



“Newgen Software Technologies Limited Q3 FY-19  
Earnings Conference Call”

**January 24, 2019**



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Please note that the transcript has been edited for the purpose of clarity and accuracy.

**Moderator:** Ladies and gentlemen, good day and welcome to the Newgen Software Technologies Limited Q3 FY19 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Ms. Deepti Mehra Chugh. Thank you and over to you ma’am.

**Deepti Mehra Chugh:** Good afternoon everyone. I am Deepti Mehra Chugh – Head (IR), Newgen Software Technologies Limited and I welcome you all to the Q3 and nine months FY19 results of the company. I have along with me today Mr. Diwakar Nigam – Chairman and Managing Director, Mr. Varadarajan – Whole Time Director, Mr. S.J. Raj – Senior VP (HR), Mr. Virender Jeet – Senior VP (Sales & Marketing and Product) and Mr. Arun Kumar Gupta – the Chief Financial Officer.

Before we move onto the discussion, let me highlight that this call may contain certain forward-looking statements concerning Newgen’s future business prospects and profitability. We are subject to a number of risks and uncertainties, and actual results could materially vary from the forward-looking statements. Past performance may not be indicative of future performance. The company does not undertake to make any announcement in case any of these forward-looking statements become materially incorrect or update any forward-looking statements made from time-to-time by or on behalf of the company. For further details, you may please refer to the investor relations section of our website.

I now hand over to Mr. Nigam for presentation of the Q3 FY19 Results.

**Diwakar Nigam:** Good afternoon and a pleasure to have you all at our Q3 FY19 Post-Results Conference Call. At the onset I would like to say, that as we move forward towards completing one year of our listing on the Indian stock exchange we continue to be on track in delivering on key business metrics. We are overwhelmed with the support provided to the company by investor and shareholder and are constantly working towards serving all stakeholders interests. Thank you.

Now moving to Q3 FY19 results, we reported revenues of Rs.161 crore up by 32% Y-o-Y, driven by strong business growth momentum and favorable currency movement. All key markets witnessed growth especially USA which witnessed 78% and APAC which witnessed 158% growth. In America region we served two large existing healthcare clients and received mega licensing order from that. We are increasing focus on higher ticket size projects and have 12 new logo wins during the quarter. Key highlights include: license agreement of over Rs. 5



core with leading public sector banks in India, Digital transformation initiative under two smart city projects, two new deals in American region, five new wins of over Rs.1 crore.

Improving the annuity revenues has been a key focus area for us and it comprised 50% of our revenue in Q3 FY19 compared to 46% in Q3 FY18. Solution as a service is increasingly becoming important in the industry and in our business especially in US. SaaS continues to be our fastest growing revenue component and witnessed a growth of 79% Y-o-Y, improving our recurring revenue base. In Q3 FY19 SaaS revenues were Rs 6.8 crores.

In terms of verticals, we saw a robust growth across all key verticals especially healthcare, insurance, government/ PSU and banking. We are increasingly seeing that lending organizations and financial institutions are moving towards solutions that can manage the growing complexity arising from the complex business processes. This means agility, this means BPM based solutions. The demand for business process management solutions in the financial industry has surged, due to the complexity involved in integrating operations.

We are happy to report that in October 2018 we were recognized as Challenger in Gartner Magic Quadrant for content service platforms. We have also been recently awarded the Dun and Bradstreet - RBL Bank 'SME Business Excellence Award 2018' in the mid-corporate segment for excellence in 'IT & IT Enabled Services Sector'.

We continue to expand across geographies and are starting investments in South Africa and Australia, while our business Canada region is encouraging.

#### Profit and Margins

Our operating margins expanded with increasing scale and favorable currency movement. During the quarter company witnessed an improvement in its EBITDA which was Rs 26.7 crore compared to Rs 12.4 crore Q3 FY18. EBITDA margins were 16.7%. Profit after tax was at Rs 18.1 crore compared to Rs 8.7 crore in Q3 FY18.

#### Expenditure

Our cost growth continues to be in line keeping in mind the growth assumption. R&D is the key area of investment for us and comprised 7% of our revenues. We continue to focus on sales and marketing efforts of the organization especially in new geographies. The sales and marketing expenditure now comprise about 19% of our revenues.

For the nine months of FY19 we reported revenue of Rs 417 crore up by 27%. We are seeing that the seasonality variations across quarters are tending towards normalization. Annuity



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based revenue comprised 52% of revenue from operations, with SaaS revenue as Rs 17.4 crore. New business witnessed a growth of 23%. We added 51 new logos with improving average deal sizes. EBITDA reached Rs 48.2 crore witnessing 133% Y-o-Y growth. Profit after tax reached Rs.39.7 crore witnessing growth of 196 Y-o-Y. Our gross trade receivables as on December 31<sup>st</sup> 2019 are Rs.256 crore and the net trade receivables are Rs 217 crore. During the quarter, the gross DSO stood at 156 days and net DSO stood at 132 days, considering revenues of trailing 12 months. We continue to work towards improvement in our debtor days position with changing collection policies and improvement in contracting. However, it is taking longer time to get results on the same given the customer mindset.

At the end I would like to say, that we believe we have gained strong foothold in our key markets and would continue our efforts for growth. We are now open for Q&A.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

**Baidik Sarkar:** Clearly your growth rates speak for themselves. My question is, we have seen companies and the way they struggled and given that your growth rates are phenomenal across geographies I am just trying to understand what is the secret source behind your sales and marketing capabilities and how exactly are you overcoming the perception that normally product companies from India have. So, if I could request Diwakar and Jeet to work with respect to this thank you.

**Virender Jeet:** Baidik, thanks for asking the question. Interesting question and probably it's a longer debate but you can understand this company has been built over 25 years so product investments need that time to establish themselves and I think it is only that over last 10-12 years we have started making serious impact in terms of our customers and making difference to the market. One thing which is very important is that from the day one we had an ambition of being global company. We have really worked very hard to build the industry and the global recognition. So as you know probably that we are one of the very few companies who feature in the Gartner and Forrester Quadrant across our all product lines. This is a significant thing as there is hardly any other Indian company which feature in these quadrants. So we have done the global referenceability, we have a large customer base spread across. Now as the market is moving and as we are finding more inroads in more mature markets organically we are growing. So there is no secret sauce, it just takes commitment to build a product company and I think that we have put those many hard years behind us.

**Baidik Sarkar:** Sure, thanks. If I understand this right your channel and own retail efforts mix is roughly 20-80 is that right?

**Virender Jeet:** Our own is 80 and channel is 20.



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- Baidik Sarkar:** Sure. So for current quarters I understand there are few elements about 32% growth. Could you share how much came in from our own efforts and how much from channel?
- Virender Jeet:** I think the ratio is the same, it is 80-20 there is no major variation out there.
- Baidik Sarkar:** Okay. And going in to Q4 I do realize that H2 is tilted but getting into Q4 do we have enough ammunition in order book to exceed our whole year numbers for FY18, just trying to get a sense of how strong you have a book, if you could share those numbers.
- Virender Jeet:** I think Q4 has always been a very important quarter for us because not only because of major sales, the margins really expand for us. I think we are right now looking at a very healthy funnel and very good cases going on both existing accounts and in new. The reliance on new business is important because we have to win at least 10-15 good deals in Q4 to meet our goals.
- Baidik Sarkar:** Okay. So as conversations stand today is that a realistic possibility or do we have to...
- Virender Jeet:** No, I think we are on track, we have been slightly better looking at certain favorable condition so we are on track.
- Baidik Sarkar:** I understand that tech budgets in the US are normally finalized towards the end of calendar year. What is your sense of the spending capability/ spending ability for your customer segment for the year ahead?
- Virender Jeet:** I think we are very small to take these macro calls, but I think for the customer base which we are addressing in US, we feel that the need is very strong, so cases are closing, the RFPs are coming out, so we do not see any challenge in the areas we are operating right now.
- Baidik Sarkar:** Sure. So for calendar year 19 as such should we expect growth that has been similar to the first three quarters of this financial year or is it too early to comment.
- Virender Jeet:** I think we have been consistently growing over the years at a growth rate of 20 or slightly higher than that. And right now in this year also we are on the track with slightly more help from favorable currency position, but if you leave the currency position behind it we are still on track to meet our targets.
- Baidik Sarkar:** Just a book keeping question, what would your constant currency growth number be for this quarter.
- Virender Jeet:** 20.6% for nine months.
- Baidik Sarkar:** No, I meant for Q3.



**Virender Jeet:** Q3 is 26%.

**Baidik Sarkar:** 26, so the current impact is roughly 6%.

**Virender Jeet:** Yes.

**Baidik Sarkar:** And what is your hedging policy.

**Virender Jeet:** So, on hedging we have some natural hedging through packing credit and we also have some expenses which are typically dollar expenses which we directly take from dollar account.

**Baidik Sarkar:** So net of that how much do you hedge in India.

**Virender Jeet:** Rotating it, we are able to hedge roughly around 80%.

**Baidik Sarkar:** Okay. And just for clarification you do not capitalize any of your R&D expenses right.

**Virender Jeet:** No, we do not capitalize.

**Baidik Sarkar:** Okay. And how should I read your tax rates going into next financial year it is being cascading last three quarters, what is it on the standalone basis and how do I read them for the next financial year.

**Virender Jeet:** Sorry could you repeat the question.

**Baidik Sarkar:** I am just trying to understand your effective tax rate, I think it has been cascading every quarter so I am just trying to understand what would you guide in effect of tax rate for the coming financial year.

**Arun Kumar Gupta:** Tax rate for the current financial year is 22.5.

**Baidik Sarkar:** Sure. So our provision this year is in account of, then what sir if I may understand.

**Arun Kumar Gupta:** It is also relating to some earlier year order I think for which we had some expenses.

**Baidik Sarkar:** Okay. So rolling into Q4 and the next financial year we should revert towards 22 to 23% right.

**Arun Kumar Gupta:** 22-23%, yes.

**Baidik Sarkar:** Okay. I am sorry for all this taking long just last two questions and I will get back, what were the provisions made and the debtors we have written off this quarter.



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- Virender Jeet:** I think we have made provisioning through credit loss methodology, there is a provisioning of roughly around Rs 10 crore.
- Baidik Sarkar:** 10 crore, and the write off we have taken is?
- Arun Kumar Gupta:** This quarter we have not taken any write off.
- Moderator:** Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.
- Arya Sen:** So just to get back on to the tax question, so there seems to be a Rs 3 crore provision for earlier years in tax expense in this quarter and there was something similar last year same quarter as well, what is that and also, this 22.5% that you are guiding for the full year is even with this so next quarter there should be a dip or next quarter it will be 22.5 again.
- Arun Kumar Gupta:** As far as this Rs 2.94 crore is concerned, we have an assessment order for which we are going for appeal filing also and this is regarding foreign withholding tax.
- Arya Sen:** Okay. And this guidance that you are giving of 22 to 23% for the full year is that for the next quarter or full year even with this higher tax you are still guiding for 22-23%.
- Arun Kumar Gupta:** When I am talking about tax rate we are talking about other than this because this is related to prior year. So, I think tax rate is for the current year, for the current year we are talking about the tax rate of 22.5 obviously this prior year tax will be over and above.
- Arya Sen:** Fair enough. And secondly the customer addition this time has been 12 right versus 22 last quarter is that correct.
- Virender Jeet:** Yes, you are right.
- Arya Sen:** Is there a seasonality to this.
- Virender Jeet:** I think typically this is a deal flow issue, certain deal just pass on the quarter so what we have done is two things, there is a concentration of getting larger deals. So some amount of small partner deals we are just avoiding, we are not spending too much time on them. So though you look at the number of deals is only 12, the revenue from new logos is larger than last year for the same period. So, we think the deals may rationalize rather than 100 wins in last two years, they would rationalize roughly around 90 or 100 but overall still our new business growth maybe more like 40-50%.
- Arya Sen:** Fair enough. And thirdly could you talk a little bit more about the strong growth you have seen this quarter in US and APAC what had those been on account of any specifics or whatever you can share.



**Virender Jeet:** So, I think US we were lucky to get couple of large deals along with other orders and also in US you can understand one of the impact is coming from the Annuity of cloud which is building up slowly. So there is an organic growth happening because of the cloud revenue under previous businesses which we have booked and there has also been a couple of good deals which we got from certain large corporates (license deals). APAC is completely organic it is just because the base is very low out there we have been consistently pushing up the sales out there.

**Arya Sen:** Sure. And lastly on the SaaS part so what is your sense of what will it be as a proportion of revenue by say next year because I think earlier you were talking about 10%, but it looks like it has accelerated faster.

**Virender Jeet:** Our expectation is to take it to 15 to 25% in the medium term. I think we are not sure there, what we have done is from 1% to 4-4.5% this year. Maybe we will reach around 6-7% next year organically but if we get large amount of new deals in US it can accelerate faster.

**Arya Sen:** Fair enough, and one last thing any update on the sales team in US, any new hiring that you have done.

**Virender Jeet:** We are expanding out there as the business is picking both on health and enterprise side as well as on banking which is strong. We are increasing our presence in different areas in US for the banking customers and also in the enterprise team. So we are in the hiring mode out there.

**Moderator:** Thank you. The next question is from the line of Hiten Jain from Invesco. Please go ahead.

**Hiten Jain:** So last five years which is from FY13 to 14 the average provisions for doubtful debt has been around 2% of sales. Now over this five years we have not seen any write back of provisions so this means that this entire 2% of sales is becoming bad debts or it is leading to write offs. Now, my question is what is the source of this bad debt like what leads to this kind of write offs any specific customer segments or any specific service line or are we not able to meet some milestones which leads to customer not paying us, if you can give some color on this kind of bad debts numbers that we have.

**Virender Jeet:** Yes, Hiten thanks for asking. So Hiten we have been giving this guidance that in a product license business generally we will have somewhere around 2.5% as bad debt or write off or provisioning every year, on account of many things - because license payments sometime do get stuck and that is a customer behavior because it is not a service where you can withdraw people, you can sell a license and some of the money may get stuck, some of our smaller customer do not end up paying and some customers close up their business and do not pay your complete license fee. So we have seen historically around 2-2.5% has been the impact of that. So, our growth rate and our profits have been accounting that into the calculations and



giving that. Territory wise both India and Middle East are higher contributors than any other territory in that. that's the way the business has also been historically.

**Hiten Jain:** No, I understand so that is seen in the numbers what you are saying, so my question is more like, so what kind of clients are these, these are very small clients or these are new clients where we go and we get this kind of response, we push the product to them.

**Virender Jeet:** There could be small clients or there could be some kind of performance obligation in the large clients where there could be liquidity damages/ performance guarantees which do not get fulfilled, holding of block payments/ partial payment of service contracts. So, these are of various types there is nothing to narrow it down. Typically, if you have customers who are paying you roughly Rs 1 crore of annuity, these issues are much lesser out there. These will be customers who either started relationships in those years or will be smaller in size.

**Hiten Jain:** Or is it that we have higher pricing and then negotiation happens because we also have high payment in terms of high DSO days.

**Virender Jeet:** No, the pricing has nothing to do with it, because customer has only bought when he has agreed to a price so pricing is not the real issue but the behavior of any typical license company.

**Hiten Jain:** Okay. And this quarter if I heard you correct you said Rs 10 crore of provision for doubtful debt am I correct?

**Virender Jeet:** Yes.

**Hiten Jain:** So isn't that quite high because full year FY18 you just had Rs 7 crore even in FY17 you had Rs 15 crore and in one quarter 10 crore.

**Virender Jeet:** Yes, so I think what previously we used to do was case by case but last year onwards as per the norms we have based it on estimated credit loss model. Now credit loss model changes from quarter to quarter depending on the payments recovered in previous few quarters. So last 12 months if there has been a slight slowdown in collections, as you see DSOs have increased the credit loss impact is much higher, which we think is going to get corrected back in next quarter or next to next quarter. So overall it is going to be balance over a period of time.

**Hiten Jain:** So you saying for the full year we should still expect 2 to 2.5% of provision.

**Virender Jeet:** We hope unless if there is slightly more aggressive delay in payments then the impact could be much higher, which could be recovered in further quarters.

**Moderator:** Thank you. The next question is from the line of Aman V from Astute. Please go ahead.



**Aman V:** The first question is on the debtor days. So you had I think three months or six month back guided that we are targeting for reducing it to 120 days so and maybe by FY19 so are we on track of that and if not, when do you expect the debtor days to reduce.

**Virender Jeet:** So, I think right now we are on net basis at around 132 days which we are not happy about we have thought that by this time we should be slightly better on that. In the last two calls we said that we will have to slightly work for at least two to three quarters more to bring it to our target of 120 days. So the progress is on, I think we started this whole journey when we were at around 180 days or more, we have been slowly bringing the gap but depending on the collections in a quarter it could fluctuate but I think we are on track and we hope this situation to improve in this quarter, the next quarter and the next two quarters.

**Aman V:** Okay, thanks. The second question is on the SaaS business. Maybe I missed that part, but how many customers did we add for SaaS this quarter.

**Virender Jeet:** I think for SaaS we have couple of customers. SaaS is typically only for new accounts in US.

**Aman V:** Yes. So last quarter it was three and I do not know about this quarter.

**Virender Jeet:** We did a similar number. So, what happens also you may have contract but the billing may have not started so I think typically on SaaS you should look at net additions in a year that makes sense.

**Aman V:** Okay. And can you throw some light on what is the number of active SaaS users currently we have and also what is the PUPM as of now.

**Virender Jeet:** So typically we are not in the consumer space so what is important for us is number of companies we have a number of solutions we are running on it. So, if I am not wrong we have about 17 customers right now on SaaS in the US. So, I can send you that data but broadly I think we have a PUPM fee which ranges between somewhere \$100 to \$200 depending on the application. And each of these enterprises could have anywhere between 50 to 200 users right now. In some cases with large customers they are in around 5,000 users but of course then the fees slightly get discounted.

**Aman V:** Okay, that helps. The next question is on number of active users. So what is that number and maybe if you can give the number for say in nine months what is the number of customers who are contributing greater than Rs 2 crore.

**Virender Jeet:** I think we can ask Deepti and she will send you the data in terms of customers.



- Deepti Mehra Chugh:** So we would have, we do not take it quarter wise usually because certain contracts flow from one quarter to the other but we would be 500 plus active, the breakup I will separately send it across to you.
- Virender Jeet:** Yes. We were something roughly around 520 customers last year I think we will do a net addition of at least 40-50 logos this year.
- Aman V:** Yes, so my question was that only because the number which you are showing in the presentation it is still at 520.
- Deepti Mehra Chugh:** So that is our March number that we are depicting.
- Aman V:** Okay, we are not showing the nine months.
- Deepti Mehra Chugh:** Yes. So, at the end of the year we will show the complete picture.
- Virender Jeet:** And Aman one thing when we say active customers, we mean the customers who have been billed and some revenue has been realized in the period. So some customers' revenue recognition may come in the fourth quarter because their billing takes place in that quarter. So they do not become active in our list till they pay that revenue. So, the year end is the right time and we can give the total active customers at that time.
- Aman V:** Sure. And on the churn part, if I see the last three, four years number at least in the last two years the churn rate has increased for the customers any particular reason for that.
- Virender Jeet:** Not necessarily, I think we do some channel initiatives where customers who are being acquired by partners are typically smaller deals. The churn rate out there are high, this is typically when the customer is still using the system but need not be renewing the ATS and he may come back after two years or three years. So they are still active customers but not paying so they do not reflect in our number
- Moderator:** Thank you. We have a follow on question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** I would just like to understand the quality of your annuity revenues you mentioned what 50% for this quarter is annuity revenue which would be roughly around Rs 80 crore so am I to understand that obviously there is support component, AMC and the SaaS component but irrespective of seasonality in the coming quarters this run rate would continue because it is annuity or it is not then how I should read it.
- Virender Jeet:** So, I think the annuity comprises of three things, the ATS/AMC, Support (recurring) and the SaaS revenue. These generally are renewed yearly or quarterly but would continue or in fact



they would grow because they are compounding in nature. Both SaaS and ATS revenue is compounding because it is not only the new customers, the previous customer keep on adding into it.

**Baidik Sarkar:** Sorry which one did you say was compounding, SaaS and which one?

**Virender Jeet:** SaaS and ATS/ AMC.

**Baidik Sarkar:** AMC, okay. So obviously I understand why these two are annuities but support I would assume is not a recurring feature . So, help me understand why support would be a annuity feature.

**Virender Jeet:** So what people get in ATS is the right to keep the licenses upgraded/ right to update and get next version of the product. But certain customers, depending on the complexity of what they are doing with the platform, demand additional support, which we contract through resources, like a service order so to manage their installation they may be paying for example 100K as ATS but they may also have a team of people who are another 200K which get contracted along with that. So their annual support is broken into two parts one is the ATS which they pay for licenses and the services revenue which they pay every year to manage their complexity of the installation.

**Baidik Sarkar:** I understand. So, is there technically churn possible in that support can they say okay thanks I have been with you for three years I understand how the system work, I do not need the support next year.

**Virender Jeet:** Could be theoretically yes, it is possible and also does happen sometimes but since when we talk of support we are talking of critical L2/ L3 support for our core implementations. So these teams are not very large , there is very little change in terms of number of people out there who can get shifted or people who can size it down. These are generally critical support which we are handling.

**Baidik Sarkar:** You said this was support for critical implementation. And implementation is obviously a onetime effort, so I am just confused why you would categorize that as in future.

**Virender Jeet:** So, I think it is not a contract which is for a job, it is a contract to keep continuously running their processes, enhancing their processes, managing their SLAs and driving continuous improvement. That is what the team is doing. So, it is not an activity which is contracted for a particular task.

**Baidik Sarkar:** Okay, I get that and what would your customer churn rate be as of today.



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- Virender Jeet:** We can send you that data, so typically there is very little churn rate for customers paying us annuity of more than Rs 50 lakhs and there is a significant churn in smaller customers who may not renew the ATS.
- Baidik Sarkar:** Okay, I understand probably I will get that offline.
- Virender Jeet:** Yes, we can send you that information.
- Baidik Sarkar:** So, basically just bear with me, the way I should read this is unless there are significant churn in your support revenues, with annuity of about 80-85 crore they really compound over the next couple of quarters including the lean season - Q1 and Q2.
- Virender Jeet:** Yes, so the annuity does compound.
- Baidik Sarkar:** Okay. And for the other part of business which is basically your implementation and your sale of product, as you stand today what is the visibility in terms of execution we typically have if you could just help us to quantify that number.
- Virender Jeet:** I do not think we could quantify that easily but generally we have a pipeline and depending on that pipeline in different geo we have cases right from engagement stage to negotiation, to order and closure, so we would drive the comfort from the size of our funnel and the quality of cases in that funnel. Our win ability for our markets vary from somewhere between 40% to 30% , so from that we take a comfort in terms of ability to win a new deal.
- Baidik Sarkar:** So did you mean that 30 to 40% was the pipeline conversion ratio.
- Virender Jeet:** No, 30 to 40% is the conversion ratio from the negotiation stage.
- Baidik Sarkar:** Okay. From the negotiation stage and from the funnel stage.
- Virender Jeet:** Pipeline conversion ratios can be almost at 10% so we do operate at roughly around 1000-1200 case a year.
- Baidik Sarkar:** Okay, that is interesting. And in terms of size of funnel is that depicting a cascading trend Y-o-Y or it has been flat.
- Virender Jeet:** Yes, both. I think size of funnel is important and quality of funnel in terms of which segments the cases are built in and deal size - all of that is important to see the health of new logo business side.
- Moderator:** Thank you. We have a follow on question from the line of Hiten Jain from Invesco. Please go ahead.



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**Hiten Jain:** I was just thinking on the earlier answer that you gave that these are reasons why we do not meet milestone. So, when we sign the contract shouldn't we be more specific in terms of planning in setting the expectations right. So if you can just help me understand how does it work, not meeting milestones is not a great thing any which way, it doesn't add to client delight so how do you look at it.

**Virender Jeet:** So Hiten, predominantly we have seen as a phenomena in the product business, the business we are in, depending on various scenarios there is a kind of write off or provisioning of 2.5%. Now we have x number of controls or elements which we can control and there are also x which we cannot, so this 2.5% is depending on the things which we cannot control. It depends on customer closing their business, not paying in time there could be many-many things on that. So we do not have an aggressive plan to reduce this 2.5, our plan is to make sure this 2.5 remains out there and does not increase because we think this is the reality and there is no point fighting that reality because we are also in a business of acquiring lot of new customers and new relationships as you see historically we are doing almost 100 new relationships a year so when you have 100s of relationships going on and you have 100 different contracts with different service delivery there is going to be an element of default of payments in certain cases.

**Hiten Jain:** No, I understand that default but was just trying to what leads to that default, is it new clients, you yourself gave a reason not meeting milestone so there is something the company can do about it right, I understand the business needs that but in terms of understanding at least we should understand that what leads to this kind of issues in the business that was my question because I also see your geographic split although you said India and Middle East but even your APAC leads to sometimes more than 5% of sale becomes provision for doubtful debt. So the question was from that perspective just to understand the nature of the business.

**Virender Jeet:** Yes, so it's a license business you understand license business somebody can at certain point of time say that I will not pay for your license. Because in services it is very different because you can withdraw the person, in licenses if we withdraw the license we will not get any money. So that is the nature of license business if you look globally at license company you cannot change the trends.

**Moderator:** Thank you. We have a follow on question from the line of Aman V from Astute. Please go ahead.

**Aman V:** Sir on the domain price segregation, there is this other segment which is in nine months contributing 57 odd crore so any particular segment which is becoming big for us which overtime maybe can become say as big as insurance or one segment.



**Virender Jeet:** We do get orders across segments it could be customer in education, it could be a utility. So we are building on that so I think we are looking at CRM as one of the areas to grow business in other segment beyond our core five verticals. So there are various orders coming from various segments which we do not control.

**Aman V:** Okay. The reason for asking was, two of our main competitors are quite strong in say these two segments which you mentioned utility as well as education sector but we have not shown it as much so I am assuming we are not as strong as the banking or healthcare in those segments, so is the traction increasing in those segments?

**Virender Jeet:** As soon as the trend reflects in a major way then we will start reporting it as one of the segment in our results, till we do not find something which is very replicable and we can sell it across countries and geos we would not consider it as an alternate segment where there is opportunity. As soon as we discover something and we find that is global trend we will start reporting it is a segmental.

**Aman V:** Sure. The next question is on the implementation side. So we know most of our projects are under six months so could you quantify roughly how much are under six months and how much are say above a year roughly.

**Virender Jeet:** See frankly I do not have that data, it depends on the nature, projects of longer size can run up to one year and the shortest can finish in somewhere around four weeks to six weeks. And then there are a large majority between four months to six months. So that is how it is, but if you want that data we will have to find it, dig that data.

**Aman V:** Sure. So again the reason for asking this is last call you had mentioned we are quite faster in terms of deploying versus IBM or PEGA. But then there are number of low code payers like Appian and Alfresco. So these people being mostly a cloud only player have very fast deployment time/ implementation time, so how do we compete with the new player. I understand we have advantage over the old ones.

**Virender Jeet:** So this is one of the benchmarks we are always competing. So, I think low-code initiatives have been one of the core drivers of our BPM product. So on a continuous basis our endeavor is that all our service deliveries we are able to push low code and keep on condensing the delivery times while enhancing both the product and the tool kit around it. So examples like Appian and Alfresco are our direct competition in that and we compete with them on exactly the same basis when it comes to low code. But beyond that I think we are more deep in verticals and delivering the core value to the customer using that low code as a differentiator rather than just having a low code platform. So then what you say is exactly true, there is no difference if you ask me I have got a much faster and more stronger low code platform than Appian and Alfresco has.



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**Aman V:** Sure. And last question is on the technology part. So, correct me if I am wrong but the base program the ECM program and the BPM program has been built on you can say a little older technology which is JSP and all those things sois there is no issues with the newer kind of technology.

**Virender Jeet:** Let me correct that is an assumption. For companies who are product companies who are evaluated globally and have global customers they cannot be living on old technology stacks, so technology stacks could do refresh every three to four years, the whole SaaS gets changed, the whole product gets changed. So, it depends on what direction you are looking at. So, the core architecture of any product these days is based on the Java as fundamental building block. And delivery of that architecture can be through web services, through micro services, through SaaS based delivery. So for our own product we have got multiple of such options available depending on what the need is.

**Aman V:** Sure. The last question is there any reason for nine months the India geography has not been growing fast compared to say what rate.

**Virender Jeet:** I think the whole world is asking why India is not growing fast so we are asking the same question. I think in India there is some element of some slow down and uncertainty but we still believe that we are very strong funnel in India and I think as the year closes you will see the India revenue also catching up. But since we are growing much faster in other territories so over a period of time the contribution from international territories will start growing.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Deepti Mehra Chugh for closing comments.

**Deepti Mehra Chugh:** Thank you so much for joining us on the call. For any further queries you can connect with me and we will get back to you. Thanks.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Newgen Software Technologies Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.