



NUCLEUS  
SOFTWARE

# TRANSFORMING FINANCIAL SERVICES BEYOND DIGITAL

ANNUAL  
REPORT | 2017-18

# 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 20**  
GLOBAL BANKS  
ARE OUR  
CUSTOMERS

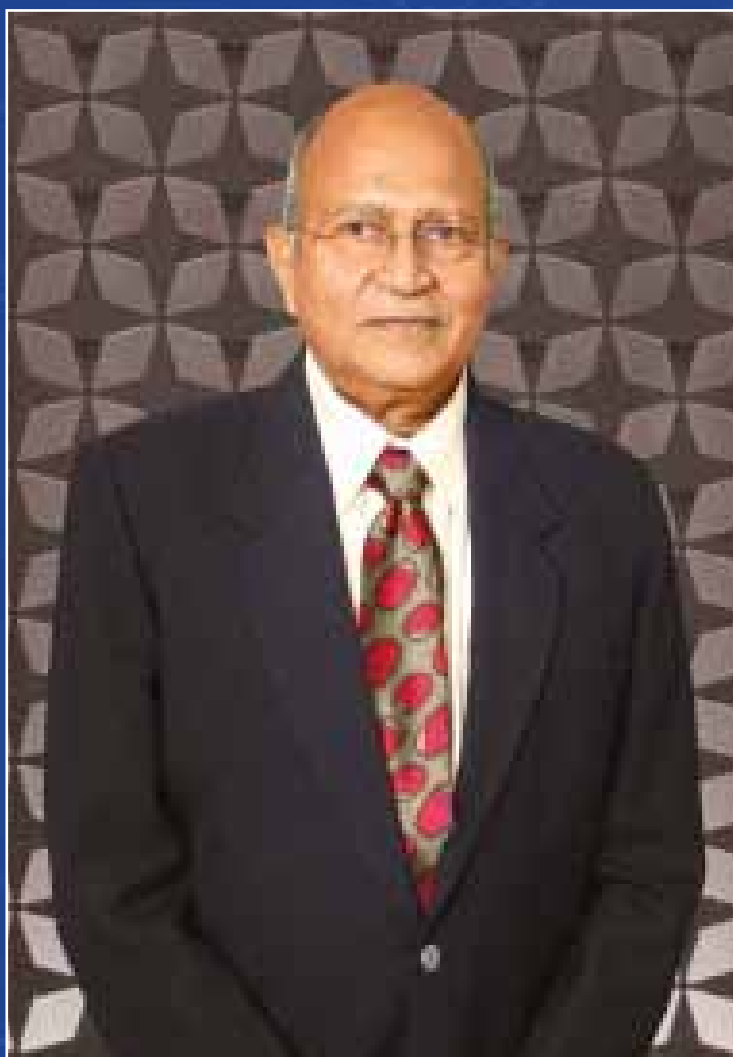
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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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.

# CHAIRMAN'S MESSAGE



**S.M. ACHARYA**  
CHAIRMAN

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## DEAR SHAREHOLDERS,

**I** am pleased to address my first communication to you as the Chairman of Nucleus Software Exports Limited. Leading such a dynamic organization is a mission that I hold with utmost respect and commitment.

I am enormously proud to see that many leading banks and financial institutions in the world are using our advanced technologies to transform their business and deliver outstanding experiences for their customers.

Every day, in 50 countries around the world, more than 300,000 users log into our systems that provide products and services to a large number of customers.

According to Deloitte, 2018 could be an important year for banks globally in accelerating the transformation into more strategically focused, technologically modern, and operationally agile institutions, so that they may remain dominant in a rapidly evolving ecosystem.

## THE CUSTOMER JOURNEY

Diverse technologies such as artificial intelligence, blockchain, cloud, cyber security and mobility are both promising and intimidating at the same time. They offer opportunities to reach new customers in new ways with new services but they also provide the opportunities to non-traditional competitors such as Fintechs. To make matters more complicated, a few regulations such as Open Banking, PSD2 and General Data Protection Regulations (GDPR) are expected to have a profound effect while presenting considerable challenges to financial institutions.

Despite the fact that several technology elements are interacting to drive digital transformation industry wide, customers remain at the core of it. Today's customers not only expect to be served at a time and a place of their choosing, they also require banks to intimately understand their needs and deliver a personalized experience without being overly intrusive. To be their customer's bank-of-choice, institutions need to transform their services. They need to understand their customers better, and anticipate and offer what they want before they know they need it. But they need to do this carefully as the line between 'helpful' and 'intrusive' is very fine. Banks need to carefully choose the right technology partners who can offer the new capabilities to help them attain their targeted ends. As a pioneer in providing solutions to the banking and financial industry, we are committed to helping our banking customers transform their businesses in this ever changing world of technology.

## THE WAY AHEAD

Without a doubt, 2017 has been a rocky year for financial services; with political disturbances, economic uncertainty and planning for numerous regulatory changes coming into effect in 2018. In 2017, Brexit was a major factor in many parts of the world, with "uncertainty" spectre looming around the financial sector. As

such, the key focus was on the financial services industry crafting their post-Brexit strategies, particularly on how to continue having access to both EU and UK markets and in turn catering to their customers' demands. According to Gartner, by 2019 Start-ups will go beyond Amazon, Google, IBM and Microsoft in driving the artificial intelligence economy with disruptive business solutions. AI services will eat into 30% of the revenues of market leading companies by 2019. AI and machine learning will enhance analytics and the actions and interfaces of technology-enabled systems. New digital business models are emerging, and new ecosystems are forming to realign business and customer relationships and expectations. This will create an intelligent digital experience. Big shifts will be needed in the enabling technologies and IT to support this experience and digital business ecosystems. Nucleus Software is well prepared to deal with these changes and is well positioned for meeting these challenges. We are committed to helping our customers make the right choices, take bold technology decisions and stay ahead of their competitors.

## VALUES AND CULTURE

A strong corporate culture is a must for doing good business besides driving growth, innovation and upholding ethics. Culture is at the substratum of an organization's performance and influences the performance by elements such as values, mission, communication and general atmosphere. The Nucleus Board takes cognizance of this fact and provides the organizational culture the importance and attention it deserves at the highest level. The Board has established a practice of discussing and reviewing the areas associated with the culture as an inherent part of its governance process. We recognize that setting the right tone from the top is essential for the Board influencing the culture and also to ensure that the leadership team is supportive of the desired culture which is almost always inherent at the top. We are committed to continue building a lasting organization that

delivers long-term sustainable performance and nurtures good human beings. This essentially links to organization values and culture. Values are the bedrock that makes the foundation of our organization culture. The elements in our five-faceted value-sphere have the right magnitude and direction. We want to ensure that these values manifest in the behaviour of each and every Nucleite thus ensuring that our espoused values are clearly visible in our day-to-day behaviors and there is a strong consonance between these and the in-practice values. We are an organization with a strong belief in learning. We learn from institutions who have built and sustained a strong value culture, while keeping our eyes and ears open to those who have suffered due to cultural mishaps.

To quote from the Rig Veda:

**आ नो भद्राः क्रतवो यन्तु वश्वतः**

Let noble thoughts come to us from all directions (Rig Veda, 1.89.1)

We continue our learnings from all good thoughts. We continue to assimilate and nurture these thoughts to evolve and strengthen a flourishing culture built over our sound values.

## INSPIRING JOURNEY

I am confident about where we are placed in the midst of this transformational environment. Our expertise in building next-generation technology, our partnerships with the world's technology leaders and the changes that we have made as a company to align ourselves to the changing market conditions, have set us up very well for the future.

As we continue to add new talent, we have a growing team of millennials who have always lived in a connected world. Next-generation technology and our diversified work force has helped us transform the way we work and respond to the needs of our customers, employees and stakeholders. Boundaries dividing work and the rest of our lives are blurring and we at Nucleus Software are sensitive to this change.

We will continue to be guided by the values for which we have always stood by – Collaboration, Result Orientation, Innovation, Integrity and Respect. These values have made us strong for the last three decades, and our adherence to them will help us endure beyond the present and into the future.

Working together as a team, we will continue our relentless focus on our customers – helping them achieve their goals through the use of innovative technology solutions. We look forward to many years of growth and success.

**S.M. ACHARYA**

Chairman

Date: May 3, 2018

# MD'S MESSAGE



**VISHNU R DUSAD**  
MANAGING DIRECTOR



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## DEAR SHAREHOLDERS,

**T**he Financial Services sector is rapidly transforming. Our relentless focus on helping our customers succeed by combining innovative digital technologies with our deep business expertise continues to help us establish a leadership position in the market. Our strong performance during the year indicates the continued successful execution of our growth strategy.

The level of engagement from our customers continues to increase and we have seen some great opportunities coming in. I am delighted to see our performance during the year. Our business has continued to accelerate and witnessed great traction in the international market. We signed significant deals with leading Banks in Vietnam, Indonesia, Kenya, the Middle East and India for our lending and transaction banking solutions.

Building on our successful track record of being awarded the winner of the world's best-selling lending solution 10 times by IBS Intelligence, I am delighted to report that in IBS Intelligence's 2018 Sales League Table, FinnOne Neo has been recognized as the best-selling lending solution in India, and the 2nd best-selling lending solution worldwide.

One of our cloud implementations has also won the 'Best Lending Technology Implementation of the Year' award at the BFSI Innovative Technology Awards 2018. It was wonderful to see that our Cloud offering continued to be the most preferred lending technology platform in India as we won a total of 17 deals for FinnOne Neo Cloud in the last 18 months.

Our lending analytics solution has also gained strong interest in the market as we signed up with many leading Banks and Financial Institutions worldwide. Unlike traditional analytical tools, which cater to a wide set of industries, Nucleus Lending Analytics is designed specifically to address the analytical needs of the lending business. Along with HDBFS, Manappuram Finance, Atlas Finance and Bank Muscat, this solution is also helping banks worldwide by enabling more effective decision making, offering comprehensive portfolio management, increasing collection effectiveness and streamlining operations.

## FINANCIAL HIGHLIGHTS

In the Financial Year 2017-18 we recorded annual revenues for the year of Rs. 411.81 crore against Rs. 372.39 crore for the previous year. Overall revenue in foreign currency including India Rupee revenue for the year is \$63.42 Million, against US\$ 55.13 Million for the previous year. Product revenue for the Year was up and it now represents 79% of total revenue at Rs. 326.09 crore, against 77% of total revenue at Rs. 288.09 crore for the previous year. Our planned expenditure on strategic initiatives in product, marketing and sales and people yielded at 14.1% margins against 14.3% previous year. Consolidated net profit after tax (PAT) stood at Rs. 62.55 crore in comparison to Rs. 66.16 crore in the previous year. Earnings per share (EPS) for the year at Rs. 20.47 in comparison to Rs. 20.43 in the previous year. Cash and cash equivalents, including investments in various schemes of mutual funds, fixed maturity plans, fixed deposits with banks, tax free bonds and preference shares are at Rs. 455.90 crore as on

31st March, 2018, as against Rs. 494.38 crore on 31st March, 2017.

I am very pleased to share that the Board of Directors, has appointed Mr. S.M Acharya as the Chairman of Nucleus Software effective from November 1, 2017. Mr. Acharya has been with the company since his appointment as an Independent Non-Executive Director on March 19, 2016. Mr. Acharya served as an Independent Director on the Board of the Bharat Electronics Ltd. He is a retired IAS officer of the Karnataka cadre. We welcome him as the new Chairman of the Board. I would also like to extend my heartfelt thanks to Mr. Janki Ballabh for his immense contribution and continuous guidance towards the success of the company.

## FROM STRENGTH TO STRENGTH

I am also delighted to share that the Board of Directors has appointed Mr. Ravi Pratap (RP) Singh as the new CEO effective from April 1, 2018. I will continue as the Managing Director of the Company. RP has been with the company since its inception and he is heading the Global Product Management for the Company. He will also continue as a 'Whole Time Director'. RP brings over three decades of valuable experience as a product and business leader. His track record and value system make him the ideal choice to lead the company. I am confident that under his leadership Nucleus Software will reach new heights while protecting the values that make us unique in the market. On behalf of each one of us, I would like to welcome him in this new role.

## SHOWCASING OUR STRENGTHS GLOBALLY

Nucleus Software is a global business, and during the year, our teams travelled worldwide to demonstrate our expertise and product offerings. We participated in many leading Industry forums, including: In Australia, we sponsored the Australian Retail Banking Summit 2017, with the overarching theme of "Retail: Ripe for Revolution".