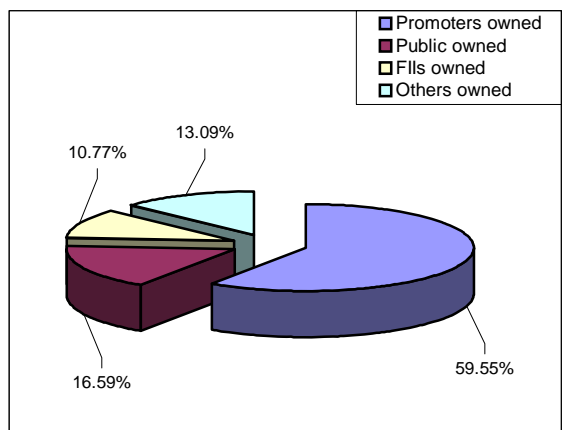


Stock statistics	12 May 2008
Market Cap (Rs Mn) :	8,674.36
52-Week high/low (Rs) :	542/170
Face value :	10
BSE Code :	531209
NSE Code :	NUCLEUS
Industry :	Computer software
Shares outstanding :	3,23,67,024
Avg. daily vol. (30 days) :	3.50

Nucleus Software Exports is a company engaged in developing software solutions and providing support services in the banking and financial services vertical. The company has subsidiaries in Japan, Australia, Singapore, Netherlands and USA. The company provides software solutions and products for banking services, Internet banking, cash management, liquidity management, corporate finance, fraud management and other allied banking services. On the services front, the company is engaged in software and technology consulting, project management solutions, outsourcing services, software support and maintenance and customized software development. The company has 120 clients all across the globe. Banks from South East Asia are the major clients of the company. Some of its major clients in India are ICICI Bank, Centurion Bank, Cholamandalam-DBS and State Bank of India. VirStra I-Technology Services, a wholly owned subsidiary, provides software solutions and services for business process management and allied activities.

Investment Rationale

Shareholding Pattern (as on 31 Mar'08)



Key Statistics (as on 12 May 2008)

CMP	:	268
BV	:	48.17
PE	:	14.28
PB	:	5.56
Beta	:	1.09
Turnover (Rs Mn)	:	5.99
Net worth (Rs Mn)	:	1,377.40

- The company successfully implemented its FinnOne, an integrated suite of applications designed to support the typical business offerings of Banks and Financial Solutions companies, at Bussan Auto Finance a newly established finance company promoted by Bussan Automotive Singapore, Yamaha Motors Asia in Singapore and Axis Bank in India. The Financial Suite provides a solution for both the asset side as well as the liability side of business, core financial accounting and customer service. The non banking financial institutions across the globe are revamping their technology infrastructure rapidly, and Nucleus is strongly positioned to help them refurbish their operations to be at par with global conglomerates. The successful implementation of FinnOne™ at Bussan Auto Finance will enable the company to augment the growth by playing a pivotal role as their technology partner. Therefore, the company is expected to capitalize on this new product and to gain competitive advantage.
- The company is planning to invest Rs 300 million for setting up of 1000 seater facility in notified SEZ in Jaipur, Rajasthan as part of its expansion plans which would be operational by the end of June – July next year. The company is expected to add good chunk of revenue from this facility because of expected operational efficiency.
- The company has already signed – on five of the top leading banking institutions in the country and is currently implementing its retail banking solution on the technology platforms of three of the biggest five banks. The company is making bold entry in Nigerian financial service industry. The company is targeting 24 banks in Nigeria and is also moving into the micro finance banks with cash management solutions. The company is expected to magnify its global presence through geographical diversification.

FINANCIAL STATEMENT ANALYSIS

Rs. in million

Particulars	FY05	FY06	FY07	FY08	FY08
Total Income	540.64	670.32	943.68	1465.31	1969.52
Growth (%)	---	23.99	40.78	55.28	34.41
Total Expenditure	423.02	504.32	617.50	1018.77	1438.06
Operating Profit	117.62	166.00	326.18	446.54	531.46
Growth (%)	---	41.13	96.49	36.90	19.02
OPM	21.76	24.76	34.56	30.47	26.98
Other Income	15.70	31.02	25.26	46.62	170.15
EBIDTA	133.32	197.02	351.44	493.16	701.61
EBITDA margin	24.66	29.39	37.24	33.66	35.62
Depreciation	26.85	30.49	39.29	51.98	81.02
EBIT	106.47	166.53	312.15	441.18	620.59
Interest	0.01	0.00	0.00	0.00	0.00
PBT	106.46	166.53	312.15	441.18	620.59
Tax	2.97	8.25	22.86	12.15	12.90
Adjusted PAT	103.49	158.28	289.29	429.03	607.69
Growth (%)	---	52.94	82.77	48.30	41.64
Adjusted NPM	19.14	23.61	30.66	29.28	30.85
Reported PAT	103.49	158.28	289.29	429.03	607.69
EPS	12.88	9.84	17.96	26.55	18.77
CEPS	16.23	11.73	20.40	29.76	21.28
Book value	72.82	38.43	52.50	75.22	48.17
RONW	15.56	20.31	28.74	31.15	32.27
Equity capital	80.32	160.92	161.06	161.62	323.69

The company has posted excellent results for the financial year ended FY08. The net sales for the company jumped to Rs 1,970 million for the FY08 as against the net sales of Rs 1,465 million for the FY07 with the growth rate of 35%. The operating profit for the company rose to Rs 531 million for the FY08 versus the operating profit of Rs 447 million for the FY07 with the growth rate of 20%. The operating profit margin for the company gone down to 26.98% for the FY08 versus the operating profit margin of 30.47% for the FY07 due to rise in expenditure on account of administrative expenses. The EBITDA for the company gone up 42% to Rs 702 million for the FY08 as against the EBITDA of Rs 493 million in FY07. The EBITDA margin for the company stood at 35.62% for the FY08 versus the EBITDA margin of 33.66% for the FY07. The net profit for the company rose to Rs 608 million for the FY08 in comparison to the net profit of Rs 429 million for the FY07 with the growth of 42%. The net profit margin for the company stood at 30.85% for the FY08 versus the net profit margin of 29.28% for the FY07. The company EPS gone down to Rs 18.77 for the FY08 versus the EPS of Rs 26.55 for the FY07 due increase in equity capital base. The book value also gone down to Rs 48.17 for the FY08 as against the book value of Rs 75.22 due to increase in equity capital base. The company has continuously generated wealth for its shareholders which get reflected into its return of net worth which stood at 32.27% for the FY08 as against the return on net worth of 31.15% for the FY07. The company has shown consistent increase in return on net worth.

Valuation

The company has shown strong growth in its top line and bottom line which grew at CAGR of 39% and 56% respectively due to strong market penetration both domestically and internationally. The company is having health order book position and diversified product portfolio catering to the need of banking and non – banking financial institution across the globe.

The stock at the current market price of Rs 268 is trading 14.28 times to its earnings and 5.56 times to its book value and is expected to provide handsome return in medium to long – term.

Therefore we are initiating 'BUY' signal on the stock with the target price of 386 which is approximately 44% up from the current market price of Rs 268.

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