



Farsight

## MORNING FARSIGHT

Tuesday, August 07, 2018

**NUCLEUS SOFTWARE**

**CMP:RS 377**

**TRGT:RS 425**

**TIME HORIZON: 1 YEAR**

Nucleus Software, provider of lending and transaction banking solutions to the global financial services industry, is looking a good buy, post good Q1FY19 earnings posted by the company with Consolidated Revenue of Rs Rs 113 cr against Rs 111cr QoQ and Rs 94 cr YoY. PAT for Q1FY19 came in at Rs 17.6 cr against Rs 17.3 cr QoQ and Rs 11.5 cr YoY, leading to an EPS of Rs 6.06 for Q1FY19, which was at Rs 20.47 in FY18. As on 30-06-2018, company had Cash Equivalents, including investments in debt schemes of mutual funds, fixed deposits with banks and tax free PSU bonds, etc at Rs 480 crores or 44%of current market cap or Rs 164 per share. Stock having recorded 52 week high of Rs 602 on 1st December, has recently corrected from levels of Rs 488 in last 3 months, while renewed buying is seen again now. On an estimated EPS of Rs 25 for FY19, stock is trading at PE of 14.7x and net of cash PE of just 8.3x, which is seen attractive. Nucleus Software is generous dividend paying company with Dividend of Rs 5 in FY17, Rs 8 in FY18 (payout ratio over 40%) and stock has tendency to bounce swiftly post shallow corrections. With stock having corrected post Q1FY19 due to largely stable performance on QoQ basis, is now giving a good buying opportunity, with limited downside seen from the current levels. Management has guided for strong business outlook for the coming quarters, supported by company's innovative technologies and Lending Analytics and FinnOne Neo Cloud solutions continuing to gain traction in the market . Promoters are holding 67.59% stake in the company. Share ruling at Rs 377 can move to Rs 425 in 1 year time frame.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

**Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.**