



**NUCLEUS  
SOFTWARE**

# SHAPING THE FUTURE OF FINANCE

**ANNUAL REPORT  
2014 - 15**



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## **Cautionary statement regarding forward-looking statements**

*Certain statements in this Annual Report are based on assumptions and expectations of future and may be considered as forward-looking statement. 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.*

# From the Chairman's Desk

**Janki Ballabh**

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Chairman



## **Dear Shareholders,**

Warm greetings to all of you!

I continue to be amazed by the speed of innovation and firmly believe that change is the only constant. Yet each year, the pace of change only accelerates. As we get into this new financial year, let me briefly share with you how Nucleus as an organization is evolving through the plethora of changes brought about by both internal and external factors.

### **Information Technology around the world**

The global economy is still struggling to gain momentum. While economic activity in the United States and the United Kingdom has gathered momentum, the recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. More than ever, cooperative leadership among business, government and civil society is needed to re-establish sustainable growth and raise living standards throughout the world. Back home, here in India, the new 'Make in India' initiative is expected to prove a vital component in India's quest for achieving wholesome economic development and to give the Indian economy a global recognition.

The information technology (IT) industry has become one of the most robust industries in the world. Owing to the wide range availability

of IT products and services, their demand has also substantially increased over the years. Undoubtedly, it has emerged as a major global source of both growth and employment. In India the industry continued to evolve over the year and prioritized on enhancing efficiency, enabling transformation and agility and partnering for digital initiatives. Nasscom estimates the Indian IT- BPM Industry revenues (including ecommerce) to grow by 13% in FY 2015, to USD 146 Billion.

### **Preceding Twelve Months**

We are living in an age of unparalleled digital push, with massive amounts of technology-driven change, huge innovation and significant evolution in the ways people use technology. At Nucleus we have opted to focus on continuous innovation to succeed.

We set a new paradigm with the launch of FinnOne Neo™ – a product suite built to manage lending requirements of the banking and financial services industry. With the banking sector experiencing a change in customer profile coupled with growing competition and increased regulatory and economic pressures, the requirement for a breakthrough product in lending is evident globally. Leveraging Nucleus Software's global leadership in lending solutions, this new offering has the capability to empower our customers to enhance operational efficiency and drive growth while achieving superior risk management. The era of universal banking is coming to an end. Banks today choose best-of-breed technology solutions that can integrate with their IT landscape. Based on our deep understanding of the domain, FinnOne Neo™ has been designed to be highly responsive to changing business

demands. We believe that this product will help create a new paradigm in lending for the global banking and financial services sector.

Traction continues for our integrated global transaction banking solution, FinnAxia™ launched during FY 2014. It is indeed heartening to see the customer acceptance of our evolved products. There is fairly encouraging news from all our existing markets where we are consolidating presence as well as from markets where we have recently begun operations. We believe that with the new products out in market, we would further strengthen our global leadership position. Going forward we remain committed to further enriching the experience of our customers and investing in improving productivity. Strategic transformation is making great progress on the business front and is driving cultural assimilation.

Diverse nationalities bring in local nuances and industry expertise. To that effect, we have brought in some of the best leaders across the globe to join team Nucleus.

I am pleased to inform you that our ongoing investments in differentiating our offerings and pursuing innovation to provide best solutions to the industry helped us maintain our Number One position worldwide in the Lending Solutions space. Your Company's flagship product FinnOne was recognized for the seventh consecutive year as the No. 1 Best Selling Lending System' by International Banking Systems (IBS). The recognition reinforces FinnOne's global leadership in the banking and financial services industry.

## Looking ahead...

The Information Technology industry is facing increasing global competition. There is growing interest from companies in related sectors in the technological transformations that facilitate interconnectivity, mobility and big data processing, and flexible information management. In such an environment, our competitive position must remain firmly based on a clearly differentiated offer on which we can continue to build lasting competitive advantages. Our commitment to technology and innovation with a global focus is imprinted in our DNA. We are conscious that building a sustainable business is always a long-term project that requires constant renewal of ambitions for the future. From the position where we started and the one that is now within our reach, thanks to our Values and culture, we will continue to build and maintain brand Nucleus as a preferred partner in growth.

International Monetary Fund (IMF) in its latest World Economic Outlook has predicted that India's growth is expected to strengthen from 7.2 per cent in 2014 to 7.5 per cent in 2015. Growth will benefit from recent policy reforms, a consequent pick-up in investment, and lower oil prices. I believe we have to be part of this growth story.

The greatest opportunity lies in re-imagining what is possible—to compel ourselves to become fearless explorers and innovators who push through boundaries, create bold visions and make plans not constrained by today, but fueled by what technology will be able to do tomorrow. The goal for all of

us should be to propel ourselves into new territory that will transform our collective futures and accelerate the social, political, and economic benefits that only strategic global connectivity can deliver.

Our priorities are focused on maximizing growth potential in various geographic markets, developing and marketing new products, simultaneously boosting the growth of our global accounts, improving the efficiency of our products and delivery processes. As we continue to build this premier business, we will not lose touch with the values that brought us here; Integrity and ethical business conduct form the solid foundation of the company.

## **Acknowledgments**

I express my sincere thanks to the various officials of the Central and State Governments, our bankers and financial institutions for their on-going support and assistance to the Company. I would also like to thank all our customers, dealers and vendors for their confidence in us and for being a part of the Nucleus Software family.

I would also like to thank all Nucleites for their dedication and contribution to our business performance. I would not want to miss the opportunity of thanking my fellow Board

members and business associates who have, at all times, provided us with their knowledge and whole-hearted support.

My profuse thanks, of course, are to our shareholders; both institutional and individual, for their deep and abiding trust in the Company.

## **Finally...**

Everyone at Nucleus is fully committed to our strategy and targets. We are on track and will continue relentlessly to implement our strategy. Your confidence made it possible; your feedback is making it work the way we imagined and your belief in what we are doing is going to push us to continuously improve.

Thank you for your support as we continue to build upon our success in the years to come.

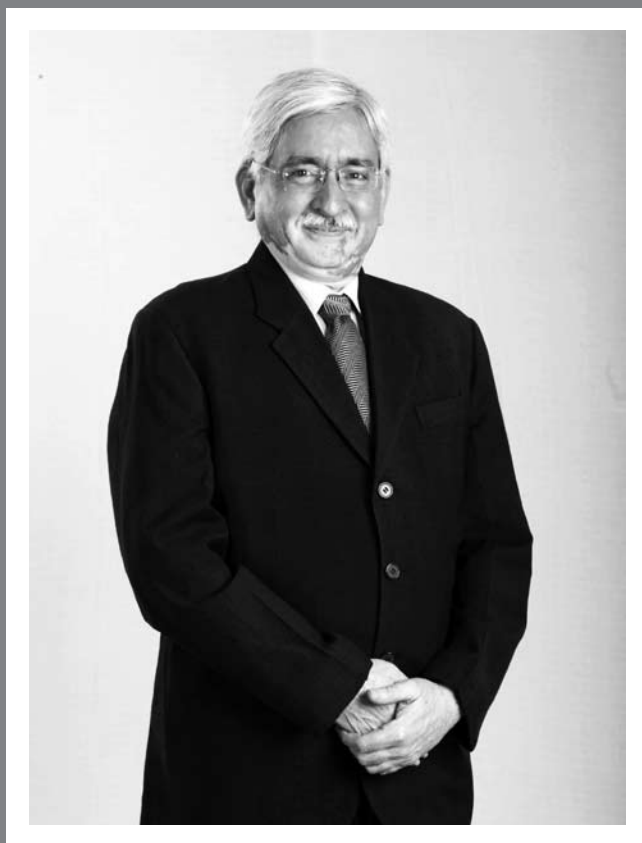
Janki Ballabh  
Chairman  
May 7, 2015

# CEO's Message

**Vishnu R Dusad**

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CEO & MD





## Dear Shareholders,

It is a yet another humbling experience to connect with you at the start of an exciting year. Guided by our Vision of Making Financial Services Access '**Easy**' and '**Enriching**' Worldwide, Nucleus Software has continued its journey to become a global leader in Lending and Transaction Banking Software Solutions. A clear strategy and ambitious targets have been helping your Company to navigate through the challenging, volatile global environment. Our goal continues to be sustainable growth and we are pursuing this actively and assertively. We know that the challenges we face will not diminish; on the contrary the competitive pressure is unrelenting, but we will continue building trusted partnerships with all our stakeholders to consolidate our market leadership, built on the strong foundation of Ethics and Values.

To address the accelerating pace of change in the market, in the financial year gone by, we embarked on a transformation journey to drive greater innovation, speed, agility, and efficiency across the business. Building on our strong product innovation and R&D capabilities, we executed strategic initiatives for new products, sales and market development and people to help drive transformation and continue the momentum of growth.

### Transformation in Products

In the year FY 2015, we launched FinnOne Neo™, a product suite specifically designed to manage end-to-end lending requirements of banking and financial services industry. This comprehensive product suite incorporates the latest in business thinking, compliance,

technology, functionality and security aspects. With the banking sector experiencing a change in customer profile, growing competition and increased regulatory and economic pressures, the requirement for a breakthrough product in lending is evident worldwide. Leveraging Nucleus Software's global leadership in lending solutions, this offering has the capability to empower our customers to enhance operational efficiency and drive growth while achieving superior risk management. FinnOne Neo™ enables innovative banks and finance companies to manage all types of lending from personal and home loans to commercial lending and finance against securities.

We remain committed to providing our existing and potential customers with competitive and cutting-edge products and will continue to focus on investments in product innovation and business expansion. The successful launch and subsequent uptake of the lending product suite, FinnOne Neo™ as well as continued traction for the next-generation transaction banking suite launched in FY 2014, FinnAxia™, we are confident of continuing to deliver success for our customers.

### Transformation in Markets

During the year, we ventured into new strategic markets, creating opportunities for the Company to increase its customer base and reach. The focus has been on building new customer relationships and strengthening the old ones. The Company invested in marketing operations in order to achieve both, with a conscious decision to grow brand awareness for the longer term as well as building demand and generating leads

for the sales pipeline. The sales team was strengthened and senior sales people were appointed in overseas locations to focus on growing the customer base locally.

## Transformation in People

Only a strong global team can drive excellent performance – especially in a challenging business environment. We put particular emphasis on attracting, developing and retaining talents especially in emerging markets, through specifically designed programs. At the same time we aim to continuously improve and strengthen our leadership team and foster a unique performance culture at Nucleus. To this end the Company added to its senior management team to help drive its transformation journey. Senior leaders from across industries joined us for positions in Products, Sales and Marketing, Human Resources and other teams. For a global Company, a diverse workforce that unites different cultural backgrounds and work experience is an important success factor. We recruited people from across the globe and our endeavour is to smoothly manage and assimilate this diversity in work culture to the benefit of the organisation and its customers.

## Financial performance

This was a brief update on our continuing transformation journey, now let me focus on the operational performance.

Annual revenues for the year were ₹ 353 crore, against ₹ 346 crore in the previous year. Our planned expenditure on strategic initiatives in product, marketing and sales and people yielded 18 % margins against 19% previous year. Consolidated net profit for the

year was ₹ 65 crore against ₹ 64 crore in the previous year. Earnings per share for the year were ₹ 19.98 per share against ₹ 19.87 per share, in the previous year. The Dividend continues to be a core part of our value proposition to shareholders. This year, the Board of Directors proposes a dividend of 50 % (₹ 5.00 per equity share of ₹ 10 each). This proposal will be submitted for approval of the shareholders at the forthcoming Annual General Meeting on July 8, 2015.

Operating cash flow for the year after working capital changes was ₹ 40 crore against ₹ 66 crore in the previous year. The Company continues to enjoy a high level of liquidity with cash and bank balances, fixed maturity and liquid plans of mutual funds and tax free bonds at ₹ 350 crore as on March 31, 2015 against ₹ 322 crore as on March 31, 2014. The Company has been conservative in its investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enables the Company to completely eliminate short and medium term liquidity risks. These funds are available for the future growth of the Company.

After having been one of the worst performing currencies during most of FY 2014, the Rupee lost 4.3% of value against the US Dollar in FY 2015, to become one of the best performers in the world. Indian Rupee has been remarkably resilient during the year, while other global currencies slumped against the dollar. Currency movements still remain a difficult call and we continue to hedge close to receivables through Forward Contracts. At the year end, the Company had US\$ 10.14 million of hedges compared to US\$ 9.25 million at the beginning of the year.