“Majesco Limited Earnings Q3 FY17 Conference Call”

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MODERATOR: **MR. DIWAKAR PINGLE - CHRISTENSEN IR**

Moderator: Ladies and gentlemen, good day welcome to the Majesco Limited Q3 FY17 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, sir.

Diwakar Pingle: Thanks Karuna. Good morning and good evening to all of you. Welcome for joining Q3 FY17 results ended 31st December 2016 of Majesco Limited. Please note that the results are being mailed to you and you can also view it in our website at www.majesco.com.

To take us through the results and answer your questions today, we have with us Mr. Ketan Mehta – Non-Executive Director of Majesco Limited and Founder & CEO of Majesco US and Mr. Farid Kazani - Managing Director of Majesco Limited.

We will start the call with a brief over view of the quarter, which will be given by Mr. Mehta and that will be followed by Mr. Farid, who will go into the detailed financials. We will then follow this with Q & A session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we mentioned in the prospectus filed with SEBI and the subsequent annual reports that you can find on the website.

With that said, I would now like to hand over the call to Mr. Ketan Mehta. Over to you, sir.

Ketan Mehta: Thank you Diwakar. Good evening everyone and welcome to Majesco's Q3 FY17 Earning Conference Call.

During the quarter, we had lower revenue growth as compared to what we experience in past. This slower sales growth is a result of delayed decisions by some of our clients and shift in our business model which is driving demand for our cloud platform business. We see a significant shift in the market dynamics where the cloud based 'Ready to Use' platform is getting far more traction from the carriers compared to on premise legacy replacement of the systems which we used to see before. The demand for the cloud base offering is increasing across all tiers and types of insurance carriers and Majesco is very well positioned to lead this fast-growing business.

Cloud revenue increased by 36.5% from Rs 90 crores to Rs 122.9 crores during 9 months' period which represents an increase from 16% to 19% of our operating revenue. We expect the mix of cloud based business will continue to increase and will enhance margins as well as add more recurring revenues. However, cloud revenues take longer to ramp than traditional on premise software license sales. As a result, the total of 5 new cloud wins we had achieved over last 6 quarters will have greater impact in revenues and margins in subsequent years.

During the quarter 2 new deals were added to our portfolio of cloud solutions, this includes New York Life, a tier 1 insurer, who began implementing Majesco rating a component of Majesco policy for Life and Annuity and Group, in the cloud. This is one of the first cloud based rating implementation for Majesco Life and Annuity and Group market and we are excited about the potential for this offering. In addition, Norfolk & Dedham Group selected Majesco policy for commercial package in Majesco cloud insurer. With the New York Life business, we are expanding our cloud solutions to Life and Annuity carrier as in addition to the P&C carriers.

Our growth strategy continues to focus on strengthening our cloud business in our core P&C, L&A and Group markets. Specifically, we are targeting customers' segments including greenfield, mid-market and tier 1 insurers for our portfolio of solutions and services. I am encouraged by our IBM partnership where we are seeing the growing pipelines including some exciting tier 1 prospects. In addition to increasing cloud platform demand, insurance carriers are also investing in a new and expanded digital offerings. Digital shifting from a tactical, reactive approach of implementing portals or mobile apps for different functions to enabling digital operating model on a platform that enables a unique customer journey across the entire value chain. This is highlighted in Majesco's primary research of consumers and small business owners. This is the approach New York Life implemented with 33 unique portals for their affinity group customers, which leveraged the Majesco DigitalConnect platform in just 4 months.

I am also encouraged by the growth opportunity to provide Majesco solutions for Life and Annuity and Group carriers. We have invested in building a compelling platform to serve this market and believe we are well positioned to lead this segment. During the quarter, we released the latest version of Majesco policy for L&A and Group v2017. This release supports individual and group products including True Group, voluntary benefits and work site on a single instance of a single software platform. It supports all tiers of individual and group insurers for life, annuity, disability and other non-medical health products.

Throughout fiscal 2017, we have also focused on enhancing profitability by improving operational efficiencies, as a result during Q3 FY17 Majesco produced its 4th consecutive quarter of improving EBITDA, which was 5.7% of operating revenue as against negative 1.4% for the third quarter a year ago. While profitability is an important focus for management we remain committed to investing in SG&A and R&D activities that will support our long-term growth opportunities, customer partnerships and take advantage of compelling market dynamics.

To conclude, I believe there is a fundamental shift taking place in the industry where the carriers are lowering, looking at a lower risk, faster platform route that provides an ability to innovate new products, improve customer experience and leverage different business models. We have over 5 real life case studies of enabling our plans to innovate, grow and transform their business model through our CloudInsurer platform. We plan to significantly scale up our business to build upon this success in the coming quarters.

With that let me turn the call over to Farid, to discuss the financial drivers for the quarter.

Farid Kazani: Thank you Ketan and good evening to all on the call. I will briefly cover the financials for the 3rd quarter FY2017.

Let me begin with summarizing the revenue for the 3rd quarter of fiscal 2017. We ended the quarter with an operating revenue of Rs 205.5 crores as compared to Rs 211.1 crores in the previous quarter, reflecting a decrease of 2.7% in rupee terms. The degrowth during the quarter was due to the impact of the GBP exchange rate on our UK business and the drop in the L&A revenue. Last year in the same quarter we did Rs 198 crores which reflect an increase of 3.8% in rupee terms. For 9-month period ended December 2016, our operating revenue increased 18.9% to Rs 636.7 crores as compared to Rs 535.5 crores in the corresponding 9-month period of the previous year.

In terms of total revenue, we ended up with Rs 208.4 crores as compared to Rs 213.1 crores in the previous quarter; down 2.2% on a Q-o-Q basis. For the 9-month period ended December 2016, the total revenue was Rs 643.8 crores as compared to Rs 542.4 crores during the corresponding period of the previous year reflecting an increase of 18.7% in rupee term. Our product R&D expenditure during the quarter stood at Rs 27 crores which is 13% of the total revenue as compared to Rs 30 crores which is 14.3% of the total revenue in the previous quarter. During the quarter the R&D program continued to focus on executing our product roadmap both in the P&C and the Life and Annuity business suites. For the 9-month period ended December 2016, the product R&D expenditure were higher by 14.7% as compared to similar period of the previous year.

Turning to profitability, our EBITDA stood at Rs 11.7 crores which is 5.7% of the operating revenue in Q3 FY17 as compared to Rs 12.4 crores which was 5.9% of the operating revenue in Q2 of 2017. For the 9-month period ended December 2016, the EBITDA was higher, the margin stood at 5%, an increase of 366 basis point as compared to the similar period of the previous year. In terms of Net profit, we ended up at Rs 5.1 crores in Q3 FY17 as compared to Rs 5.2 crores in in the previous quarter reflecting a marginal drop. The net profit for the 9-month period was Rs 11.7 crores as compared to Rs 8.9 crores in the corresponding 9-month period last year, reflecting a growth of 32.4% in rupee terms.

From a geographic standpoint, the North America, the UK and the APAC region constituted at 89.1%, 6.3% and 4.6% respectively for the quarter and for the 9-month period stood at 88.4%, 7% and 4.6% respectively. The P&C business represented 82.4% of our revenue, Life and Annuity represented 16.3% and the Non-Insurance business has now reduced to 1.3% in the Q3 of FY2017. For the 9-month period the P&C represented 80.3%, Life and Annuity represented 18.2% and Non-Insurance represented 1.5%. In terms of client concentration, the top 5 clients constituted 28% and the top 10 constituted 42% in Q3 FY17. Total client at the end of 31st December 2016 was 164. Our 12th month order back log stood at Rs 426.6 crore translating to $62.8 million as on 31st December 2016 as compared to Rs 440.8 crores equivalent to $66 million as at the end of the previous quarter. The employee headcount stood at 2,302 as of 31st December 2016 as compared to 2,355, as at the end of the previous quarter.

Turning on to the balance sheet item, the total cash and cash equivalent in the consolidated Majesco group now stands at Rs 227.3 crores at the end of 31st December 2016 as compared to Rs 179.8 crores at the end of the previous quarter. Our total debt was Rs 117.1 crores as compared Rs 113.4 crores as at the end of the previous quarter. The total net cash after debt improved significantly to Rs 110.3 crores during the quarter as compared to Rs 66.4 crores at the end of the previous quarter. The DSO stood at 69 days at the end of December as compared to 72 days as at the end of the previous quarter.

That is all in terms of brief on the financials, with that Ketan and I would like to open the call for questions. Over to the operator, thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Varun Joshi from Religare. Please go ahead.

Varun Joshi: Just a couple of quick questions on what I missed while you guys were talking. So, number one if you can just help me with what has been the R&D cost as a percentage of revenue for this quarter and last quarter?

Farid Kazani: It was 13% in this quarter and it was 14% in the previous quarter.

Varun Joshi: And in terms of the geographical split this quarter, North America accounts for around 89% and UK and Asia pac?

Farid Kazani: UK and Asia pac was 6.3% and 4.6% respectively.

Varun Joshi: And just too once again get a sense on the client concentration. So, the top 5 clients account for how much?

Farid Kazani: 28%.

Varun Joshi: And top 10 is 48%?

Farid Kazani: 42%.

Varun Joshi: And the total number of clients that we have is 164?

Farid Kazani: 164.

Varun Joshi: And the order back log that is said was around $68 million, right?

Farid Kazani: $62.8 million

Varun Joshi: I am sorry, $62.8 million?

Farid Kazani: That is right.

Moderator: Thank you. Next question is from the line of Kaustav Gupta from SKS Capital & Research. Please go ahead.

Kaustav Gupta: My first question is basically on what exactly was your organic revenue growth? Because I understand last time I spoke to you there was talks about QIP and how they needed be some sort of fund raising to facilitate inorganic expansion which is essential for your business. So, that is the first question and then I want to know about the H1B visa issues, so could you start off with that?

Farid Kazani: You are asking for the organic growth for the quarter or for the YTD?

Kaustav Gupta: For the quarter and plans on inorganic expansion.

Farid Kazani: Organic growth for the quarter was close to 1% and YTD - I will just calculate and come back to you. In terms of acquisitions, we did mention that we are looking at multiple targets in the areas that will help us to expand and build our capabilities. At this stage, it is at an explorative stage and we are yet to come to a final term with any of the targets that we are discussing.

Kaustav Gupta: But you need to do some sort of fund raising to meet those goals.

Farid Kazani: See, it all depends. See there are targets which are in a range, which are much lower in terms of size and there are some which are upwards of $20 million in terms of revenues. So, if it is a small size acquisition I think it is something that we should be able to manage between the funds that we have at our hands and some minor debt raise. If it is a significant size and could be upwards of $20 million in terms of revenue, then depending upon the valuation that we agree upon we may have to look at structures depending upon what the seller accepts, it could be a stock and cash deal and the cash could be out of our own funds and some debt raise.

Kaustav Gupta: I wanted to understand if we expect, let say like 20% - 25% topline growth, would not we need support from inorganic growth?

Farid Kazani: Yes, definitely. If we are looking at that range of growth it has to come along with the inorganic. I do not think we are saying that organically it is a possibility to do around 25% growth here.

Kaustav Gupta: I mean what you project your organic growth to be for the next 2-3 years?

Farid Kazani: We are not guiding any specific number for next year.

Kaustav Gupta: Okay but in what range, would you can give some sort of indication, not actual numbers but...

Farid Kazani: So, this quarter we will be working through our strategy and budgeting session and I think we will be in a better position to give some indication of that and how we close the year with our order book position, we should be able to have some answer on that in the next quarter.

Kaustav Gupta: How many employees do you have on the H1B and what impact do you see if the wage goes up from $60,000 to let say $100,000.

Farid Kazani: We have a little over 100 employees in the US which are on H1B

Kaustav Gupta: Out of total employees, what is your total employees?

Farid Kazani: Yes, we have 300 odd employees in the US. So obviously yes, we resort to quite a bit of local hiring that happens based on our requirements for skilled guys in the product side of the business. So to answer your question on the impact on the H1B visa - we do not feel that that is going to be significant impact, we are yet to see what really comes out of the bill and going forward our requirement or our dependency on H1B visa is much lower than what you see in the rest of the industry.

Kaustav Gupta: But what is the wage being paid right now to these 100 employees?

Farid Kazani: We are actually much higher than the industry average, so we had closer to on an average of around between $80,000 to $85,000.

Kaustav Gupta: And what is your total number of employees for the full company.

Farid Kazani: 2302.

Kaustav Gupta: And only 100 is on H1B.

Farid Kazani: Yes.

Moderator: Thank you. Next question is from the line of Krishna Nalamothu, individual investor. Please go ahead.

Krishna Nalamothu: Given 36.5% growth in cloud business, what is the outlook?

Ketan Mehta: So, as I mentioned the outlook for that business is very promising. We clearly see a market shift where the more and more carriers are adopting the cloud solutions and cloud approach for their transformation needs and Majesco is very well positioned because we have over 30 clients in the cloud as well as some very strong platform offering which can scale to the cloud very quickly. We are making further investments on building capabilities to scale-up this cloud business. So, I expect that we should be able to scale-up our growth driven by this cloud segment demands.

Krishna Nalamothu: Next question sir. Cloud is now 19.3% share, what are the other segments and their growth rates?

Farid Kazani: Well, the other segments are the ones that we do on-premise which is the License and the Implementation services and the third component is the Maintenance and Support.

Moderator: Thank you. Next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.

Ashish Agarwal: Sir, just one question from my side. Wanted to understand our partnership with IBM - where we are in that partnership and what is the expectation from that? Thanks.

Ketan Mehta: As you know, we have signed this partnership in October, so it is a one quarter relationships but I find it very promising, both companies IBM and Majesco are investing in building joint propositions. We have the regular sharing of the clients and building the pipelines. So, the pipeline is coming up especially with some good Tier-1 opportunities as well. So, initially we focused on partnerships on the P&C solutions, on the commercial line but I think we expanded that also on the Group markets, on Life & Annuity side as well. And we are also investing in building the IBM Watson capabilities integrated with Majesco platform and we are exploring different options or use cases to see how those capabilities can benefit to our insurance carriers.

Ashish Agarwal: So, when are we rolling it out to the clients or as we already rolled it out?

Ketan Mehta: We are already making joint pitch to the clients and carriers. We have already started that and as a combined platform we do not have a deal signed yet but we have a good pipeline and number of joint persuades which we are doing it together.

Ashish Agarwal: And secondly sir, when we started our call we have said that there were certain clients’ specific issues, I think which was coming from last quarters. So, wanted to understand when are we expecting these clients’ specific issues to come to an end and if you can just elaborate on that?

Ketan Mehta: Sure. So, this is a large client and the delay in the transformation is taking place because of their number of factors including some of their internal reasons. It is hard for us to predict when they would be ready to restart. However, I would expect that sometime in latter part of 2017, I feel we may be in a better position to have a clarity around that.

Ashish Agarwal: And sir because of the new administration in US taking over, are you seeing some amount of uncertainty delay in decision making by your clients out there or is it business as usual?

Ketan Mehta: We did see some uncertainties and delays in last quarter. Now I am not sure whether all of that is due to the new administration or the election process but we did see some delays in right shifting of our decisions from our clients and prospects. I would expect that once the new administration settles down some of those decisions will pick up again.

Ashish Agarwal: But you have not seen any change in that decision making over the last may be 20 or 30 days since the start of the year?

Ketan Mehta: No. That is a too short a period for us to make an assessment, because normally in our business for core system replacements, it is a long-term decision for an insurance carrier and they look at it based on their outlook and the business priorities etc. So, it is hard for us to judge in this short period of time how the dynamics is impacted.

Ashish Agarwal: Why I was asking that it is almost 3 months, since this results of the elections have come out, right? So, any decision which would have got delayed because of the election or something would have started to we made now or towards the closing end. So, you are not seeing any change in that?

Ketan Mehta: Like what I said, we did see some delays last quarter and we continue to see that and that's where the elections or the new administration is only one of the factors. There may be other factors which causes such delays some of them may be very client specific issues as well. But as we get more feedback from the market and the client in terms of impact of all this, we will continue to share with all of you.

Moderator: Thank you. Next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.

Jaineel Jhaveri: I had a few questions. One of them is can you go over a typical cloud deal that you might have, I want to understand that what is the breakdown of the revenue that you get from the cloud business and basically how do you all accrue for that revenue. If you can give us an example, so typical deal.

Ketan Mehta: Sure, I will start with that and Farid, feel free to add to me. I think essentially the way the cloud deal is structured relative to on-premise deal, it will have a much smaller, initial implementation/setup fees and a quicker cycle to go into production compared to the on-premise deals. So, it will start with a smaller upfront set up/implementation charges.

Jaineel Jhaveri: So, for example if you say like, if it is a $100 deal, so how much is it upfront? I am trying to make a comparison with the old way and the new way and how your revenues and for that matter your growth would look like?

Farid Kazani: One clue that I can give you is, if you go to our presentation that we did in the last year's Analyst Meet, we have given a typical example of our on-premise and a cloud deal, how does it compare, and we took a very specific live client example that we had and we shared how the build-up of the revenues that accrues to us in those specific buckets over a 4 to 5-year period. But just to allude to what Ketan said, in an on-premise deal you would generally tend to have an annual license fee, longer term implementation depending upon the size and the number of business segments that we have implement that particular platform and once the platform goes live you start getting the typically the maintenance and support fee. In the cloud deal as Ketan mentioned it is an out-of-box solution that gets accepted, so it is a much smaller set up and implementation, a faster in terms of speed-to-value and then you have a regular subscription fee that kicks in which is actually worked out as a percentage of the direct written premiums. So, it is a variable model linked to the volumes of the client and the way it benefits us, as the client builds upon more and more business that means keeps writing more and more premium on our platform, our revenue starts growing, because it is linked to it as percentage. So, that is how it works. Please have a look at that presentation if you still need any queries, please write back to me.

Jaineel Jhaveri: So, the order book with this quarter it looks like it is gone down from the quarter before. So, how does cloud revenue come into the order book? Is it implementation also inside or is it just a subscription or how does that work?

Farid Kazani: No, so the order book number that we declared to you all is actually at 12th month order backlog that we will execute and get revenue out of that. So, if you look at a cloud model what happens in the revenue get spread out over a longer-term period. So, the initial period if it was an on-premise you would have got more revenue in the first 12 months as compared to clouds where we will get lesser revenues, because of the lesser set up fee and then depending upon the ramp up of the client. So, when you look at our order book backlog it has cloud deal revenues, but if I had got all those deals on-premise then my order back log would have been higher than what we are given right now.

Jaineel Jhaveri: So, as you move towards more and more cloud your actual order book was start looking smaller and smaller?

Farid Kazani: In the shorter term, but as we keep on building the annuity revenue under the cloud over a period of time then you will see the expansion in the order backlog.

Jaineel Jhaveri: Would it be a correct statement that you all have to spend a lot upfront in getting the client and then implementing it. So, as your growth in cloud increases the expenditure upfront for you guys is a lot?

Ketan Mehta: I will say that client acquisition cost in cloud is somewhere similar to what it is on-premise sometimes it is even lower. But because the revenue in the first year is lower as a percentage it can look higher. So, you are right that in the first year what we see as an economics that the revenue is higher the margins based on that may not show up in our books in the first year. However, what we find is that what we accumulate is a growing recurring revenue which is highly profitable and generally our cloud deals are structured which is on the percentage of the DWP that is Directly Written Premium by the insurance carriers. So, as the insurance carriers put on more business on our platform we tend to earn more. As they put on new products on our platform we tend to earn more, as they expand new states into our platform, our income goes up all of that happens at a very relatively much smaller cost. So, the long-term revenues profile is a much higher margin and a recurring revenue profile which gets built up once we acquire the client in cloud. We have some active examples where once we have seen the cloud client 2 or 3 years or 4-year period we have seen that as they expand new lines of business or a new states on our platform, we saw a significant profitability generated out of those clients.

Jaineel Jhaveri: And in terms of this 9 months when you say Rs 122 crores you said you got from cloud, can you give up a break up of that. So, what part of it is implementation and when what part of it is your subscription?

Farid Kazani: So, in the 19.3% which is as a percentage in revenue, roughly closer to around 6% to 6.5% would be the subscription the balance is the implementation with multiple clients.

Jaineel Jhaveri: So, 13% would be approximately implementation?

Farid Kazani: Yes. That is right.

Jaineel Jhaveri: So, if you do not sign on any more clients this implementation would keep coming down, correct?

Farid Kazani: Yes. So, the implementation will continue till the time the implementation happens but if you do not keep on building new clients then obviously that number will go down, but what we have seen that this percentage in the last three quarters has moved from last year where it was 14% then if you look at last year's 9 months were 16% now it is 20%. We are seeing it slowly steadily inching up.

Jaineel Jhaveri: And that is a good sign?

Farid Kazani: The profile is a sticky revenue. The profile is for a customer who wants a completely different model to operate which is the variable model significantly lower CAPEX upfront and wants to kind of be able to rebadge its own resources to else the other kind of activities and be able to go and deliver its new products in a much speedier manner to the market. So, it obviously becomes a customer that will stay with you for a longer-term period. What we have seen in cloud deals, these deals are anyway between 7 to 10 year deals as compared to on-premise that could be a 5-year deal.

Jaineel Jhaveri: So, have you had any cloud clients leave you till now?

Farid Kazani: Yes, there has been one odd client and that would be for reasons other than our specific work. They could be because that client has got acquired by somebody else and there was one client that actually close down its business. So, there are reasons where one or two clients could have gone but that happens in any business.

Moderator: Thank you. Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: So, my question is related with the L&A segment. The L&A segment has been falling since the last 3 quarters and the last quarter we have seen a 10.1% and as L&A is largely essential based in UK, and if you see for the 9 months' period UK revenue has been down by around 16%. So, I just wanted to know the outlook how do you see it shaping up in future and now the client specific problems that you are alluding to its largely in L&A segment or it be in P&C?

Farid Kazani: So, Amit you are absolutely faint on the call but I think I have heard your questions, so let me just try and answer it. The L&A business have had an impact in this quarter especially and the impact got compounded by in the 3 elements. One is that the Life and Annuity business in North America was lower and that was on the back as we mentioned about the project that went on hold and the full impact has been seen in this quarter. The second is the UK business has had a lower revenue which is all L&A and that is largely due to significant impact on how the Pound has moved from the last quarter to this quarter. Yes, there has been some minor volume drop because the project that is on-going out there will have those quarter wise variations. And third is the India revenue again it is projects specific. So, the India part of which is again L&A business has seen a variation this quarter. The way we see the business, India part is expected to pick up in the next quarter based on again ramp up that is likely to happen; UK, it is again linked to the kind of expansion in some of the existing deals that we could see and hopefully as Ketan mentioned is that we will see a traction on the L&A in the next few quarter in the US. So, it is not that this is the continuing drop and let it continue drop. We are hoping that things will shape up in the next quarter or two quarter from now.

Amit Chandra: And like if you see the License revenues, the License revenues has been under pressure and so for the 9 months License revenue is down by around 46%. So, it is only because of the other verticals like the cloud shaping up or there is a change in the way you pitched to clients or the deal structure?

Farid Kazani: No, there are two reasons for that very much. Last year we had some perpetual revenue from perpetual license fee, so to that extend the license revenue was much higher in the last year. If you look at last year, the overall license revenue was closer to a 7% of the overall year's revenue. This year it is significantly lower purely because that perpetual license revenues is not there in this year. Secondly, there has been movement to the cloud which is obviously from a business model perspective much more favourable to us where we do not get license revenue. So, to that extend there has been an increase on the cloud as you mentioned the other parts of the business has increased. So that is the second reason. The third is very specific to this quarter based on the specific client that went on hold in the US, the license revenue from that client offers on-hold.

Amit Chandra: Sir, in terms of the EBITDA margin like in the last few quarters we have been saying efficient EBITDA margin and efficient cost management, so I just want to know from hereon how do we see the EBITDA margin movement and what kind of margin levers we have. So, obviously like lowering the R&D spend is a big margin lever but in terms of R&D spend also what actually constitutes the R&D spend today, I want to understand in terms of existing product development how much is spend on the existing product development and how much is spend on the development of new product, so basically based on that?

Farid Kazani: So, Amit the biggest margin driver in our business is going to be the gross margin improvement and we have seen that it is steadily improving and if you see compared to last year there has been a significant improvement in the gross margins and we have done that on a quarter basis. We do see that even when the revenue starts building up and certain efficiency also help us to improve the margins we will see that also expanding going forward. The second is the G&A part of our cost which is more or like fixed cost. Then once we see a much higher revenue in the next year we will see leverage out of that part of the cost. R&D is not a very big lever as compared to the G&A. We do not expect R&D to come down significantly, we are at around 13% going forward it would be in the range of 12% to 13%. We do not expect that to come down significantly, so I would not take that as a very big lever as you mentioned. In terms of the spend that are happening in R&D, the spends are happening both in P&C and L&A that is work yet to be done on the P&C side. There is some kind of build-up also happening on the life side also. I would say 60% spends are in terms of managing and upgrading our existing kind of products suites and 40% goes into new development areas including areas in the cloud, data and digital side.

Amit Chandra: So, in terms of gross margin like as of now you are operating at, say if 52% gross margins, so till what level we can assume it to be like say 55% to 60%?

Farid Kazani: No, Amit let me just clarify that you may be looking at it purely from Indian GAAP perspective, in the US GAAP accounts that we declared which is almost mirroring our Indian GAAP financial. You look at our gross margins it around 49% and we do expect that we should be able to get at least anywhere between 250 to 300 basis point improvement in the next year based on how the business shapes up and especially with the cloud business building up.

Moderator: Thank you. Ladies and gentlemen this was the last questions. I would now like to hand over the floor to the management for their closing comments. Over to you, sir.

Farid Kazani: So, thank you all for joining the call for the third quarter. We appreciate your interest in Majesco and look forward to your continued kind of support going forward and till we meet next quarter thank you very much. Have a good day.

Moderator: Thank you very much sir. Ladies and gentleman on behalf of Majesco Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.