



NUCLEUS  
SOFTWARE

# **DIGITIZING**

FINANCIAL SERVICES WORLDWIDE

ANNUAL  
REPORT | 2016-17

# DRIVING INNOVATION IN FINANCIAL SERVICES GLOBALLY



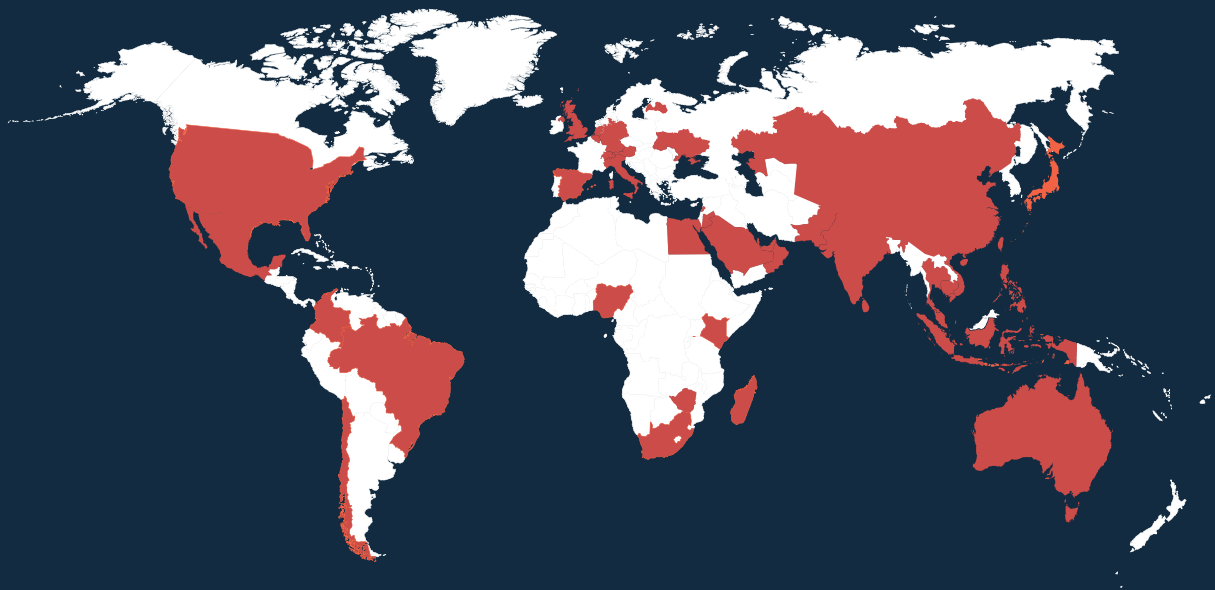
**3 DECADES**  
OF BANKING  
DOMAIN  
EXPERTISE



**150**  
BANKS & FINANCIAL  
INSTITUTION CUSTOMERS  
ACROSS 50 COUNTRIES



**26 M**  
TRANSACTIONS  
PROCESSED  
PER DAY



WORLDWIDE PRESENCE, GLOBAL  
KNOWLEDGE, LOCAL FOCUS



**\$200 B**  
VALUE OF  
LOANS  
MANAGED



**1**  
NEW LOAN  
BOOKED  
EVERY SECOND



**3 OF TOP 15**  
GLOBAL BANKS  
ARE OUR  
CUSTOMERS

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## Cautionary statement regarding forward-looking statements

Certain statements in this Annual Report are based on assumptions and expectations of future events and may be considered as forward-looking statements. Such statements must be reviewed in conjunction with the risks that the Company faces. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to the Management perceptions.



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# CHAIRMAN'S

# MESSAGE



**JANKI BALLABH**

Chairman



## **DEAR SHAREHOLDERS,**

I wish to express my gratitude to all our shareholders, investors, staff and partners for their continued support. Their support is critical in our mission to help our customers succeed and has been at the heart of our success for the three decades. Today, customers in 50 countries are leveraging our experience, commitment and vision to drive their businesses forward and keep their competitive edge.

## DELIVERING RESULTS IN A CHALLENGING ENVIRONMENT

2016 was a very eventful year - the global economy registered tepid growth, with modest and uneven recoveries in many advanced economies - markets were unstable, buffeted by political shocks such as Brexit, the Italian Constitutional referendum and the results of the U.S. presidential elections. Rapid technological change and rising customer expectations continue to disrupt entire industries. However, the global economy also began to show signs of improvement throughout 2016. The Indian economy grew by 7% in Q4 of 2016, despite the effect of demonetization. From your company's perspective, demonetization helped us by promoting digital transactions. A large segment of the Indian population is now moving into digital transactions and many more people are now a part of formal banking services. Globally, significant economic and political volatility will have an impact on the financial services sector. The U.S. equity market surged to all-time highs and the Fed's decision to raise rates suggest that the long period of accommodative monetary policy in the U.S. may finally subside at a faster rate than many had anticipated.

The Brexit victory sent economic shockwaves through global markets leaving Britain and the entire Eurozone in a period of deep uncertainty. There is ongoing anxiety over what will happen once Britain leaves the EU and some realignments with long term implications are expected. The FinTechs meanwhile continued their disruptive approach and as reported by Frost & Sullivan, the Australian FinTech sector will grow at a compound annual growth rate of 76%, reaching A\$4.2 billion by 2020. The Middle East is still adjusting to the effect of lower oil prices and new waves of protectionist measures seem likely around the globe.

Against this backdrop, we made good progress on our strategy, delivering strong operating performance and cost efficiencies as well as solid returns. In today's rapidly evolving environment, investors are looking at us more than ever before and the responsibility that we feel for our customers has never been greater.

## KEEPING PACE WITH NEWER TECHNOLOGIES

Chatbots. Personal assistants. Robo-advisors. Machine learning. Cognitive computing. And so much more. While the term Artificial Intelligence (AI) has been around for 60 years, it has finally become part of our daily lives—and how we bank, invest, and get insured. Some financial institutions have been investing in AI for years. Other firms are now beginning to catch up, thanks to advances in big data, open-source software, cloud computing and faster processing speeds.

Today, the world's leading banks are experimenting with robotics and artificial intelligence to improve efficiency and stand out in a market where banks are becoming more and more standardized in terms of technology and services offered to customers. Bots are being used in many areas, including providing online, interactive mortgage advice to consumers and many processes are now completely free of any human engagement.

Our teams are engaged in continuous conversations with our customers and are helping them tackle the biggest issues facing the financial services industry. We are continuously enhancing the capabilities of our solutions to be able to add value to our customers.

## THE CONSUMER'S JOURNEY

To help our customers become more customer-centric, we have made it a priority to embed our solutions deeper into the consumer's journey. This means thinking about financial services not as a separate activity, but as an enabling activity that should be seamlessly woven into a consumer's everyday life.

We are taking our digital capabilities to existing customers and prospective customers while also investing in disruptive innovation that will drive productivity in the future. Guided by a strong executive team, we launched a new product during the year – Lending Analytics, to help companies leverage the power of analytics in lending and continued to build on the market for FinnOne Neo Cloud, which enables companies to take advantage of the power of cloud.

These solutions have opened new target markets for us. We have helped customers all over the world go-live and benefit from the advancements in technology.

## THE ROAD AHEAD

From an economic perspective, we expect 2017 to continue to be challenging and volatile. The financial services industry stands at an inflection point. The next few years will be critical as companies around the world embrace digital technologies - Cloud, Analytics Robotics and Artificial Intelligence.

Nucleus Software is well positioned for continued success in the future. We can help our customers and prospects make the right technology decisions in order to lead their markets and beat their competitors. We take responsibility to ensure that new technology is adopted in ways that are aligned to the organizational goals and long term objectives of our customers, especially in times of changing economic scenarios.

Your company is committed to delivering great products and outstanding experiences to our customers. We are committed to make people's lives better by changing the way the world moves. We are committed to creating value and delivering long-term profitable growth for our stakeholders.

Your trust is what drives us. I thank you for the confidence you have placed in our company. We are looking forward to the next stage of our shared success.

**Janki Ballabh**

Chairman

April 25, 2017

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**CEO'S**

MESSAGE



**VISHNU R DUSAD**

Managing Director & CEO





## DEAR SHAREHOLDERS,

Going digital is no longer an afterthought; it is not an “add-on” component to a company’s strategy. ‘Digital Transformation’ has become a central component for businesses across all industries. It entails leveraging digital tools and technologies to make life easier, bringing increased convenience, enhancing efficiency, improving affordability, and providing better access to information, goods and services.

The banking and financial services sector has gone through unprecedented change in the last few years and the transformation is not yet complete. Advances in big data and analytics have led to new products, solutions and services making financial institutions smarter, more agile and more competitive. According to PwC, in the U.S. 61% of jobs in the sector are at a high risk of being replaced by robots, and in the UK it is estimated that at least 32% of finance jobs are at risk. Challenges create opportunities, and we are investing in the right technologies and enhancing our solutions to help our customers turn opportunities into profits. I believe that building an even better and stronger brand for long term is the best way for us to enhance shareholder value. In that context, I am pleased to share key highlights of our progress during the year.

## BUSINESS HIGHLIGHTS

For three decades we have been providing our customers with innovative technologies that help them become market leaders. In FY17, we continued this tradition by building on our existing solution – Lending Analytics, which will empower companies leverage insights from data. We continued to receive great response for FinnOne Neo Cloud from Banks, NBFCs and HFCs looking to digitize their business while benefiting from the flexibility and cost optimization offered by cloud. We also continued to deliver value-adding capabilities with new releases of our market leading solutions - FinnOne Neo and FinnAxia.

We continued to empower our customers in their digital transformation with 43 product implementations worldwide. We won 12 new product orders from leading financial institutions across Africa, the Middle East, South East Asia and India.

We completed the deployment of FinnOne Neo Cloud at a number of leading Non-Banking Financial Companies in India, helping them digitize their lending businesses and serve their customers better. During the year, one of our customers, a Japanese joint venture company completed the deployment of Nucleus FinnOne mCollect.

The push for digital transactions backed by the demonetization initiative in India, prompted us to boost the capabilities of PaySe™, our offline digital cash solution. We made PaySe™ available in 3 new form factors: smart watch, band and micro SD. With this, we can now cater to consumers more effectively and we launched an innovative project with an esteemed Education Institution in India. We look forward to the exciting opportunities that are ahead of us.

To showcase our expertise and product offerings, we participated in a number of leading industry forums worldwide, during the year. Key forums include: In Europe, we exhibited at 'Sibos 2016', the world's premier financial services event in Geneva and engaged in insightful discussions with leading bankers on the key trends that are shaping the transaction banking industry. In Africa, we sponsored the '3rd Annual West Africa International Retail Banking Dialogue 2016', in Nigeria, organized by The Asian Banker. We showcased PaySe™, our offline digital cash solution offerings at the 'Cards & Payments 2016' in Kenya. We hosted leading bank executives for an exclusive round table on 'Adapting to the Pace of Change' in Australia. We participated in the 'Australian Retail Banking Summit 2016', organized by the RFi Group in partnership with Asia-Pacific Banking & Finance (AB+F). In the United States of America, we presented views on 'Unleashing the High-Tech Power of the Underbanked' at Digital Money Forum at CES (Consumer Electronics Show) in Las Vegas. In the Middle East, we participated in the 'Islamic Banking Forum' organized by the RFi Group at Dubai. In South East Asia, we participated in the 'Asian Banking and Finance Retail Banking & Wholesale Banking Awards 2016' in Singapore. In India, we organized a focused roundtable discussion around 'Shaping the future of lending for NBFCs' in association with Dun & Bradstreet and Amazon Web Services.

## FINANCIAL HIGHLIGHTS

In FY17, we recorded annual revenues for the year of ₹ 372.39 crore against ₹ 348.70 crore for the previous year. Overall revenue in foreign currency including India Rupee revenue for the year is US\$ 55.1 Million, against US\$ 53.4 Million for the previous year. Product revenue for the year was up, it now represents