



Newgen Software Technologies Limited

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Sub.: Outcome Transcript – Conference Call – Q1 FY’25

Dear Sir/Ma’am

As intimated earlier through our letter dated 13th July 2024 regarding the Conference Call of the Company, which was held on Thursday, 18th July 2024 at 3:30 P.M. (IST), please find enclosed herewith a copy of the transcript of the said call with the Investors/ Analysts.

The transcript of the said call shall be made available on the Company’s website at <https://newgensoft.com>.

This is for your kind information and record.

Thanking you.

For Newgen Software Technologies Limited

Aman Mourya
Company Secretary

Encl.: a/a



“Newgen Software Technologies Limited

Q1 FY’25 Analyst Conference Call”

July 18, 2024



MANAGEMENT: MR. DIWAKAR NIGAM – CHAIRMAN AND MANAGING DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. T.S. VARADARAJAN – WHOLE-TIME DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. VIRENDER JEET – CHIEF EXECUTIVE OFFICER – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. ARUN KUMAR GUPTA – CHIEF FINANCIAL OFFICER – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MS. DEEPTI MEHRA CHUGH – HEAD, INVESTOR RELATIONS – NEWGEN SOFTWARE TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY '25 Analyst Conference Call of Newgen Software Technologies 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Deepti Mehra Chugh. Thank you, and over to you, ma'am.

Deepti Mehra Chugh: Hi. Good afternoon, everyone. I'm Deepti Mehra Chugh, Investor Relations, Newgen Software Technologies Limited and I welcome you all to the Q1 FY '25 results of the company. Joining with me today on the call is our management: Mr. Diwakar Nigam, Chairman and Managing Director; Mr. Varadarajan, Founder and Whole-Time Director; Mr. Virender Jeet, Chief Executive Officer and Mr. Arun Kumar Gupta, Chief Financial Officer.

Before we move on to 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 the future performance. The company does not undertake to make any announcement in case any of these forward-looking statements become materially incorrect in future or update any forward-looking statements made from time to time on or by behalf of the company. For further details, you will please refer to the Investor Relations section of our website.

I will now hand over to Mr. Varadarajan for presentation of the results, which will be followed by a Q&A by Mr. Virender Jeet.

T. S. Varadarajan: Good afternoon everyone and thank you for joining us for our Q1 FY '25 Financial Results Call. With the start of the new fiscal year, I'm pleased to report another strong quarter, showcasing significant revenue growth and robust financial performance. Revenue for the quarter reached INR315 crores representing a 25% Y-o-Y growth. There was good business growth across regions with EMEA region growing at 25% Y-o-Y. India at 20% Y-o-Y. APAC has come back on the growth path with 65% AOI in the quarter and U.S. region was at 13% growth.

Historically, the business has been seasonal in nature, with Q1 being the leanest quarter, though the impact of seasonality is slowly reducing to a certain extent.

We had good additions in our client portfolio and added 13 new logos in Q1. Upselling and cross-selling to our existing customer base has also contributed significantly to our revenue growth. We are seeing increased adoption of our trade, digital lending and supply chain finance solutions, driving significant revenue growth. With substantial license revenues in Q4 of last year, the current quarter marked significant uptick in implementation revenues. For the quarter, our annuity revenues were at INR201 crores.

Key orders during the quarter include: Order for retail loan origination system or a large Indonesian State Bank with an order value of INR11 crores. We are providing business financing solution to a leading Malaysian government-owned bank with a total order value of INR10 crores. In the U.S., we entered into an agreement with a commercial and retail bank for the digital account opening solution, again for INR10 crores. We are also providing a fintech onboarding solution to a large bank in Qatar for INR10 crores. One of India's leading engineering conglomerates selected Newgen for implementation of its loan origination system.

Coming to our products and solutions, we are really excited with the good traction and customer response received by our vertical solutions in areas of trade, lending and supply chain finance. We continue to work with customers in understanding their evolving requirements to innovate and improve our solutions and support our customers in growth and management of their financial operations more efficiently.

Further, we are working on strengthening the insurance vertical by expanding our team, building the product and deeper solutions into the space.

During the quarter, we launched a new product, LumYn, and are very excited about taking it to the market. Newgen LumYn is a ground breaking Gen AI powered hyper personalization platform designed specifically for the banking sector. This innovative growth intelligence system is set to enhance profitability and significantly improve customer experiences for the bank worldwide. LumYn understands and adapt to customers' evolving preferences, behaviours and live stages in real time to drive deeper engagement and drive business growth, while ensuring data privacy and security.

We continue to receive accolades and analyst recognitions, underscoring our ability to deliver value to our customers. During the quarter, Newgen was recognized in Gartner Market Guide for state and local government grant management solutions. The company has also been reaffirmed the short-term rating of CRISIL, A1 for its debt instruments.

We continue to build on our global workforce and have made additions to the senior management across the globe especially on the sales and marketing side. The quarter also saw new hiring, both campus and lateral to support our growth plans.

Strategic partnership with leading technology firms and industry alliances is helping us in broadening of the market reach and increasing the global footprint. During the quarter, we partnered with Finastra, a global financial -- provider of financial software application to offer best-in-class banking solutions for existing customers and also jointly expand the market base.

Reinforcing our commitment in nurturing talent and fostering inclusive growth, Newgen unveiled the pioneering initiative aimed at accelerating the skill development and digital prowess of women in underserved communities. The company inaugurated a dedicated skill development center in New Delhi to serve as a hub for imparting skill training and essential digital education to the mothers of students associated with the company's flagship social project, Newgen Digital Discovery Paathshala.

On profits and margins, we delivered a healthy growth in profits and expanded margins. Profit after tax was at INR48 crores for the quarter, witnessing a growth of 58% Y-o-Y. We continue to prudently invest in R&D and sales and marketing initiatives. As we had indicated earlier, the sales and marketing investments are being increased on account of key strategic initiatives being undertaken by the company.

On the balance sheet front, our net trade receivables were at INR402 crores as of 30th June 2024, which resulted in net DSO of 112 days. Our collection for the quarter has witnessed a growth of 18% Y-o-Y. We remain committed to delivering exceptional value to our customers, and stakeholders while driving sustained growth and innovation. Key focus areas for growth in the coming quarters for us include continued product innovation, scaling of operations and increased global reach, especially in the mature market and enhancing our banking and insurance solutions.

Thank you and we are open for Q&A.

- Moderator:** Thank you very much. Our first question is from the line of Ansh Suri from Systematix. Please go ahead.
- Ansh Suri:** I want to ask sir, like what was your partnership during the quarter of FY '25, like I mean this quarter partnership like the growth, what like partnership led to growth in the quarter?
- Virender Jeet:** Sorry, I'm not able to get exactly what are you referring to in terms of percentage of revenue, which has driven by partners?
- Ansh Suri:** Yes.
- Virender Jeet:** So generally, I think it remains static on an annual basis, at around 20% of revenues, which is partner-related and 80% is still direct. So with the growth is both the engines, there is not a significant shift that the partner one is going at a faster pace. So it's still at the same level as the company is growing.
- Ansh Suri:** Same level. Okay. My next question is that what is PAT margin?
- Virender Jeet:** Yes. So for the quarter, it is roughly around 15% being a seasonal quarter, it's lower in top line, while the costs are slightly more flattish for the year. But I think as you see, historically, it keeps on accumulating as the annual revenues become much larger.
- Ansh Suri:** Okay. So 15% for this quarter, the PAT? What is the ROE -- the return on equity percentage?
- Virender Jeet:** Return on the quarter, I don't have a number as the business is seasonal, but I think if you can write to Deepthi on the investors, she can send you the details or you can look at the presentation.
- Ansh Suri:** Okay. Also I remember in the webinar, you also claimed that you launched in your product, right, this quarter that accelerated your sales and the revenue.

- Virender Jeet:** No, I think the products are generally very early leading stages of revenue. So predominantly banking is a prominent sector for us. So we keep on expanding our portfolio of offerings and services. And since AI as well as Generative AI, are driving most of the use cases and frightening them. So it was important that we augment our product stack. So we have launched a product for almost a couple of months back and it's an early stage of adoption. We are doing at least proof of concept with at least 2, 3 customers globally. And I think it will help overall build all product portfolio and strengthen our revenue streams going forward.
- Ansh Suri:** So you think that the product you launched a few months ago will really streamline the growth of the company in the next few months, right?
- Virender Jeet:** Yes. So I think for product companies, it's essential to keep on launching new products to be ahead of the market and ahead of the curve. So I think while some segments like if you open products in insurance or other verticals, which will expand, but in your core verticals also in core segments, you have to keep on expanding the portfolio.
- Ansh Suri:** Okay, I got it. And I just have one more question. I was going through it and you also said that -- so yes, this quarter launched a very significant growth, right, like a very high growth compared with the previous quarter in the results?
- Virender Jeet:** No, not really. I think it is in trend, it's in line with where we have been going for the last 8, 9 quarters and we have been growing in the range of 24% to 30% in last 8, 9 quarters. So it's a line with that growth.
- Ansh Suri:** That's very good growth. And you said your relationships with clients is good, like that's something that's contributed to growth, the consistent growth?
- Virender Jeet:** Yes.
- Ansh Suri:** We also think that you established an agreement on banks, if you remember like some agreement you established?
- Virender Jeet:** Yes. So I think what we also referred in that of significant deals which were acquired this quarter and that conversation was in reference to the deals we had in Indonesia, Malaysia, Qatar, U.S., India. So these are some of the significant ones. Yes.
- Ansh Suri:** So your global deals had an increased outreach?
- Virender Jeet:** Yes. We do get roughly around between 10 to 15 deals quarters. So we have 13 deals. So these are some of those significant deals.
- Ansh Suri:** 14 deals a quarter, but you've got 15 this quarter?
- Virender Jeet:** 13 this quarter.

- Ansh Suri:** Okay. 13 this quarter. I also -- one thing. I'm sorry for so many questions, but you also had -- talking about some inaugurated skill development center in Delhi that you -- this quarter, you launched, Delhi you will launch some center skill development center?
- Virender Jeet:** Yes. Ansh, that is basically a part of our CSR initiative, where we have a Newgen Discovery Digital Paathshala, where we help not only students, but even their parents to upskill themselves. So we launched a large program where we help the parents of the students to upskill themselves so that they can really contribute to the society.
- Ansh Suri:** Call Paathshala?
- Virender Jeet:** Newgen Digital Discovery Paathshala.
- Ansh Suri:** What did you tell Digital Discovery Paathshala. Okay. I'll just need a note on that. Digital Discovery Paathshala.
- Moderator:** Mr. Suri, may we request you return to the question queue for any follow-up questions as there are several other participants waiting for their turn.
- Ansh Suri:** Okay, anyway I'll return to the queue.
- Moderator:** Thank you. We have a next question from the line of Ashish Shriram Thavkar from JM Mutual Funds. Please go ahead.
- Ashish Shriram Thavkar:** Yes and thanks for the opportunity. Sir we had said that obviously, in mature market the product companies are not able to penetrate to an extent that they would have like to, but then on the other hand we do have a huge Middle East market also wherein also we have a very important play. So how do you compare these two markets especially given the fact that you as a company are targeting 20%, 25% top line growth and US could be a critical component of that overall growth aspiration?
- Virender Jeet:** Ashish, thank you for your question. You are absolutely right. So what has happened while we have kind of a leadership position in our traditional markets let us say India, Middle East and we continue to grow at a much higher pace. Our aspiration to be a larger company and capture global market that is both in US and Europe continues to be where we lead most of our initiatives of marketing and sales.
- So we have grown in the US to a threshold of 75 accounts and we are pivoting the business to really find where we get footholds to growth. This is an early stage for us also and I think though our -- this quarter's growth in the US is around 13%, but we have not really got up a handle to do a real exploration now.
- Having said that, we have launched multiple initiatives, restructured our teams out there. There's a lot of strategic work happening for mature markets. While that's happening, our traditional markets continue to perform extremely strong. This time of whole crisis of IT has been completely decoupled from four regions like India and Middle East and we have grown at a

substantial pace during the last three years, four years in fact which has helped the company to maintain.

While we continue to leverage and maximize our traditional markets our aspiration to be a global leader in our area of business continues to be there and we'll continue investing in that.

Ashish Shriram Thavkar: So sir the initiatives that you talked about possibly we ended FY '24 with around 22% EBITDA margin, how much of the incremental margins are you willing to invest into all these initiatives?

Virender Jeet: Generally I think-- as you said this company delivered a very healthy gross margin because a large part of our business is a high gross one. It's a license or an ATS or a subscription business. So we keep on with growth, we keep on expanding margins. We have said that generally roughly around 20% PAT and roughly around 23%, 24% EBITDA that's kind of a target number we are carrying today on our mind.

And anything beyond that we keep on aggressively investing for growth that's the guideline. But as times and situations keep on changing and evolving in the market we can reassess where we go. But the purpose -- the broader purpose is to build for investment, grow business to invest that for further growth, both in mature markets and our traditional markets.

Ashish Shriram Thavkar: Sir, lastly in terms of first half is usually like 40%, 45% of our full year and in terms of making our business more annuity based, when do you see our business becoming more annuity based?

Virender Jeet: So it's happening, but happening at a gradual pace because we are still driving top line growth at a much higher number about 20%, 25% which also means there's a large dependency on upfront license revenues. So I think that more and more revenue contribution coming from mature markets will shift it. Right now the primary growth drivers seem to be our traditional market where the business model is still license-based.

So the shift is not happening at the speed which we expected, but as the revenue share from the mature market starts accumulating and the size of the company grows you will see that generally it will get more smoothed out.

Ashish Shriram Thavkar: Yes. This is helpful. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Yes. Thanks for giving the opportunity and congratulations on good set of numbers. Sir, I mean, I wanted to understand there's a new product that we have launched Newgen's LumYn. So what is it exactly catering to and what problem is it solving in which area that would be helpful. Second one is the Western geography. I mean IT services companies are talking about the improvement in trends specifically for Western geographies. So what does your take specifically US and EMEA region?

Do you see these geographies doing well for us for the balance part of the year versus what time we have been previously over the last 6 months? And the third question was on the fact that you just indicated about the PAT margin number of 20%. I mean earlier we used to get 18% to 18.5%, 19% kind of margins. Does it mean that our new numbers that we are looking at should be considered at 20%? Those are the questions?

Virender Jeet:

Thanks, Mihir. Nice talking to you. So I think the LumYn is basically an AI-based hyper personalization platform where you can go in the hyper personalization for individual customer behaviours for upsell and cross-sell, predominantly targeted for banks in terms of either product recommendations or any other recommendations by which they can maximize their sales to their end customers in terms of whether the products could be about loans, accounts, credit cards.

So we have fine-tuned the product not as a horizontal layer of AI, but basically verticalized layer of AI where we are able to go to a bank, help them in terms of what is the information we seek them for and what is the outcome they can and where can they integrate that outcome.

As you know we are already very strong in digital lending platform and this product sits on over the digital lending platform to add more services and finally help customers drive the banks and drive better customer revenue or better wallet share per customer in terms of upselling and cross-selling more products, that's where we are targeting it.

This product is an extension of our family. The core platforms which we have are again the NewgenONE family platform which has data sciences platform and this is one of the flavors which is an integration of data science and GenerativeAI. It is one of the cutting-edge products which has been launched I think, in the market.

There are very few products like that. So a lot of excitement in the market, but you are saying as any new things there's a lot of excitement, a lot of POCs and the business can follow over a period of time. I hope that answers the first question. Regarding the Western geos, I think as you are saying most of our growth over the last two years, three years have been driven around the emerging markets which is our Middle East and India and some part of APAC.

U.S. though we have grown, but it has trailed the growth rate. Right now for us as you are rightly saying there are early signs of revival of our banking the large because the large banks is one of our target customer portfolio. We see some hope, but we have not seen a big momentum shift right now out there.

So I think we will be still for this year, we'll be a bit conservative in the US. We'll still target our growth which can be healthy rate, but I don't think substantially the equation for us has changed. And again I may not we are not probably the best judges of the market because we are slightly away from that business, not like service companies.

The third is about PAT margin. You're absolutely right. I think we were looking at 18% to 19% or 20% -- roughly around 21% to 23% EBIDTA. Clearly, what is happening that as the company is growing our cost basis, our ability to -- with stabilization of manpower there is some amount

of advantage in terms of margins right now because there's not too much of churn and you are able to deliver get better productivity of your team.

So because people do affect our business in a long way. So I think we should be -- if we are able to extend our growth rates above 20% and between 20%, 25%, we should be able to expand our margins and bring PAT to roughly around 20%. I hope that answers your question.

Mihir Manohar: Sure sir. That's really helpful. Just on the Newgen's LumYn side. I mean is this product like this development which is coming, is this development coming after having interactions with the customers in the Western geography or after having interactions with the India and Middle East clients? I mean what this product will be most suited for? Will it be most suited for large clients operating out of US or operating out of digital India?

Virender Jeet: It's a difficult question to answer. The product has been originated from our current core geos not from the use cases. Though it is equally relevant in all geos, but we are right now fine-tuning in our traditional markets, India and Middle East. But we have already enough cases running with customers in US who are trying to evaluate the product for that. So it is still built from home and taken out but we hope this product is quite horizontal, sits very neatly on any kind of a digital lending platform and should be able to deliver considerable value to the end customers.

Mihir Manohar: Sure, sir. And just one last question. Are our deal sizes going up over the last 6 months, last 1 year, if yes by what percentage broadly?

Virender Jeet: So I think our average deal sizes last year has substantially grown I think, from -- around 20%, 25% because our number of deals were at the same level, but the average deal size has grown substantially. I think on this quarter it will be too early to judge about because it's a smaller quarter with smaller number of wins. So it won't make an effect on deal sizes, but I think towards the end of the year we still hope that, that trend continues.

Mihir Manohar: Sure. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Hi sir. Congratulations on good set of number and thanks for the opportunity. Sir can you give some color how much currently our revenue mix if you can say which is on the annuity base and how much is AMC that do we get or do we get any AMC revenue?

Virender Jeet: Bharat thanks for asking the question. I think the revenue mix will be better to look at annual basis, but I can tell you exactly what it is roughly around. Yes. I think annual basis Deepti could you please answer.

Deepti Mehra Chugh: On an annual basis we have the annuity revenue...

Bharat Sheth: Your voice is -- I'm getting a lot of echo. .

Deepti Mehra Chugh: We have about 60% of revenue coming in from the annuity streams. We have three annuity streams which is the ATS, AMC, the SaaS revenue and the support revenues together they comprise 60% of our revenues on an annual basis. We have about 18% to 20% in any particular year coming in from the license revenue and then we have the implementation revenue which is a service component which is again 21%, 22%.

Virender Jeet: You will have enough details if you go to the investor presentation, there's a quite a good big section about the percentage of revenues coming from various streams. .

Bharat Sheth: And sir how do we see that those are growing in which line? I mean see how much of say license revenue we are expecting to grow and second thing that within that how much it could be an annuity base and how much would be your up fronting and AMC. So if you can give some color on that also?

Virender Jeet: So Bharat the way it is right now since as I explained earlier in the question that since our business is driven both from mature markets as well as emerging markets. The emerging markets tend to follow the same revenue streams which are traditional, which is perpetual license sales followed by ATS followed with the implementation and some newer use cases and new markets are going to subscription sales.

So I don't think a large shift is going to happen in terms of distribution of that. This will continue to grow all streams at the same level, but what happens with subscription/ ATS there's a compounding effect. So generally every year a bit of that increases. On the other hand as your deal sizes are growing the service part of the business which is the implementation is also contributing to large order side.

So the implementation is growing at a much stronger pace. You will see that also in Q1 which is also balancing the growth in the subscription. So I would say for this year the overall numbers may look very similar to what they been last year as a distribution.

Bharat Sheth: Okay. And sir, what are we doing to grow in a faster pace in the mature market. I believe the profitability is much better. Is that fair understanding in a mature market than the emerging market?

Virender Jeet: This is a service gap if you put on yes because the per person realization is more, but what happens in mature markets the cost of sales and marketing and R&D are disproportionately large. So generally if you look at our peer companies spend roughly around 40% of the revenue on sales and marketing.

So it is not that the mature markets are going to be cheaper or have better margin profile. They have better gross margin profile, but in terms of net margin they are also very expensive markets. So we have done the hard work. We have already been investing for 7 years, 8 years and our base is quite strong. So what we think is right now margin is not going to be that important. We can continue with these margin profiles, they are very healthy anyway, but our growth -- so we're spending most of the market in dollars for growth and revenue.

Once the revenue reaches a particular threshold the margin will expand automatically. So absolutely right what is happening right now the most of the investments the delta investments are happening for mature markets whether they're for horizontal product sale or whether we are opening up a new vertical in insurance. So you see last 3 years, 4 years we have opened subsidiaries in Australia. We have strengthened our U.S. office. So those are the things we are doing out there.

Bharat Sheth: And sir, last question sir, whatever I mean expenses we incur for the new product development. So do we capitalize or we write it off in P&L itself?

Virender Jeet: We expense off always in P&L. We don't capitalize any expenses.

Bharat Sheth: Thank you and all the best, sir.

Moderator: Thank you. The next question is from the line of Vinay Nadkarni from Hathway Investments Private Limited. Please go ahead.

Vinay Nadkarni: I just wanted to check up -- I have got 4 questions.

Moderator: Sorry to interrupt, Mr. Nadkarni you're sounding a bit muffled if you're using the speaker phone, may we request to use the handset mode, please.

Vinay Nadkarni: Sorry for the trouble. I just wanted to check out for the revenues that you have made this year, around INR315 crores in quarter one. What would be the breakup between the first time orders and those which are repeat orders?

Virender Jeet: So Vinay, generally at the annual basis the existing customers contribute roughly around 80% to 85% of our business. So that also means new deals in those orders. It does not mean the repeat of business because you have to sell more. And for the same year because if you book also orders you may not be able to realize all. So for the same year, you will be only able to get around 15% in a great year between 15% to 20% revenue is the max we can get from the new logos. We call them new logos, so basically.

Vinay Nadkarni: Correct. Okay. And these new logos that you have roughly they are more in the same banking and health sector or you're getting some new logos in some new categories?

Virender Jeet: Generally, predominantly in the focus verticals, which is typically banking, financial service followed with insurance and then some amount in terms of shared services, BPOs and government. So those are our verticals and I think we continue to get logos in the same vertical.

Vinay Nadkarni: Okay. Quickly on the hiring side, how many people have we hired in quarter one? And how many -- is there any layoffs made?

Virender Jeet: No. I think we are a fast-growing company, so we need people. So what has helped, I think we have hired roughly around 500 campus people since January to until now. So they are already on board most of them maybe. There is some tactical hiring laterals going on.

- Vinay Nadkarni:** Okay. What is your order book size, sir now on 30 June?
- Virender Jeet:** So we don't have an order book at the quarter. We do provide eventually annual order book sizes at the end of what it was. So I think that you already have. Quarterly, we have the number but it does not mean anything because there is a lot of renewals which happened in different periods of time.
- Vinay Nadkarni:** Okay. And do you have a cash and cash equivalent number as on 30 June?
- Virender Jeet:** Cash and cash equivalents?
- Deepti Mehra Chugh:** INR850 crores with cash bank and investments put together.
- Vinay Nadkarni:** 800 and?
- Deepti Mehra Chugh:** INR850 crores.
- Vinay Nadkarni:** Okay, thank you very much.
- Moderator:** Thank you. The next question is from the line of Deepak Rao from Qber Asset Advisors.
- Deepak Rao:** Yes, can you hear me?
- Virender Jeet:** Yes, Deepak. Please go ahead.
- Deepak Rao:** Yes. I actually have 3 questions. First 2 questions are regarding seasonality. So could you tell us in FY '2024, what was the revenue breakup in each of the quarters? And you also mentioned that, that seasonality is getting diluted now. So like compared to, say, FY '2023 and the next year, what are the changes happened in the seasonality pattern?
- Virender Jeet:** Yes. So I think broadly, I can -- but you can look at the exact numbers but if I remember right I think we have moved from the Q1 generally falls between roughly around 17% to 21% of our annual revenue for the same year. And from 17% to 20%, 21%, we have moved over the last 3 years. So there is a 3%, 4% shift happening every year and Q1, Q2 are leaner quarters in Q2 and Q4, Q4 being the largest quarter. So I would say that this has been the shift has been not more than 4% over last 3 years.
- Deepak Rao:** Got it. So it's basically, say, 20, 20, 30, 30 or so.
- Virender Jeet:** Yes. So something like 20, 22 and then followed by.
- Deepak Rao:** The second question I have is that when we say 60% of revenues annuity, why should annuity would not be seasonal, right? So is that also seasonal?

- Virender Jeet:** No, you're absolutely right. Annuity is completely non-seasonal. But then- the growth is driven from the new deals which you make within the quarter or what you have done in previous quarters. So annuity basis remain the same. They almost get in revenue realization divided by 4.
- Deepak Rao:** Is it therefore the product sale that gets pushed to quarter 3, quarter 4.
- Virender Jeet:** Exactly. So basically, with all software companies globally in the license model typically, Q3 and Q4 are the large negotiated deals were they end up closing. So the lumpiness will come from predominantly the licensing across quarters as well as corresponding milestone revenues, which are linked to those licenses and really milestone revenue realization also happened in Q3, Q4 more.
- Deepak Rao:** I have one more short question if I'm allowed to.
- Virender Jeet:** Sure. Go ahead please.
- Deepak Rao:** The third question I have is related to the ESOP scheme. What your objective, who are the people given this what is the scheme? And what is the impact on the bottom line over the next few quarters and years?
- Virender Jeet:** So see, predominantly, we have been doing this for the last 15 to 20 years making employee participation as a part of the growth of the company. And the last 2, 3 years, we have been making -- again trying to do a very broad base ESOP scheme where there is a more kind of a time based ESOP allocation to all employees predominantly on their performance, promotions and other such activities.
- The quantum are small but we believe that the people who stay for long term the overall aggregate values will become bigger for them. I think what we have got, I think in the last 3 years, we have got roughly around 2% and 1% permission from the Board to add to the ESOP scheme.
- Exactly on the financial terms, what is going to be the impact over the next 1 or 2 or 3 quarters on that? I think you can write to Deepti and she can exactly give you that information. But it is not very different than what we have done in the last 3 years. So there's not going to be any incremental P&L impact just because of any ESOP or a long-term incentive scheme.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** So actually, I wanted to understand your perspective at how your go-to-market strategy has been evolving around 2, 3 aspects if you want to address on those lines. Firstly, in terms of our expanding product offering right from LumYn, Marvin, NewgenONE and so on. And also the way we have upscale our solution scoping, we do compete lending or supply chain versus a much smaller element of the process we were doing earlier? And thirdly, from a developed market strategy perspective where our past efforts towards driving that market which not played to be out expectations. So from these perspectives, if you could share your thought?

Virender Jeet:

Yes, Rahul. So thank you for the question. You almost answered the question. You explained exactly our GTM strategy. But yes, I think on a more serious note, you're absolutely right. There are 3 elements to that. I think on the horizontal product expansion, it continues to be relevant and fewer products to be considered at a global stage is top 2 or 3 or 4 products, you have to keep on investing in that.

And as you're investing, you're also making the spectrum of what they cover wider, but we don't want to move away from the areas of content management, local or business process management and customer, these are the 3 areas on horizontal. So whether analytics comes Generative AI comes or any other technology comes, they get expanded and added to the same stack, which makes them relevant and also increases the deal size value because you're adding more functionality to the product.

But the larger part of our growth strategy or which comes from typically the GTM, there is typically expanding our vertical offerings. So, if you look at 4 years back predominantly around origination and account opening and lending, that was all. Today, I think we have expanded into trade as we've seen supply chain financing, some amount of what we are doing also in service request management, which is typically a large area emerging in banks.

So expanding our offerings in banking solutions as well as now we are investing currently also to go deep on insurance, both on health and general both on claims as well as origination offering. So these products are being developed and co-developed with customers right now. So this is the direct material growth driver for us because we are able to get per account realization as well as go and penetrate into more accounts.

Third, which is the most important is the geo expansion. And for this, that is typically the mature market penetration. Out there, there are at multiple strategies, how to put the horizontal product sales through partners or then how do you exactly go again like in India or Middle East? How do you go and talk with 100 banks and get the wallet share among that?

So all these 4 strategies do almost operate in parallel and at different times, they have different returns. What has fired really for the last 2 years, 3 years has been the second strategy, which is our additionally -- adding our solution sales products in banking and insurance. The other things will take time to fire or will have a different time line when they will fire.

Rahul Jain:

So, I got the pulse. Just with one more element if you could share, like how you would define and redefine your sales team because -- if you generally, we see companies are either horizontal or vertical, we have markets to play where horizontal and vertical. So is it everybody carries a different type of quota from the horizontal, vertical and geo perspective? Or it's like 1 strategy for market or all?

Virender Jeet:

So the GTM pursuits are completely predominantly for us verticalized. So our sales engines are almost verticalized because it's a named account targeting, which we do. So predominantly, we don't expand our named accounts beyond insurance, banking, financial services and government. So everything else come in the bucket of either partner-led or an inbound led case for us.

So for us it's typically in our mind, there are 2 things. One is about what we go out with that means we take an x number of things, and that's what we sell very aggressively as a named account, and then there is another, which is a channel strategy or a partner strategy or an inbound strategy, which is a more horizontal product sale.

Out there, we are slightly agnostic to the vertical because the partner may have a vertical capability and we may use horizontal platform to sell our product. And this is an area we are very hopeful as the time goes, this will start contributing to a larger share of our business over the next 3 years, 4 years.

Rahul Jain: Thank you and best of luck.

Virender Jeet: Thank you. Rahul.

Moderator: Thank you. The next question is from the line of Dr. Nisheeth Patel from Nischay Healthcare Private Limited. Please go ahead.

Dr. Nisheeth Patel: Congratulations for the good set of numbers, sir. I just want to ask you one question that the new products here, you have launched this LumYn and NewgenONE Marvin that you have been launched last year. So how this is going to impact your top line and bottom line in the future? And how much you are expecting the revenue growth from this both products?

Virender Jeet: So thank you for your question. So I think as I already answered, just generally, when you expand your horizontal product offerings, they are typically to be more competitive, more relevant and increase the overall offering size for that. These products on their individual lines to drive a delta revenue, that happens over a more significant time.

It may take 3 years to 4 years to evolve the funnel on an individual product. So right now, we are in the early stages of these products. We hope that once the sales is being driven through these products and that picks up, we surely think that we can add to a delta. But right now, I think at the time of launch, attributing the dollar value is too premature for that.

Dr. Nisheeth Patel: And what is the basic difference between the NewgenONE Marvin and NewgenONE LumYn, is it both a different vertical or the same vertical or horizontal?

Virender Jeet: So Marvin is our Generative AI addition to our horizontal product offerings. So wherever you are doing concentration, process definition, any other capabilities you're adding when the Marvin helps you to define it better and uses the large language models to make it more efficient and very fast. LumYn is targeted for banking specifically to help them on hyper-personalization. So they are proved different that almost targeted to different areas of product.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question for today. I would now like to hand the conference over to Ms. Deepti Mehra Chugh for closing comments.

Deepti Mehra Chugh: Thank you everyone, for attending the call. For any further queries, you can go through our website or you can connect with me and ask your questions. Thank you.

Moderator: Thank you. On behalf of Newgen Software Technologies Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.