT services. In response to this, management has immediately initiated comprehensive containment and remediation efforts to address the incident. Recovery and restoration of all impacted application and data is underway. The Company has also started the process to investigate and ascertain the nature, extent and causes of data breach. The impact of this cyber security incident including any possible litigations and claims is presently uncertain.

✓ According to the information and explanations given to auditor, there are no dues in respect of Income-tax, Sales tax, Service tax, Goods and Services tax, Duty of customs, Duty of excise and Value added tax which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

INR in million

Name of the statute	Nature of the dues	Forum where dispute is pending	Amount involved	Amount	Year to which the
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	0.2 (Refer Note Below)	Nil	AY 2014-15
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	0.2 (Refer Note Below)	Nil	AY 2015-16
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (Refer Note Below)	1	AY 2015-16
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (Refer Note Below)	1	AY 2016-17
Income Tax Act, 1961	Income Tax	National Faceless Appeal Centre	6 (Refer Note Below)	-	AY 2017-18

Note: Amount calculated by Company on the basis of additions to income made by the Assessing Officer

Source: Annual reports 2021

Observation as per auditor's report for the year ended 31st March 2020

According to the information and explanations given to auditor, except as stated below, there are no dues in respect of Income tax, Sales tax, Service tax, Goods and Services tax, Duty of customs, Duty of excise, Value added tax and Cess which have not been deposited with the appropriate authorities on account of any dispute:

Name of the statute	Nature of dues	Forum where the dispute is pending	Amount involved (INR in million)	Amount paid under protest (INR in million)	Year to which the amount relates
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	7 (refer Note below)	Nil	AY 2011-12
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (refer Note below)	1	AY 2015-16
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1 (refer Note below)	1	AY 2016-17
Income Tax Act, 1961	Income Tax	Commissioner of Income tax (Appeals)	6 (refer Note below)	Nil	AY 2017-18
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	^0.05	Nil	AY 2019-20
Total			**15.05**	**2**	

Note: Amount calculated by the Company on the basis of additions to income made by the Assessing Officer

Source: Annual reports 2020

Observation as per auditor's report for the year ended 31st March 2019

According to the information and explanations given to auditor, there are no disputed dues in respect of Sales tax, Service tax, Goods and Services tax, Duty of customs, Duty of excise and Value added tax which have not been deposited with the appropriate authorities. The following dues of Income tax have not been deposited with the appropriate authorities on account of disputes:

Name of the statute	Nature of dues	Forum where the dispute is pending	Amount involved (INR in million)	Year to which the amount relates
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal (ITAT)	1*	AY 2015-16
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals) [CIT (Appeals)]	2*	AY 2016-17
Total			**3**	

* The amount represents the payment made under protest or adjustment against refund

Source: Annual reports 2019

Contingent Liabilities and Capital Commitment as on as on 31st March 2021, 31st March 2022, and 31st March 2023:

INR in million

Sr. No.	Particulars	FY 2021	FY 2022	FY 2023
A	Contingent Liabilities		4	59
B	Capital Commitments (to the extent not provided for)	13	99	33
	Total (A+B)	**13**	**103**	**92**

Notes for FY 2023:

As on 31st March 2023, claims against the Company not acknowledged as debts in respect of income tax matters amounted to INR 59 million. (previous year FY 2022: INR 4 million). The claims against the Company represent demands for various tax matters and pending before tax Appellate Authorities. The management is of the view that these claims are likely to be settled in Company's favor.

Estimated number of contracts are remaining to be executed on capital account and are not provided for in the books of account (net of advances).

Notes for FY 2022:

1. In relation with AY 14-15, a tax demand of INR 0.2 million (previous year March 2021: INR 0.2 million, and March 2020: INR 0.2 million) on account of MAT credit is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained.
2. In relation with AY 15-16, a tax demand of INR 0.2 million (previous year March 2021 INR 0.2 million and March 2020 INR 0.2 million) on account of MAT credit and custom duty is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained.
3. In relation with AY 2018-19, a tax demand of INR 4 million is outstanding on account of withholding taxes. Management is of the view that this demand is not tenable.

Notes for FY 2021:

1. In relation with AY 14-15, a tax demand of INR 0.2 million (previous year March 2020 INR 0.2 million) on account of MAT credit is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained
2. In relation with AY 15-16, a tax demand of INR 0.2 million (previous year March 2020 INR 2 million) on account of MAT credit and custom duty is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained.

Source: Annual reports 2023 and as provided by the management

Contingent Liabilities and Capital Commitment as on as on 31st March 2019 and 31st March 2020:

INR in million

Sr. No.	Particulars	FY 2019	FY 2020
A	**Contingent liabilities**		Refer note below
B	**Capital Commitments (to the extent not provided for)**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	20	9
	Total (A+B)	**20**	**9**

Notes for FY 2020:

The Income Tax Appellate Tribunal (ITAT) issued a notice to the Company in respect of an order related to the Assessment Year 2011-12 whereby the Assessing Officer had made an addition of INR 36 million to the book profits computed u/s 115JB of the Income Tax Act, 1961. This matter was adjudicated by the CIT (A) and an order in favor of the Company was passed in an earlier year. Subsequently, the tax authorities filed an appeal against the order of the CIT (A). The amount of tax demand calculated by the Company on the basis of addition made by the assessing officer is INR 7 million. The Company has applied under Direct tax Vivad se Vishwas Act 2020, to settle the pending litigation as per the governing provisions of the said Act. Consequently, the Company created a provision of INR 4 million in respect of this matter which is expected to be the amount at which the demand shall be settled with the tax authorities.

The Company has certain other tax litigations in respect of other assessment years which are still ongoing. The Company is firmly of the view that these demands are not tenable and highly unlikely to retained.

Source: Annual Reports

AUDITOR'S COMMENTS & OBSERVATIONS

Consolidated

Observation as per auditor's report for the year ended 31st March 2023

Other Matters

The Consolidated Financial Statements of the Company for year ended 31st March 2022, were audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 17, 2022.

Auditor did not audit the financial information of two subsidiaries, whose financial information reflect total assets of INR 338 million as of 31st March 2023, total revenues of INR 792 million, total net loss of INR 30 million and net cash outflow amounting to INR 26 million for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The holding company's management has converted the financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. Auditor has audited these conversion adjustments made by the holding company's management. Auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the holding company and audited by auditor.

The financial information of four subsidiaries, whose financial information reflect total assets of INR 80 million as of 31st March 2023, total revenues of INR 133 million, total net loss of INR 7 million and net cash outflows amounting to INR 3 million for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by auditor or by other auditors. This unaudited financial information has been furnished to auditor by the management and their opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosure included in respect of these subsidiaries, and their report in terms of subsections (3) of section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial information. in auditor opinion and according to the information and explanations given to auditor by the Management, this financial information is not material to the Group.

Auditor opinion on the consolidated financial statements and their report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to their reliance on the work done and the reports of the other auditors and other financial information certified by the management.

Source: Annual report 2023

Observation as per auditor's report for the year ended 31st March 2022

Other Matters

- ✓ Auditor did not audit the financial information of two subsidiaries, whose financial information reflect total assets (before consolidation adjustments) of INR 376million as of 31st March 2022, total revenues (before consolidation adjustments) of INR 733 million and net cash inflows (before consolidation adjustments) amounting to INR 20 million for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. Auditor has audited these conversion adjustments made by the Holding Company's management. Auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by auditor.

- ✓ The financial information of four subsidiaries, whose financial information reflect total assets (before consolidation adjustments) of INR 90 million as of 31st March 2022, total revenues (before consolidation adjustments) of INR 163 million and net cash outflows (before consolidation adjustments) amounting to INR 31 million for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by auditor or by other auditors. This unaudited financial information has been furnished to auditor by the Management and their opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and Auditor report in terms of subsections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial information. In Auditor opinion and according to the information and explanations given to auditor by the Management, this financial information is not material to the Group.

- ✓ Auditor's opinion on the consolidated financial statements, and auditor report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to auditor reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

Auditor drew attention to Note 2.45 to the consolidated financial statements for the year ended 31st March 2022 according to which the managerial remuneration paid to two executive directors of the Holding Company (amounting to INR 38 million) and consequently the total managerial remuneration for the financial year (amounting to INR 62 million) exceeds the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 by INR 207 million. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the holding company proposes to obtain in the forthcoming Annual general Meeting. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by auditor.

Note 2.45

As recommended by Nomination and Remuneration committee, the holding company has paid remuneration of INR 233 million to Mr. Parag Bhise (Chief Executive Officer & Whole-time Director) and INR 14 million to Mr. Anurag Mantri (Chief Financial Officer & Whole-time Director) (charge taken from subsidiary company Nucleus Software Solution Pte Ltd). Total remuneration paid to these two directors and consequently, the total managerial remuneration of INR 62 million paid during the year ended 31st March 2022 exceeds the prescribed limit under section 197 read with schedule V in the Companies Act 2013 by INR 21 million. Pursuant to the provisions of Companies Act 2013 and in view of inadequacy of profits for the financial year ended 31st March 2022, The Holding Company shall seek approval of the shareholders by way of special resolution in its forthcoming Annual General Meeting for the above-mentioned remuneration. The Holding Company is probable that the approval will be received.

Source: Annual report 2022

Observation as per auditor's report for the year ended 31st March 2021

Emphasis of matter

✓ Auditor draws attention to note 2.44 to the consolidated financial statements, which describes the information security incident on 30th May 2021 involving a ransomware attack experienced by the Group. The management has initiated the process of containment and remediation efforts to address the event and to recover and restore impacted application and data. It has also initiated the process to investigate and ascertain the nature, extent and causes of data breach. The impact of this cyber security incident including any possible litigations and claims is presently not ascertainable. Auditor's opinion is not modified in respect of this matter.

Other Matters

✓ Auditor did not audit the financial information of three subsidiaries, whose financial information reflect total assets of INR 310 million as of 31st March 2021, total revenues of INR 735 million and net cash flows amounting to INR 56 million for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. auditor has audited these conversion adjustments made by the Company's management. Auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by auditor.

- ✓ The financial information of three subsidiaries, whose financial information reflect total assets of INR 118 million as of 31st March 2021, total revenues of INR 195 million and net cash flows amounting to INR 13 million for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by auditor or by other auditors. This unaudited financial information has been furnished to the auditors by the Management and Auditor opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and Auditor report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial information. In auditor opinion and according to the information and explanations given to auditor by the Management, this financial information is not material to the Group.

With respect to the matter to be included in the Auditor's report under section 197(16):

In auditor's opinion and according to the information and explanations given to auditor and based on the reports of the statutory auditors of such subsidiary companies incorporated in India which were not audited by auditor, the remuneration paid during the current year by the Holding Company and its subsidiary companies to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by auditor.

Source: Annual report 2021

Observation as per auditor's report for the year ended 31st March 2020

Other Matters:

- ✓ Auditor did not audit the financial information of two subsidiaries located outside India, whose financial information reflects total assets of INR 238 million as of 31st March 2020, total revenues of INR 867 million and net cash flows amounting to INR 148 million for the year ended on that date, as considered in the consolidated financial statements. The financial information in respect of these subsidiaries has been audited by other auditors and their opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors.

- ✓ Auditor also did not audit the financial information of another subsidiary located outside India whose financial information reflects total assets of INR 30 million as of 31st March 2020, total revenues of INR 82 million and net cash flows amounting to INR 8 million for the year ended on that date, as considered in the consolidated financial statements. In the case of this subsidiary the financial information has been prepared in accordance with accounting principles generally accepted in that country and which have been audited by other auditors under generally accepted auditing standards applicable in that country. The holding company's management has converted the financial statement of this subsidiary located outside India from accounting principles generally accepted in that country to accounting principles generally accepted in India. Auditor has audited these conversion adjustments made by the holding company's management. auditor opinion in so far as it relates to the balances and affairs of this subsidiary is based on the report of other auditors and the conversion adjustments prepared by the management of the holding company and audited by auditor.

- ✓ The financial information of three subsidiaries, whose financial information reflect total assets of INR 110 million as of 31st March 2020, total revenues of INR 222 million and net cash flows amounting to INR 1 million for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by auditor or by other auditors. This unaudited financial information has been furnished to auditor by the Management and auditor opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and Auditor report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial information. In auditor opinion and according to the information and explanations given to us by the Management, this financial information is not material to the Group.

- ✓ Auditor opinion on the consolidated financial statements, and their report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to Auditor reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Source: Annual report 2020

Observation as per auditor's report for the year ended 31st March 2019

Other Matters

Auditor did not audit the financial statements / financial information of three subsidiaries, whose financial statements/financial information reflect total assets of INR 375 million as of 31st March 2019, total revenues of INR 851 million and net cash flows amounting to INR 74 million for the year ended on that date, as considered in the consolidated financial statements. These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. auditor have audited these conversion adjustments made by the Company's management. auditor opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by auditor.

Auditor opinion on the consolidated financial statements, and their report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to Auditor reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Source: Annual report 2019

Contingent Liabilities and Capital Commitment as on 31st March 2021, 31st March 2022, and 31st March 2023:

INR in million

Sr. No.	Particulars	FY 2021	FY 2022	FY 2023
A	Contingent Liabilities		4	59
B	Capital Commitments (to the extent not provided for)	13	99	33
	Total (A+B)	**13**	**103**	**92**

Notes for FY 2023:

As on 31st March 2023, claims against the company not acknowledged as debts in respect of income tax matters amounted to INR 59 million (previous year FY 2022: INR 4 million). The claims against the Company represent demands for various tax matters and pending before tax Appellate Authorities. The management is of the view that these claims are likely to be settled in Company's favor.

Other Commitments

- ✓ The Company is committed to provide financial support to its subsidiary companies, as and when required.
- ✓ The Group does not have any pending litigations which would impact its financial position.
- ✓ The Group does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

Notes for FY 2022:

Contingent liabilities:

- ✓ In relation with AY 14-15, a tax demand of INR 2 million (previous year FY 2021: INR 0.2 million) on account of MAT credit is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained
- ✓ In relation with AY 15-16, a tax demand of INR 2 million (previous year March 2021 INR 2 million) on account of MAT credit and custom duty is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained
- ✓ 'In relation with AY 2018-19, a tax demand of INR 4 million is outstanding on account of withholding taxes. Management is of the view that this demand is not tenable.

Source: Annual report 2023 and as provided by the management

Contingent Liabilities and Capital Commitment as on 31st March 2020

INR in million

Sr. No.	Particulars	FY 2020
A	**Contingent liabilities**	Refer note below
B	**Capital Commitments**	
	Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	20
	Total (A+B)	**20**

Notes for FY 2020:

Contingent liabilities (Refer note below):

- ✓ In relation with AY 14-15, a tax demand of INR 0.2 million on account of MAT credit is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained
- ✓ In relation with AY 15-16, a tax demand of INR 2 million on account of MAT credit and custom duty is outstanding. Management is of the view that this demand is not tenable and is unlikely to be retained.

Other Commitments:

- ✓ The Company is committed to provide financial support to its subsidiary companies, as and when required.
- ✓ The Group does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

Source: Annual report 2021

Pending Litigations and Commitments as on 31st March 2019

INR in million

Sr. No.	Particulars	FY 2019
A	**Pending litigations**	
	Nucleus Software Exports Limited, the Holding Company	
	In the year, the ITAT has issued a notice to the Company in respect of an order related to the Assessment year 2011-12 whereby the Assessing Officer had made an addition of INR 36 million to the book profits computed u/s 115JB of the Income Tax Act, 1961. This matter was adjudicated by the CIT (A) and an order in favour of the Company was passed in an earlier year. Subsequently, the tax authorities have filed an appeal against the order of the CIT (A). The amount of tax demand calculated by the Company on the basis of addition made by the assessing officer is INR 7 million. The Company has applied under Direct tax Vivad se Vishwas Act 2020, to settle the pending litigation as per the governing provisions of the said Act. Consequently, the Company has created a provision of INR 4 million in respect of this matter which is expected to be the amount at which the demand shall be settled with the tax authorities. The Company has certain other tax litigations in respect of other assessment years which are still ongoing. The Company is firmly of the view that these demands are not tenable and highly unlikely to retained.	
B	**Capital Commitments (to the extent not provided for)**	
	Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	9

Management Clarification: The said litigation has been closed and is not pending anymore.

Virstra I-Technology Services Limited (refer note below)

Name of the statute	Nature of Dues	Amount of dispute INR in million	Assessment Year	Forum of Dispute
Income Tax Act, 1961	Income Tax	0.02	AY 2014/15	Deputy Commissioner of Income Tax

Management is of the view that the above demand is not tenable and is unlikely to be retained. This matter is considered as a contingent liability as on 31st March 2020.

Source: Annual report 2020

BANK DETAILS

BANK

Name : Citi Bank N.A.

ADDRESS : DLF Square, Jacaranda Marg, Block M
DLF Phase 2, Sector 25
Gurugram – 122 002
Haryana
India

BANKER'S REPORT:

The Company deals with bank since March 2001.

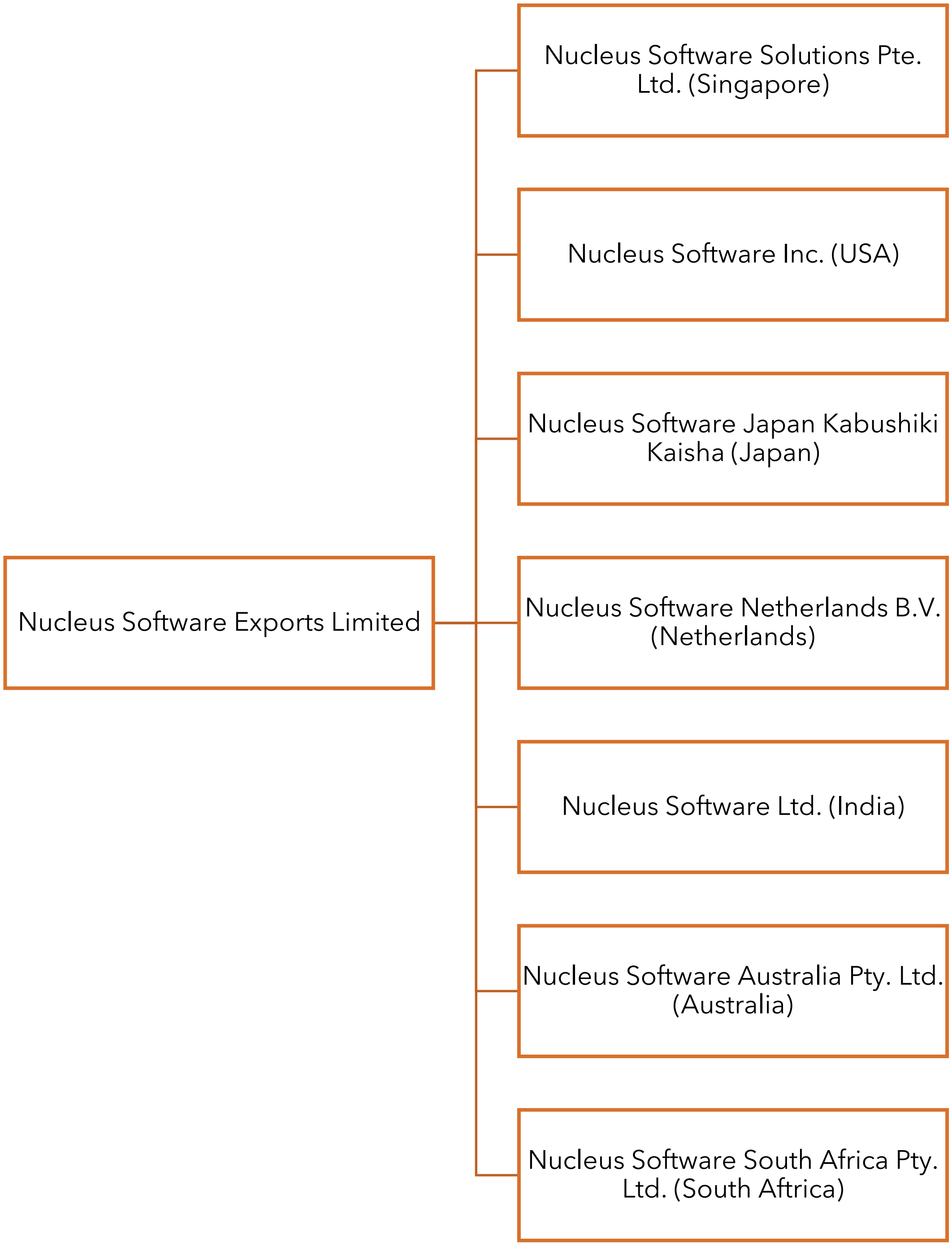
The Company has availed the following facilities from bank as on 8th December 2023:

INR in million

Nature of Facilities	Amount Sanctioned	Amount Disbursed	Amount Outstanding
Cash Credit / Working Capital Demand Loan	-	-	-
Other Fund Based Limit	-	-	-
Non Fund Based Limit	49	49	14
Total	49	49	14

Source: As provided by the management

CORPORATE PARENT LINKAGE



GROUP DETAILS

Subsidiaries

Name of the Subsidiary	Address	City	Pincode	State	Country	% Held
Nucleus Software Limited	Plot No. IT- A - 017, Mahindra World City (Jaipur) Limited IT/ITES Special Economic Zone	Jaipur	302 037	Rajasthan	India	100
Nucleus Software Solutions Pte. Ltd	300, Tampines Avenue-5#04-06 Tampines Junction	-	529653	-	Singapore	100
Nucleus Software Inc.	505, Thornall State, Suite 401	Edison	08837-2260	New Jersey	United States of America	100
Nucleus Software Japan Kabushiki Kaisha	Mitsubishi Building 11F, 5-2 Marunouchi, 2 Chome	Chiyoda Ku	100-0005	Tokyo	Japan	100
Nucleus Software Netherlands B.V.	Cuserstaat 93, Floor 2nd & 3rd	Amsterdam	1081CN		Netherlands	100
Nucleus Software Australia Pty. Ltd.	Suite 4, 96-98 Wigram Street Harris Park	-	2150	New South Wales	Australia	100
Nucleus Software South Africa Pty. Ltd.	28 Front Street, Brinam	Gauteng	2196	-	South Africa	100

Key financial of Subsidiaries

INR in million

Name of the Subsidiary	For the year ended	Reporting Currency	Revenue	Profit/ (Loss) after Tax	Networth	Return on Networth (%)
Nucleus Software Limited	31-Mar-23	INR	3	(4)	94	-
Nucleus Software Solutions Pte. Ltd	31-Mar-23	INR	774	(35)	117	-
Nucleus Software Inc.	31-Mar-23	INR	-	(1)	37	-
Nucleus Software Japan Kabushiki Kaisha	31-Mar-23	INR	137	(7)	35	-
Nucleus Software Netherlands B.V.	31-Mar-23	INR	-	(1)	-	-
Nucleus Software Australia Pty. Ltd.	31-Mar-23	INR	60	1	45	2.22
Nucleus Software South Africa Pty. Ltd.	31-Mar-23	INR	-	-	4	-

Source: Annual report 2023 and as provided by the management

LOCATION DETAILS

Indian Branches

Address	Location Type	Type of Occupation	Size of Premise (Square feet)
33-35 Thyagraj Nagar Market New Delhi -110 003 Delhi India	Registered Office	Owned	-
"Plot No. IT - A - 017, Mahindra World City (Jaipur) Limited IT/ITES SEZ, off Jaipur - Ajmer Highwa Village Kalwara, Sanganer Jaipur - 30 203 Rajasthan India	Office	Owned	-
Wellington Business Park 405-408,4th Floor, Near S.M Centre Marol Naka, Andheri Kurla Road Andheri (East) Mumbai - 400 059 Maharashtra India	Office	Rented	3,250
Marisoft 1, 6th Floor Marigold Premises, Vadgaon Sheri Pune - 411 014 Maharashtra India	Office	-	9,573
Kumar Business Court 7th Floor, K B C, S. No. 362/3 Bund Garden Road Pune – 411 001 Maharashtra India	Office	Rented	12,286
SKCL Triton Square,5th Floor Unit#C3-C7, CIPET Road Thiru-Vi-Ka Industrial Estate, Guindy Chennai - 600 032 Tamil Nadu India	Office	Rented	-

Foreign

Address	Location Type	Type of Occupation	Size of Premise (Square Feet)
Office No. 276, The Porter Building 1 Brunel Way, Slough SL1 1FQ London United Kingdom	Office	Rented	-
EIB Building # 05, (Alpha Building) Office #305, Third Floor Dubai Internet City (DIC) Dubai United Arab Emirates	Office	Rented	1,290

Source: Annual report 2023, Company website and as provided by the management

AWARDS & CERTIFICATIONS

Awards (FY 2021 to FY 2023)

- ✓ Annual Report for the Year ended 31st March 2023, won the Silver Award for Excellence within the Technology-Software industry and Technical Achievement Award from League of American Communication Professionals (LACP). The Annual Report was also ranked 99th amongst the top 100 Annual Reports worldwide by League of American Communications Professionals LLC (LACP).
- ✓ Nucleus Software Exports Limited was honored with another prestigious award from IBS Intelligence (IBSi) for the "Best Digital Lending Implementation - Most Impactful Project" category. This recognition is a testament to the Company's dedication to innovation and excellence in the realm of digital lending. The Company's collaborative efforts with Poonawalla Fincorp not only transformed digital lending but also left a lasting impact on the industry. The award acknowledges the effectiveness and significance of the Company's project in reshaping the digital lending landscape.
- ✓ Nucleus Software Exports Limited wins "Most Innovative Use of Process Automation" award by IBS Intelligence for Mahindra Rural Housing Finance Limited in December 2023.
- ✓ FinnOne Neo® won the Banking Frontiers Technoviti Award 2023.
- ✓ Dr. Ritika Dusad, Executive Director and Chief Innovation Officer (CIO) was honored with the prestigious "DE&I in Tech Leadership Award" at "The Rising 2024". Emerging victorious from a pool of over 100 nominees, Dr. Dusad's outstanding contributions have transformed the tech industry, instigating impactful change at every juncture.
- ✓ Nucleus Software Exports Limited received "IBSi Global Fintech Innovation Awards 2023" for Most Effective Digitization/Paperless Initiative – Best Project Implementation for Mirae Asset Financial Services.
- ✓ Nucleus Software Exports Limited earned the "IBSi Global Fintech Innovation Awards 2023" under category Best Transaction Banking implementation for BRAC Bank Ltd.
- ✓ Nucleus Software Exports Limited Annual Report for the Year ended 31st March 2022, won the Platinum Award for Excellence within the Technology-Software industry and Technical Achievement Award from League of American Communication Professionals (LACP). The Annual Report was also ranked 49th amongst the World's Top 100 Annual Reports within the Technology-Software industry by LACP.
- ✓ Nucleus Software Exports Limited along with Mirae Asset Financial Services India Private Limited showcased ground-breaking achievement by winning the IBS Intelligence Global Fintech Innovation Awards 2022, in the innovative category "Implementation of the Most Effective Paperless Digitization Project".

- ✓ Received an award for the Annual Report (for FY 20-21) from League of American Communication Professionals (LACP). The Company won the Platinum Award for excellence within the Industry for FY 2020-21 - Technology- Software and the Technical Achievement Award for excellence in the art and method of Annual Report communications.
- ✓ Received first position at the "Corporate Governance and Sustainability Vision Awards 2021", held by Indian Chamber of Commerce.
- ✓ FinnOne Neo® recognized in the lending category as the "#1 Leader" in India and as the "#2 Leader" globally in the IBS Sales League Table 2020 by IBS Intelligence.
- ✓ FinnOne Neo® recognized among the top 3 retail loan origination systems worldwide by Aite Group in November 2020.

Membership Certifications

The Company is registered with:

- ✓ Electronics and Computer Software Export Promotion Council
- ✓ Software Technology Park of India

ISO and Other Certifications

The Company has received the following certifications:

- ✓ ISO 27001:2013 (ISMS)
- ✓ SA 8000
- ✓ Certificate of Registration by The British Standards Institution.
  Certificate no. : ISO/IEC 27001: 2013
  Valid from : 30th April 2021
  Valid till : 1st May 2024

Source: Annual Report 2023, 2022, 2021, Company website and as provided by the management

STANDARD INDUSTRIAL IDENTIFICATION CODES

SIC Codes

7371-0300
Engaged in computer software development and applications

7371-0101
Engaged in computer software systems analysis and design, custom

MEDIA ARTICLES

Nucleus Software Revolutionizes Software Development with Pioneering CICD and ATDD, Setting New Industry Standards in the Fintech Space (7th December 2023)

Source: Company website

Nucleus Software Maintain Steady Growth Momentum through its Robust Products in the Second Quarter of Fiscal Year 2023-24 (9th November 2023)

Source: Company website

Mahindra Rural Housing finance implements Nucleus Software's FinnOne Neo® to enable seamless and robust digital lending operations (5th September 2023)

Source: Company website

Nucleus Software Continues its Growth Trajectory in Q1 FY 2023-24 (4th August 2023)

Source: Company website

Mahindra Finance partners with Nucleus Software to boost digital transformation of its lending services (14th June 2023)

Source: Company website

Mirae Asset Financial Services (India) wins the "Most Effective Paperless Digitization Implementation" award at the IBS Intelligence Global FinTech Innovation Awards 2022 for a unique Customer On-boarding Mobile Application "Mirae Asset Financial Services" powered by Nucleus Software to digitally transform their secured loans journey. (24th May 2023)

Source: Company website

Nucleus Software Reports Quantum Growth of 27.61% YoY in FY 2022-23. (18th May 2023)

Source: Company website

BRAC Bank and Nucleus Software win IBS Intelligence Global FinTech Innovation Awards for deployment of Supply Chain Finance solution for SMEs (23rd March 2023)

Source: Company website

Nucleus Software Exports Limited Wins Multiple Awards at the League of American Communications Professionals (LACP) Annual Report Competition, 2021/22 Vision Awards! (16th March 2023)

Source: Company website

Nucleus Software Exports Limited celebrates 30 years of successfully creating Intellectual Property (8th December 2022)

Source: Company website

Bank of Sydney leverages Lending Digitisation Solution FinnOne Neo® from Nucleus Software Exports Limited to transform its lending processes (28th November 2022)

Source: Company website

Nucleus Software Exports Limited's FinnOne Neo® to transform PVcomBank's retail lending (18th July 2022)

Source: Company website

Opel Vauxhall Finance goes live in Spain with Nucleus Software Exports Limited's flagship lending product, FinnOne Neo®
(5th October 2021)

Source: Company website

Nucleus Software Exports Limited's FinnOne Neo® to power South Indian Bank's retail lending landscape (24th August 2021)

Source: Company website

Nucleus Software Exports Limited announces Rs 159 crore buyback offer (Date: 13th August 2021)

Source: www.economictimes.indiatimes.com

Nucleus Software Exports Limited to hire 500+ fresh Engineers from Non-Metro cities and Towns across the country (7th August 2021)

Source: Company website

Nucleus Software Exports Limited issues the 14th release edition for Finn One Neo™, GA 6.0 (4th August 2021)

Source: Company website

Nucleus Software Exports Limited to Hire Over 500 Engineers From Non-Metro cities (8th July 2021)

Source: Company website

Nucleus Software Exports Limited to hire over 500 engineers by year-end (7th July 2021)

Source: Company website

Nucleus Software Exports Limited to hire over 500 fresh engineers from tier-2 cities in India (7th July 2021)

Source: Company website

Nucleus Software Exports Limited's FinnOne Neo® powers TPBank Vietnam's TPFinance (TPFico) for digital consumer finance (29th June 2021)

Source: Company website

Bank of Sydney appoints Nucleus Software Exports Limited and their flagship lending solution FinnOne Neo®, to accelerate their digital lending transformation (18th May 2021)

Source: Company website

GLOSSARY FOR KEY RATIOS

KEY FINANCIAL RATIOS	FORMULAE
GROWTH RATIOS	
Revenue Growth (%)	% Change in revenue in the current year over the previous year
Net Profit Growth (%)	% Change in net profit in the current year over the previous year
PROFITABILITY RATIOS	
Gross Profit Margin (%)	(Net Revenue - Direct Expenditure/Net Revenue)*100
Operating Profit Margin (%)	(Operating Profit/Net Revenue)*100
Net Profit Margin (%)	(Net Profit after Tax/Net Revenue)*100
Return on Tangible Networth (%)	(Net Profit after Tax/Tangible Networth)*100
Return on Capital Employed (%)	(Earnings before Interest and Tax/Capital Employed)*100
Return on Fixed Assets (%)	(Net Profit after Tax/Fixed Assets)*100
Return on Total Assets (%)	(Net Profit after Tax/(Current Assets + Other Tangible Assets))*100
LIQUIDITY RATIOS	
Quick Ratio (Times)	(Current Assets - Inventory - Prepaid Expenses - Unbilled Revenue)/Current Liabilities
Current Ratio (Times)	Current Assets/Current Liabilities
TURNOVER RATIOS	
Inventory Turnover Ratio (Times)	(Direct Expenditure - Repairs & Maintenance - Plant & Machinery)/Total Inventory
Fixed Assets Turnover Ratio (Times)	Net Revenue/Fixed Assets
SOLVENCY RATIOS	
Long Term Debt Equity Ratio (Times)	Long Term Loans/Tangible Networth
Total Debt Equity Ratio (Times)	Total borrowings (Long term + Short term)/Tangible Networth
Total Liabilities to Tangible Networth (%)	{(Current Liabilities + Non-Current Liabilities)/Tangible Networth)}*100
Interest Coverage Ratio (Times)	Earnings before Interest and Tax/Interest Expenditure

KEY FINANCIAL RATIOS	FORMULAE
EFFICIENCY RATIOS	
Payment Period (Days)	Accounts Payable/Total Purchases*365
Average Payment Period (Days)	Average Accounts Payable/Total Purchases*365
Collection Period (Days)	Accounts Receivable/Net Revenue*365
Average Collection Period (Days)	Average Accounts Receivable/Net Revenue*365
WORKING CAPITAL RATIOS	
Current Liabilities to Tangible Networth (%)	Current Liabilities/Tangible Networth*100
Working Capital Turnover Ratio (Times)	Net Revenue/(Current Assets - Current Liabilities)
Inventory Days	365/Inventory Turnover Ratio
Working Capital Cycle	Collection Period (days) + Inventory Holding (Days) - Payment Period (Days)

OTHER KEY FINANCIALTERMS	
Direct Expenditure	Cost of material consumed or traded, salaries & wages, freight inward, job work charges, royalties/technical fees and other expenses directly related to manufacturing/rendering of services.
Operating Profit	Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from revenue and other operating income pertaining to core business activities. Taken as EBIT – non operating income.
Net Profit	Measure of net profit or loss earned/incurred after considering all incomes and expenses including interest expenditure and taxes.
Working Capital	Current Assets - Current Liabilities
Tangible Networth	Working Capital + Other Tangible assets - Non-Current Liabilities
Capital Employed	Tangible Networth + (Long-Term Borrowings + Short-Term Borrowings) + Minority Interests
Total Borrowings	Long Term (Secured & Unsecured) Loans + Short Term (Secured & Unsecured) Loans

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