



“Newgen Software Technologies Limited
Q3 FY2021 Conference Call”

January 20, 2021



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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 Results Conference Call hosted by ICICI Securities Limited. 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 now hand the conference over to Mr. Hardik Sangani of ICICI Securities Limited. Thank you and over to you Sir!

Hardik Sangani: Thank you, Ayesha. Good evening everyone and welcome to the Q3 FY2021 results of Newgen Software Technologies Limited. I hope everyone is keeping safe. Connecting with me today from the management side is, Mr. Diwakar Nigam – Chairman and Managing Director, Mr. Varadarajan – Whole Time Director, Mr. Virender Jeet – Senior VP, Sales & Marketing and Product and Mr. Arun Kumar Gupta –Chief Financial Officer, and Ms. Deepti Mehra Chugh – Head – Investor Relations. I now hand over the call to Ms. Deepti for further proceeding. Thank you and over to Deepti!

Deepti Mehra Chugh: Thank you, Hardik. 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, which are subject to a number of risks and uncertainties, and the actual results could materially vary from the forward-looking statements. Past performance may not be indicative of future performance for the company and the company does not undertake to make any announcements in case any of these forward-looking statements become materially incorrect in future or update any of these statements made from time-to-time on behalf of the company. For any further information you may please refer to the investor relations section of our website. I welcome you all to the Q3 results. I would now hand over to Mr. Nigam for presentation of the results.

Diwakar Nigam: Good evening everybody and thank you for joining us at our Q3 FY2021 post result conference call. First of all, a very Happy New Year to you and your families. We are happy to announce another robust performance in this quarter. Despite COVID, we have maintained a business momentum over the last 9 months. We have risen up to the challenge and moved much stronger due to our speed of adaptability.



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In Q3, our revenues from operations were Rs 185 Crores. We have witnessed a balanced growth across most of our key geographies including the US, APAC and India.

We are happy with our customers' expanded use of our platform and increased revenue from our existing customers. They still have major strategic digital transformation needs that we can help them with. Increased utilization of our technology in the install base will lead to an increase in licence revenues and subsequent ATS/ AMC revenues over coming quarters.

During Q3, we received two large digital transformation deals, from our existing customers – a leading private sector bank in India and a prominent small finance bank.

We made 11 new customer additions during the quarter with 4 new logos in the America region in the banking and financial services domain.

We have also had a strategic win for delivery and implementation of our ECM and BPM products for a unit of Government of India. In the UK market, we are executing a mid-sized project for a full service retail and SME bank.

Our annuity revenues remain consistent contributing 60% of the revenues. In 9 months of FY2021, ATS revenues witnessed a growth of 20%, while SaaS/ cloud revenue substantially at the rate of 29% Y-o-Y. However, our support services revenue had been impacted due to the shift from onsite model to offshore model.

In terms of verticals, banking and financial services, government and PSU, and insurance segments were the key drivers during the quarter with growth of 7%, 25% and 45% respectively. There is an increased demand for digitization and digital transformation initiatives in these sectors.

Our EBITDA was up 88% and reached Rs. 67 Crores and our profit after tax was up by 49% at Rs 36 Crores. For the fiscal year cumulative 9 months, our revenues were Rs 472 Crores, EBITDA was up by 135% at Rs.124 Crores, profit after tax was up 137% at Rs.74 Crores.

Operating cash flow grew significantly given our consistent focus on liquidity, cash management and strong collections. Our net cash from operating activities was at Rs.167 Crores during the period compared to Rs.44 Crores last year.

During Q3, the company also decided to move into Vivad Se Vishwas scheme with respect to partial disallowances on foreign withholding tax credits. This was an account of the



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difference in methodology of withholding tax deductions across various countries. Calculations of withholding tax deductions in foreign locations are based on sales and the exemption allowed under income tax in India is based on profits from these locations hence tax expense in the financial results include Rs.14.6 Crores with respect to tax provision.

As we continue to work on our debtor days, our net trade receivables as on December 31, 2020 are Rs 174 Crores, which resulted in net DSO of 96 days, a great improvement from previous quarters and years.

Our margin profile has expanded substantially compared to last year due to rationalized operational, manpower and sales cost. We have also optimized our execution capabilities while continuing the long-term investments in R&D and sales.

Currently, R&D expense comprise about 10% of sales. Seeing growth potential in the coming times we will continue to increase our efforts and investments in this direction. Based on our previous R&D effort, we have been granted another patent in India for an invention - remote e-mail access through short message service.

In addition, Newgen was positioned as a visionary in the Gartner Magic Quadrant for Content Services Platform. Newgen platform connects content and processes with context and allows for automation with agility. We continue to build upon our capabilities in Cloud, Low Code, Artificial Intelligence and Machine Learning.

All our implementations both on Cloud and on premise continues to be executed remotely. In the last few months, our product team has worked really hard to deliver several enhancements to support remote implementation, many of those were on Cloud including DevOps and containerization for efficient cloud deployment, enhanced UI interface, better mechanisms for comprehensive testing, new records management system to scale for countrywide archives.

Our partnership strategy with GSIs (Global System Integrators) is gaining momentum. Major GSI has shown interest in promoting the platform for fortune 2000 organizations. We are looking at expanding our sales presence in developed markets of US, Europe and ANZ through GSIs.

2021 bring a new ray of hope for people, economies and businesses. We have a strong outlook as we get closure to the next financial year. We see a good demand environment across all key industry segments. Back in 1995, we had coined the phrase 'One World One Workplace' probably we were ahead of our times then. Today, everyone has lived this expression. This philosophy is reflected in our platform that facilitates remote working.



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There are hundreds of thousands of users today using our platform and application running on it. Our platform is scalable and reliable and is extremely relevant for clients in their digital transformation journey.

This provides us with a great opportunity in the new normal.

To strengthen our GTM initiatives, we have on-boarded 3 senior leaders in sales, product development and human resources. They bring a wealth of industry experience, from many prestigious organizations across the world. Their leadership will infuse new ideas and energy.

With the stronger balance sheet and cash position, we are now ready to make deep investments on various fronts across technology, sales and marketing for long-term growth. This would involve further strengthening our international teams especially the US team for sales and marketing, product development and delivery capabilities.

While we intent to keep an aggressive focus on direct sales and implementations as we strengthen our partnership with the GSI, we would continue to deliver superior value to our customers and partners through our cutting edge products, excellent support and lower total cost of ownership.

We believe we are well poised for the future. We have the financial resources, a great product and a motivated experienced team to capitalize on the opportunity.

We are now open for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Hardik D Sangani from ICICI Securities. Please go ahead.

Hardik Sangani:

Sir, just a couple of questions, just pertaining to this quarter firstly, what would be the take on margin performance, which we had in this quarter, as we have seen improvement and are there any one-offs? Secondly, as Mr. Nigam alluded several of our peers, have also alluded that growth is back to what it would have been in pre-COVID times, volumes are already exceeded, so to understand in next year, do we see the growth coming back to pre-COVID levels and are our deal conversions coming back to what they used to be? Thirdly, so we had in the current quarter done some investments regarding sales and delivery, so for the next year what are some of the specific areas with regards to our investment and how do we expect the margin to be as some of the one-off, which was there like lower travel and some of the other expenses, which should come back in the next year as well, that is from my side?



Virender Jeet:

Hardik, thank you. There are lot many questions, I will try to answer them one by one. On the Q3 margins, as you look at what we have on the EBITDA and PAT on Y-on-Y basis for Q3 EBITDA grew by 92% and our PAT grew by roughly around 48% and on a quarter-to-quarter, the growth was roughly around 67% and 21%, there were substantial growth on EBITDA but of course for 9-month period it is much higher. Regarding our growth levels for next year, I think this year we have not really gone to our previous growth levels. We are still maintaining a healthy growth in areas like US, India and APAC while we have also kind of shown deceleration in places like EMEA. Next year, we hope that by April we should be in a position that all the international travel can restore to a substantial extent and we can be in front of clients to pursue the deal momentum for new deals as well as good mining opportunity in existing accounts. We should come back for our average growth rates, which has been more in the range of 15% to 20%, so that is where we look at next year. In case of deal conversions, I think there are still challenges because you know especially with the customers who have not seen Newgen before, the new logos where we do not have relationships, still we do not have enough face time and enough control on those accounts, so the conversions are still a challenge, having said that we have maintained, in first 9 months we have closed near 50 new logos and next year we think that should be substantially better as we will be in front of the client because the demand is there. I think the need for our kind of products and the way we are partnering in the new initiatives of Low Code or Digital Journeys we see a strong need out there, so we should be able to build on that. From investment on next quarter, I think as we had announced in the previous quarter that we would be looking at increase of our salary costs because we have gone ahead with increments, we have gone ahead with planning certain recruitments for our next year, we are also building some capacity on the leadership side, we have invested on that, so we will continue to have some more investments in that, so our costs on the manpower side will be slightly more than this quarter by may be around Rs 10 Crores more than this quarter, but also Q4 is a larger quarter for us on the revenue side compared to Q3, so we should be able to still protect and expand margins on that. I hope I covered all 3 questions.

Hardik Sangani:

Sir, just adding on to that, so other expenses have reduced quite a bit in Q3, so in previous quarter it was on a similar revenue basis, it was around 26%, this quarter it is around 18%, so just wanted to know there are any savings, which you would have done, which can come back from next quarter?

Virender Jeet:

No, I think on all other expense side, the travel still remains a challenge, and so the benefits of travel will be the same. The only difference would be that we will have a higher manpower cost, all other expenses would remain on the similar track, but on the margin side, we hope to have a higher revenue as well as we hope to get better margins because we



would not have the cost of one time effect which we did on tax adjustments, that will improve our PAT margins.

Hardik Sangani:

That is it from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Piyush Chadha from Serendipity Software. Please go ahead.

Piyush Chadha:

Thank you for the opportunity. Just wanted to clarify could we look for year-on-year growth in the Q4 of this financial year?

Virender Jeet:

Yes, we would look at a single digit growth in the fourth quarter.

Piyush Chadha:

Also one request, a lot of IT companies tend to give constant currency growth numbers, etc., could we provide some of those numbers or do we already do that, I could not find them in the presentation?

Virender Jeet:

No, we do not generally provide that because the numbers have not had a major impact, but I think on the constant currency we are roughly around 1% down on the constant currency while we are roughly around 0.3% up on the INR.

Piyush Chadha:

Thanks a lot. That helps. I mean, as you grow more global that information become increasingly more value.

Virender Jeet:

Sure, we will try to get it into the presentation.

Piyush Chadha:

Thanks.

Moderator:

Thank you. The next question is from the line of Ashok Kumar from Retail Investor. Please go ahead.

Ashok Kumar:

First of all, congratulations on good set of numbers and also maintaining the previous year's sales momentum. My question, one is majorly on the cost rationalization activities, which we would have taken because of the current challenging situations, so if I understand correctly overall for the 9-month period, we have saved almost Rs 69 Crores in the cost, I mean the overall cost compared to the previous numbers of the 9 months period, so I just want to understand out of this Rs 69 Crores of cost rationalization saving, which has happened, how much will be sustainable going forward? That is my first part of the question and second part, in terms of the revenue growth for the next year, I think it has been answered already, but how would be the overall industry situation in terms of our



products and demand coming back to the previous levels of 15% to 20% growth going ahead and maybe if you can give some colour on the Q4 growth? That would be very helpful.

Virender Jeet:

Thanks Ashok. I will try to answer your questions. So, predominant cost rationalization has been across all heads, but for us as a company because lot of our costs are around international travel, so there has been substantial add on account of international travel. What we see as a large part of that in terms of our sales travel would come back, but on the service delivery travel there is going to be optimization because the pattern of work has changed, so there may not be the need of that kind of a travel, but really putting a number on that may be a very difficult job right now, so some part of these cost rationalizations are permanent in business, but some will come back as the business and the sales momentum grows, we would be able to come back to that. On the employee benefit costs, I think our cost will come back to the normal level. In fact they will go up as we start growing as a company and we will keep on adding people, so broadly I think we would still rely on our topline growth number and that is what we think that over the next and part of this quarter I think we should start with that and over the next year we can come back to the regular momentum that is what I can say. On the Q4 side, generally on the Q4 have been larger quarters compared to Q1, Q2 and Q3. We do expect this year to be the same and we do expect to see some kind of a growth, but it will be very difficult to really put a number, we are looking at a single digit growth and then the next year we can go for larger growth momentum, but I think there are still many variables and it will dependent on the whole COVID situation - Europe opening up, how much of US travel can happen, so there are variables, it will be very difficult to estimate. On the demand side as you understand, I think there is a demand for the whole digital ecosystem, people are unable to operate in certain areas where they have not done automation, we are great partners to automate for both internal systems as well as launch of services, that is what we have done in lot of new customers as well as existing customers, so we do see demand, but conversions will also need lot of stability of other factors. Does that answers your question?

Ashok Kumar:

Thank you very much for that, Sir. Really not interested in getting the numbers for Q4, as we understand there are lot of variables around that, but if I understand correctly there are some cost rationalization activities, which are permanent in nature, can we understand if those are a significant number or you see that as non-significant in terms of our overall cost rationalization activity?

Virender Jeet:

See, the way I would look at it for a year, which was like a flat year or a small growth year, you will see a substantial margin improvement because generally we will not be spending aggressively on sales and marketing and other variable costs for growth, but on a growth



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year, which will be like a 15% to 20% growth year, our costs will come back to the normal level because we need to not only invest for that year's growth, also for subsequent growth, so on the larger side we see minor cost structures to improve over a larger time frame, but to come back to the similar cost levels as they were before.

Ashok Kumar: Thank you very much, Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Akshat Agarwal from Jefferies. Please go ahead.

Akshat Agarwal: Good afternoon everyone. Thanks a lot for the opportunity. I had a followup on your remarks earlier, you had mentioned that your growth outlook is probably dependent on travel opening up, so is your new logo wins and as far as I understand some of the support revenue has declined is also because of the onsite offsite mix changing, so if you were to operate in a model where things do not open up for the next 6 to 9 months, what kind of growth can we expect from the business that was my first question? And I have another question on the normalized margin, so given there is a structural reset in the margins upwards over the past three quarters, how should one think about margins going forward? That is all. Thanks a lot.

Virender Jeet: So, you are absolutely right, our long-term growth coming back to 20 or higher number is entirely dependent on two things, one is predominantly the new logo acquisition and we do think that new logo acquisitions are dependent on travel because for us these are enterprise sales, long-term relationships, so there is a some amount of facetime, so we have done well this year, but I think to bring in the momentum travel would be an important part of that. Also, when we went into newer implementations, there is a need to travel, there is a need to support these customers onsite, there is more onsite component of the work that is where the support revenue got impacted and that can come back. So, if you say that the whole world is again shut for 6 to 9 months, I think we will continue to still gain momentum as we have gained in Q2 to Q3 to Q4, so we still look at a single digit growth that we can push, but we think it may be difficult to push up to a 20% growth rate on that number, so we will still look at healthy single digit growth rates in that scenario because the demand out there is quite strong. On the margin front, we have always said that being a product company we can easily look at overall at EBITDA level roughly around 24% to 25% and come to a PAT margin of 19% to 20% in the long term at stable levels. I think that is quite possible and I think we are almost near that at the end of the year.

Akshat Agarwal: Thanks a lot, Sir.



Moderator: Thank you. The next question is from the line of Venkata Karna an Individual Investor. Please go ahead.

Venkata Karna: Thank you for the opportunity. I have 2 questions. First question is what the percentage is for annuity recurring revenues in this current quarter and then second question is what are the entry barriers for the competitors to get into our product space? Thank you.

Virender Jeet: Annuity is around 60%, so 60% of our revenue is our annuity revenue, which includes revenue streams - ATS and AMCs, our SaaS and our continuous support for clients that is roughly around 60%. Entry barriers, we are in a software product company, which are already playing in a very niche area of content, business processes, low code, so this is a very unique area and we have been in this market for 20 years, we have a history of proving ourselves and in different markets and different verticals we have gained our strength in terms of our install base, our domain knowledge and other things, so entry barriers for any product companies to compete in product space is typically - long-term credibility, that you got to be in that ecosystem for 15 to 20 years and you can see that for any of my competition has been investing in these product spaces for at least 20 years, so we have established ourselves as global brand, we are in top 9 to 10 brands in our product spaces and that is how we play and depending on the domain and country, we have different strengths we can play. Broadly our philosophy as a brand is ‘ “One world, One workplace”, enabling people to work across the globe, providing the systems and software to connect people and systems together and finally, we are very good in what we do and that is where we compete. For any new player, there is a huge entry barrier because the product area is a credibility issue, you need to establish yourself, enterprises do not buy products, which have been born yesterday, they take time to evaluate them, also these installations are typically lifelong installations anywhere I sell software these customers are using it for 10 to 15 to 20 years, so that is the kind of entry barrier we have.

Venkata Karna: Thank you and one more question, in general in Q4 what would be the percentage of annuity in general?

Virender Jeet: I think we will be at similar numbers.

Venkata Karna: Thank you.

Moderator: Thank you. The next question is from the line of Hardik D Sangani from ICICI Securities. Please go ahead.

Hardik Sangani: With respect to the GSI strategy which we have, so lately all the GSI have been in large transformation deals where they are modernizing applications and all that, so do we see any

increased scope or increased traction in those parts of work? Secondly in light of the current digital transformation, which enterprises are doing, a lot work has been modernized or digitized like RPA and all those fields, so do we have a specific way or a specific industry for example, manufacturing insurance for IT with you where we see an extra leg of growth, which we can capture?

Virender Jeet:

Thanks, Hardik. So, GSI is a very prominent strategy for us to grow at a substantial level over the next 2 to 3 years and we have already an established story with most of our GSIs, we have already over last 1 or 2 years got substantial wins from them. I think now it is the time, we have really invested in that, we have created a sales structure to support, we have invested over this year for a complete enablement structure and we are working now with at least top 3 to 4 GSIs globally across to look at how do we build these funnels and we have good stories of modernizing, part of some of their wins we have been a part of their story out there, so that is a large part of our growth story we think that is where we can work on. On the areas of digital, analytics, RPA we are building those capability in our product, we have rolled out those for multiple customers and certain areas like banking or enterprise are our core focus area, we are very strong in banking, but with the GSIs, we are also focusing especially Fortune 2000 enterprise customers and that is what we are going to focus right now. On our core verticals, we have been strong in government, insurance, banking and shared services, we are right now seeing that we will consolidate on those four core verticals and through system integrators will concentrate on other verticals. That is our core strategy right now.

Hardik Sangani:

Sure. That is it from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Akshat Agarwal from Jefferies. Please go ahead.

Akshat Agarwal:

Thank you for giving me the opportunity again. I have a couple of questions, firstly just help us understand what has driven this sharp drop in debtor days from a level of 180 it is close to 120 now and I initially thought that it is because the share of government in the overall revenues have gone down, but actually it has gone up, so what is driving this. That is my first question, secondly, what is generally the reason for sharp fall in the revenue from shared services revenues?

Virender Jeet:

Akshat, I am very sorry, I cannot, is the first question related to the DSO you are saying?

Akshat Agarwal:

Yes.



Virender Jeet: Yes, I will answer and then please repeat the second question, so on the DSO front, over 2 years back we promised to the market to bring it down as this was part function of certain geographies we operate in as well as certain internal business practices, so we have tightened our whole contracting, we have really gone very aggressive on the way we evaluate the deals and really pushed our internal structures to make sure our collections and revenue recognition practices are very, very strong, so as a part of that process, we will continuously see improvement in these areas, so this is a structural change, which is across all areas of operations we have done so that we bring the DSO back to the normal, which is committed 120 level, so from here also there may be a quarter variation because of the variation in the quarter revenues, but over a larger period we will still see this significantly coming down over the next 2 -3 years, so that was about DSO, does that answer what you asked?

Akshat Agarwal: Thank you. My second question was on the drop in the BPO/IT revenue this quarter?

Virender Jeet: Yes, there is nothing specific to that. I think our ability to service larger customers like banks, insurance was high, their investment on the digital side is growing right now, they need to service their customers, while on BPO/IT side we could not make a lot of new deals eventually and the mining potential in that kind of a segment is limited, so we are relying in the BPO and IT growth on new logos predominately, so that is why there is a decline, these declines are still transient, two large deals in any of these change in these numbers, so we do not see them as very permanent, I think the bases are quite small right now to have very permanent shifts on number to read too much, but what is more significant that there is a banking and the insurance are still growing for us and that you will see in the overall pie of the revenue they are still growing.

Akshat Agarwal: Understood. Thanks a lot, Sir.

Moderator: Thank you. The next question is from the line of Puneet Saraogi from Hill Fort Capital. Please go ahead.

Puneet Saraogi: Thank you. I had a couple of questions; one on the product side when you think about the key obstacles in making a sale, what would those top 2 to 3 things be and I have some related question is when we think about sort of internal metrics to think about whether the client satisfaction levels are higher, what number do you look at is it conversion rate, I am just trying to figure out how to think about this product side business in a better way?

Virender Jeet: See, on the product side I think every product has got huge coverage, same is true for us, so what happens in certain verticals you became very strong depending on the use cases you



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handle and the challenges you will have on the product side is kind of the next level opportunities, like some of the challenges for us is that now we are going to sell through GSI to a large extent, so we are looking at what the GSI would expect from a product in terms of how they can use it, how they can implement it well, how they can manage their larger customers, similarly in certain markets they may have different expectations of integrations or sitting in ecosystem, which may be very different from existing ecosystem, so some of our predominant challenges would be around upgrading these areas in the product, making product more user friendly to sit in ecosystems and that is what we are working continuously on that. On the metrics to understand customer, we have a third party customer satisfaction survey, which we do every year across various dimensions right from the user group with the decision makers and that is where we look at various aspects of our business side from product to service delivery to our engagement and all the way up to billing and how we deal with the customers, so that is one input for us. The other input is typically we track in terms of our larger customers, which do give us annuity of more than Rs 50 lakhs their retention rates because that is very essential -so out there we are able to have 90% to 97% in our retention rates for all those customers at that level, so these are broad 2 parameters, which we look at it. Puneet, does that answer your question?

Puneet Saraogi:

Thank you.

Moderator:

Thank you. The next question is from the line of Piyush Chadha from Serendipity Software. Please go ahead.

Piyush Chadha:

Thanks for the opportunity once again. I just wanted to learn a little bit as to where does our product sit, do we have business logic as part of the product or is it in the infrastructure layer and the business logic is either the GSI or the user's responsibility?

Virender Jeet:

So, predominantly, I think there are multiple categories of product, we come in a category, which is called enterprise content management and business process management and lately getting push towards Low Code, these are products, which are bought as an infrastructure by enterprises because they have a plans to use these products across their business lines and business operations, so lot of domain or business logic is build over that and it is a different way of doing things over a period of time. These spaces are roughly around \$20 billion market in these product categories, which is expanding with Low Code to a much larger number, so there is a recognition around these product category and I think there are enough coverages from industry analysis say Gartners and Forresters of the world who track these categories of content management, business process management and low code and they do eventually evaluate all the products and we have been in that space for, so for end customers, they buy these platforms for multiple uses, sometimes they can buy for a



tactical used to start with, but the whole idea is that they will roll it over various processes, so the example would be in a bank our platform could be used to transform their digital lending because who would sit somewhere in between their customers and their internal systems and orchestrate their work, same could be in insurance it could be around claims and policy servicing, in a BPO it could be around processes they are outsourcing, it could be financial processes. In government it could be around citizen services, so use cases are multiple, but predominately we are typically an infrastructure to orchestrate systems, people processes for a very differentiated technology for building systems for change and building them fast.

Piyush Chadha: I appreciate that. Thank you for this, this is valuable. So, key component of revenue growth should then be mining of existing logos because as you expand the number of licence is sold to a logo your revenue should go up?

Virender Jeet: You are right, so there are two things, so one is that in an enterprise traditionally our entry levels could be anywhere between \$100,000 to \$200,000 and now, over time the larger accounts can grow up to annuity of \$1 million to \$2 million that is the expansion, so sometimes it takes 1 year - 4 years to do that, but that is the predominant growth in one area and for any product company since we are clearly specialized in that area, we need to have more logos to make that sales, both are growth areas- new logo acquisition for future expansion, but also almost 40% of our license revenue comes from our existing logos.

Piyush Chadha: And do you have an annuity based license policy or is it like a one time up front payment?

Virender Jeet: In markets like US and Europe are more receptive to annuity and cloud subscription base pricing while some of our traditional markets in India and EMEA is more license, so we have both the models, so most of the customers who are coming in new territories like US, Europe, Australia will be based on annuity and some of the existing customers in this areas will also shift over a period of time. Right now we operate on both models.

Piyush Chadha: Fair enough. Just a suggestion, we have a seen similar infrastructure layer companies do extremely well through creating sort of quasi centres of excellence that demonstrate use cases of their products in the best clients that has been an effective way of selling the products that sit between core infrastructure and business app logic, are we putting these in place to?

Virender Jeet: Right now, we demonstrate to the end clients when there is an opportunity and when clients want to discover that, so we have all these systems available on Cloud for people to try it out, our solution guys to demonstrate that.



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- Piyush Chadha:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nikunj Mittal from Individual Investor. Please go ahead.
- Nikunj Mittal:** I have a couple of questions. The first is around the patents that we have applied for and we received could you share some light on how this technology expertise gives us an edge and what the patents are about something more on the technological front on this line would help deeper understanding of that and the second is about the foreign exchange fluctuation in this quarter and also a general hedging strategy regarding foreign exchange receivables, so these are my two question? Thank you.
- Virender Jeet:** So, on the patents the best would be to probably to get into the site and look at all the Patents, so predominantly what happens in product companies, the core technology components, which are proprietary to us we protect them through Patents. These Patents do not have any direct commercial relation as of now, but over a longer period of time you are able to protect your interest that is the idea, so we are going in things, which is very critical to our products and technology. Imaging is one forte we have, processing of information is another way, so most of our Patents will be in that area what we apply. On the foreign exchange, we have some amount of natural hedging through expenses which we have in foreign currency and then this is the part of what you call export packing credit, which we keep on revolving, so those are two strategy and lately we have also started with some amount of hedging, but with these we are able to manage around 60% to 70% of our exposure.
- Nikunj Mittal:** Okay, there was some big fluctuation in this quarter regarding the foreign exchange, what was that all about?
- Virender Jeet:** No, I do not think there was, could you explain me what are you referring to?
- Nikunj Mittal:** I mean in terms of the net figure that came down on the profit loss the effect was there because of hit on the foreign exchange front if I remember correctly?
- Virender Jeet:** It was the effect of tax so we had a dispute going with tax authorities since 2015 around withholding tax and through Vivaad se Vishwas scheme we settled that.
- Nikunj Mittal:** Got it and just one last question, as followup on my previous one, this whole digitization documentation business is pretty much commoditized business and this has been there for as you said over more than a couple of decades, so I mean these Patents or the technological know how that we are talking about, which you are giving us an edge, I am not



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understanding that part, I did which is the website where I could not get as to where that edge lies, if you can just detail a little bit on the technological side of it?

Virender Jeet: The question is like database has been there for 20 years, but still people buy and use, but what they buy and use it for those needs have changed, similarly in our areas of content management and business process management there are shifts happening - the way consumers are consuming the technology has changed, a lot of these things is to do with analytics, low core technology platforms, so this is a shift around that and that is what we are protect through patents that is what we are able to invest in building those technologies, so though the area we operate right now, predominately use cases are driven around digital low code initiatives, enterprises are having strategic goals and they want those things to be rolled out in 4 weeks, 6 weeks, 12 weeks, these are mission critical applications and that is where we have a great set of tools and technologies by which we take and build them rather than a traditional way where they would take 9 months or 1 year or 2 years to do, now to do that there are lot of underlying products and technologies which we have, that could be the products in capture and origination systems, that could be in analytics and processing, then it could be in content store, as well as orchestration, so these facts are very, very wide, so probably if you can look at or if you can contact our investor relations they can give you a lot of material about what Gartner and Forrester how they define that area, where are the opportunity areas because that is my play, that would be the better way to explain that.

Nikunj Mittal: Got it. Thank you so much.

Moderator: Thank you. As that was the last question, I now hand the conference over to the management for closing comments.

Deepti Mehra Chugh: Thank you so much for joining us for the call. For any further questions you can connect to me or can look at the website for further details. I wish everyone a Happy New Year once again, stay safe. Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.