"Majesco Limited Q1 FY18 Earnings Conference Call"

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MODERATOR: **MS. ASHA GUPTA – CHRISTENSEN INVESTOR RELATION**

Moderator: Good Day, Ladies and Gentlemen and Welcome to Q1 FY18 Earnings Conference Call of Majesco 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta, from Christensen IR. Thank you and over to you, Ms. Gupta.

Asha Gupta: Thanks Margreth. Good Morning and Good Evening to all of you. Welcome for joining Q1 FY18 results ended June 30, 2017, of Majesco Limited. Please note that the results are being mailed to you and you can also view it on our website, www.majesco.com.

To take us through the results and answer to 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 overview of the quarter, which will be given by Mr. Mehta and then it will be followed by Mr. Farid Kazani who will be giving the detailed financials. We will then follow this with an Q&A session.

I would like to remind you that everything said on this call that reflect 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. This is an uncertainty are included but not limited to what we mention in the prospectus filed with SEBI and the subsequent annual report that you can find on the website.

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

Ketan Mehta: Thank you Asha. Good Evening everyone and Welcome to Majesco's fiscal 2018 for quarter conference call.

Over the last few quarters, we have been talking about Majesco's business model transition, which is resulting in expanding our cloud-based operating model. We made significant progress in our cloud journey during this quarter. Total revenue from the cloud business for the first quarter grew 31.3% over the previous quarter. In addition, recurring revenue for the cloud subscription business grew by 54% over the same quarter of the previous year.

As I have shared before, in October of last year, we signed a partnership deal with IBM where IBM selected Majesco's platform to offer industry platform solution combining Majesco's core platform with IBM Watson and IBM cloud which insurers can consume on pay-as-you-grow model. I am very excited to share that we have signed a 10-year cloud subscription deal with IBM to support insurance clients. This is one of the largest deals for Majesco with a potential subscription value of over $35 million. We are excited about the future industry and customer impact of our IBM partnership and are very encouraged by the progress our combined teams have made in the marketplace. I look forward to sharing some more about our agreement as our relationship develops.

I am happy to announce that during the quarter, we had 4 clients successfully go into production, 6 customers extended their implementations into new states or new products and one insurer successfully upgraded their billing system which is a matter of great pride and accomplishment for our clients and us.

In addition to IBM, American Capital Assurance Corporation, headquartered in St. Petersburg, Florida, offering commercial property insurer on admitted basis has selected Majesco suite for P&C including Policy, Billing, Claims and Rating, Majesco Distribution Management, Majesco Business Analytics and Majesco's Enterprise Data Warehouse to transition from an outsourced provider.

I am also pleased to share that Homesite Insurer, a Tier-1 customer, was recently selected as a Novarica Impact Award Winner for the digital initiative category. Homesite Insurer launched a sales portal with Majesco CloudInsurer using Majesco's Policy for P&C and Majesco's Billing core system. The initiative was completed in little over a year, supports product bundling, delivered up to 40% premium cost savings to customer and enabled expansion for other lines of business to support their growth strategy. This recognition was selected by members of Novarica Insurance Technology Research Council, a knowledge sharing group of hundreds of insurance CIOs. The recognition further raises the profile of Majesco's cloud insurer and digital offerings in the marketplace.

During last quarter's Earnings Call, I mentioned that we will experience revenue growth from Quarter-2 of this fiscal year. The revenue during the quarter was in line with our expectation. However, with a strong order book closure during the quarter resulted in a significant uptick in the 12-month order backlog which increased by 20.2% to $79.0 million from $65.7 million at the end of the previous quarter. This signals a positive growth momentum in revenue for the rest of the year.

To conclude, there is a fundamental market shift taking place in the industry where carriers are looking for low investment risk, pay-as-you-grow and speed-to-value business platform to position them for growth in new insurance digital age. The platform provides an ability to innovate new products, reach new markets, create new customer experiences, and liberate new and different business model for a new generation of customers. We have a growing list of real-life case study enabling our customers to innovate, grow, and transform their business model through Majesco's CloudInsurer platform as a new start-up or Greenfield, backed by existing insurers or backed by venture capital. As we continue to ride this shift, we expect to build a strong cloud business with a high margin recurring revenue business.

With that, let me turn this call over to Farid to discuss the financials for the quarter.

Farid Kazani: Thank you Ketan and good evening to all and welcome to our first quarter FY 2018 conference call.

Fiscal 2018, will continue to be the year of transition with the business model moving towards cloud-based solutions. While it may not be completely visible with the revenue profile during this quarter or entire Fiscal 2018, the primary deal momentum reflects cloud-based business, which would shape the business into higher recurring revenue base ultimately translating to an improved profitability model going forward.

Before I share the brief financials, I would like to mention that we have adopted the mandatory Ind-AS from this quarter and accordingly all the numbers for the current quarter as well as comparative periods are reflected as per the Ind-AS. The release also has reconciliation of the previous Indian GAAP vis-a-vis the Ind-AS for the comparative periods. Let me now share the specific numbers for the first quarter Fiscal 2018.

The operating revenue for the first quarter ended June 30, 2017, was Rs 183 crores as compared to Rs 190.9 crores in Q4 FY17, reflecting a decrease of 1.9% in constant currency terms. The total revenue for the quarter was Rs 184.7 crores as compared to Rs 193.1 crores in Q4 FY17. As Ketan mentioned, the revenue was in line with our expectation and has seen the stabilization of revenue compared to the decline that we witnessed over the last few quarters.

Our product R&D expenditure during the quarter stood at Rs 25.6 crores which is 13.9% of the total revenues as compared to Rs 28.3 crores, which is 14.7% of the total revenue of the previous quarter. The reduction in the R&D expenses this quarter has primarily been due to the consolidation of our policy administration platform.

The adjusted EBITDA (before ESOP impact) for Q1 FY18 was negative Rs 1.2 crores which is a negative 0.7% of the operating revenue as compared to Rs 6.2 crores which was 3.3% of the operating revenue in Q4 2017. The drop in margin have been primarily due to the decline in the revenue and ramp up of resources to support the revenue growth in the coming quarters. The net loss for Q1 FY18 was Rs 5.0 crores as compared to a net loss of Rs 0.7 crores in the previous quarter 2017.

The total comprehensive income was negative Rs 5.3 crores for the quarter under review as compared to a negative Rs 9.6 crores in the quarter ended on March 31, 2017. The items under other comprehensive income includes the re-measurement of the defined benefit obligation, exchange differences on translation of foreign subsidiaries and net change in the fair value of the cash flow hedges.

From a geographic standpoint, the North America, the UK and the APAC regions represented 88.4%, 5.3%, and 6.3% respectively for the first quarter's total revenue as compared to 88.4%, 6%, and 5.6% respectively in the previous quarter. In terms of business split, the P&C business represented 80%, Life & Annuity represented 19% and the non-insurance was the balance 1% in the first quarter of Fiscal 2018 as compared to 83.1%, 15.1%, and 1.8% respectively in the previous quarter 2017.

As cloud revenues expand and become a larger component of our revenue mix, the company will provide certain metrics specific to the cloud business starting this current quarter.

- The total number of cloud clients is 31 at the end of the quarter.
- The total cloud income consists of the cloud recurring and the cloud implementation.
- The total recurring revenue from cloud business which is the cloud subscription grew 53.8% to Rs. 16.4 crores in the Q1 of this Fiscal 2018 as compared to Rs 10.6 crores in Q4 FY17.
- The total revenue from the cloud business which is the subscription and implementation grew 31.3% to Rs 47.4 crores, which is 25.9% of the total revenue in Q1 FY18 as compared to Rs 36.1 crores which was 18.9% of the total revenue in Q4 FY17.
- The total recurring revenue, which includes license revenue, recurring cloud subscription, and the maintenance support increased to 25.7% of the total revenue in Q1 FY18 as compared to 23% in Q4 FY17.

We will continue to share the above metrics going forward and over a period of time share other relevant metrics with maturity and growth of our cloud business.

The client count as of June 30, 2017, was 166 including the India business. In terms of client concentration, the top five clients constituted 23.4% of the revenue and the top 10 customers constituted 39.5% of the revenue for the quarter under review.

The 12-month order backlog stood at Rs 510.3 crores, which is $79 million as on June 30, 2017, and in constant currency stood at Rs 529.1 crores as compared to Rs 440.4 crores which was $65.7 million at the end of Q4 FY 2017 reflecting an increase of 15.9% QOQ in rupee terms and 20.2% in dollar terms.

Quickly turning onto the balance sheet, Majesco's total cash and cash equivalent in consolidated Majesco group was Rs. 164.3 crores at the end of June 30, 2017, as compared to Rs 175.7 crores at the end of March 2017. The total borrowing at consolidated Majesco group as on June 30th was Rs 104.7 crores as compared to Rs 71.6 crores at the end of March 31, 2017. The company has declared a special dividend of 20% which is Rs. 1 per share in this quarter's board meeting.

The DSO stood at 82 days at the end of June 30, 2017 as compared to 67 days in the previous quarter of March 31, 2017. While this is on a higher side than our normal operational level, it is linked to a specific period aberration and will normalize in the second quarter.

Employee headcount stood at 2,395 at the end of June 30, 2017, as compared to 2,312 at the end of the previous quarter. I end this summary of the financial performance.

I now pass it on to the operator to please release and open the call for questions. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ankit Pandey from Quant Capital. Please go ahead.

Ankit Pandey: Farid, if you could just outline what exactly are we basing our optimism on in the coming quarters and that has really moved up do you think and you are far more convinced than in the past, we have seen the volatility of this company for some time now and do you perceive a structural change coming through pretty soon?

Farid Kazani: If you look at the optimism in terms of expected growth in the coming quarters is clearly linked to the order book that has helped us in this quarter and we have ended up with an order backlog which has grown by 20% in dollar terms. The other factor is the potential pipeline which reflects almost 90% deals on cloud where strategically we have been positioned pretty well and we are hoping that we will be able to get more deals, being able to kind of deliver cloud solution. The third is the partnership with the IBM, which is clearly very strategic for us and we are seeing a good amount of momentum and a good environment where both the parties are working together and if you look at the first deal that we have won is actually one of the largest deals that Majesco has won in its history, so while we are basing our optimism on these factors, there are conditions in the market, there is competition so it all depends upon how we perform in terms of our order book closure in the coming quarters.

Ankit Pandey: Especially on cloud I think you highlighted the numbers well, so thanks for the numbers breakup there, but once again how do we look at the fact that given our current business model, where we are operating as product company, cloud revenues may in fact be much more volatile than the others, I think if I get the numbers right much more of the cloud revenue is in the non-recurring part, am I right on that, and therefore, is this something that is not quite structural or is it something that may happen this year and not the next, that is what I am driving at?

Farid Kazani: There is implementation on the cloud which is also a good component of the cloud revenue and we have won five out of the last seven deals on cloud and some of them are in implementation. Given the deal that we have won along with IBM is part of the cloud implementation, so while I understand that there would be variability depending upon deal momentum but based on how we positioned ourselves right now with the order book and the backlog, there will be some positive movement in the cloud revenue and the cloud subscription going forward.

Ketan Mehta: Also add the fact that cloud subscription revenue really kicks off and scales up as the clients put more and more business into our platform, so in the initial part where we are early in the cloud journey, you will see more of the implementation revenue because many of the customers are just putting their systems into production, but as we have more and more clients who have scaled up their business into our platform, the subscription portion will keep growing.

Ankit Pandey: If these implementations do happen and if you have a consistent movement over the next couple of years then obviously the base revenues will also rise, I understand that, thanks a lot.

Moderator: Thank you. The next question is from the line of Shraddha Agarwal from Asian Markets Securities. Please go ahead.

Shraddha Agarwal: Firstly, I want to understand the meaning of the word 'potential' when you say a potential deal size of $35 million, so what exactly do you kind of indicate that with existing clients of IBM or is it with clients who IBM would be probably closing the deal with in future quarters?

Ketan Mehta: Shraddha, it is with an existing client of IBM, in some way the cloud subscription revenue is made up of one, minimum subscription level, and second, scale up depending on the amount of business they put on our platform and it is hard to predict exactly the amount of subscription revenue we can do, so what we are dealing is order of magnitude that it is going somewhere exceeding $35 million as the potential subscription revenue number.

Farid Kazani: Shraddha, for whatever reasons we have confidentiality with IBM where we cannot disclose anything beyond the information that we have shared, so I hope you can respect that.

Shraddha Agarwal: That is true, but then I was more keen on what is the revenue sharing arrangement with us and IBM in this, so is this $35 million all accruing to us or do we have a revenue split between ourselves and IBM?

Farid Kazani: This is our component Shraddha and I cannot share any further details of what is the revenue for IBM separately, this is just our component and it is for our core platform that we will host on IBM cloud.

Shraddha Agarwal: This is for, you are talking of annual revenue scheme, right?

Farid Kazani: This is $35 million over a ten-year period, Shraddha.

Shraddha Agarwal: Secondly, what is the kind of go to market spend we have on the sales front pertaining to this particular deal size we are talking of?

Farid Kazani: Shraddha, we have a dedicated team that is working with the IBM folks, then there is a joint go to market plan that has been worked up on and this is part of our existing sales call, so within our US geography.

Shraddha Agarwal: Sir, the reason I am asking is what kind of margins broadly, I am not talking of giving out any specific number, but should margins on this deal be any better than what the company level margins are currently today for any cloud-based revenue?

Farid Kazani: Shraddha, again I am not able to give you any information beyond that but if you typically look at subscription-based revenue as Ketan did mention when the business starts building on the platform, the potential to kind of drive margins upwards is definitely there.

Ketan Mehta: I would like to clarify that this $35 million number we talked about is for a subscription revenue, it does not include services component so typically subscription revenue is at higher margins than the services revenue.

Shraddha Agarwal: Generally, I mean, I know I am dwelling too much on this, but then how many clients are we talking of when we give this number of $35 million, is it one client subscription revenue that we are talking or we have a bouquet of 4 to 5 clients who we will be hosting on IBM cloud.

Farid Kazani: Again Shraddha, I will not be able to share any further information in this aspect.

Shraddha Agarwal: If you can, by when would you think this arrangement would really kick in, in terms of flowing into revenue lines?

Farid Kazani: From July'17 itself.

Moderator: Thank you. The next question is from the line of Rahul Jain from Emkay Global. Please go ahead.

Rahul Jain: If you could share in terms of how the competitive positioning stands out as in this is what we have done and how it has changed in terms of market share, in terms of when deals, TCV or any other flavor you could give on that?

Ketan Mehta: Rahul, let me give my perspective on the competitive positioning especially in the areas of our focus which is cloud, so in terms of the broad cloud type of deals, what the clients are really looking for is speed-to- value and a ready product which has a significant amount of out of the box content and while almost all the solution providers are offering their solutions on cloud, Majesco has been doing this over last 10 years. We have 32 clients on the cloud and we have taken an early investment into the cloud area to strengthen our product, provide the out-of-the-box content, created a strong ecosystem of partnership, and have built up our cloud business especially with IBM partnership where IBM selected our platform to offer it on their cloud. We believe that we are in a position to offer a significant amount of speed-to-value, a ready-cloud content, and easy upgradability etc. benefits which the customers are looking for in the cloud arena. As the market shifts from very long multi-year transformation programs to a fast, rapid cloud types of programs, their evaluation criteria what they are looking for changes and we see Majesco is making investments to take a lead into that type of a market.

Rahul Jain: In terms of go to market, how the various aspects are working, be it in terms of internal push or maybe the expert recommendation or even a third-party system integrator who would like to pursue our product to the client, how some of these channels are working for us?

Ketan Mehta: As you know, the insurance technologies decisions are complex decisions especially when the carriers buy the core system platform, so all the things which you mentioned play a role. The brand in the industry, the references from the existing customer, the analysts' recommendation, all of that play a role. What we find that as we get into more and more cloud types of engagement, what is getting more important is the thought leadership, the pull marketing types of initiative is becoming more and more critical and that is one of the reasons why we have invested a lot in terms of creating a thought leadership around our solutions, speed-to-value, the values which the client gets in terms of the insured type capabilities and we do see that in a cloud type of marketplace, these things are becoming more critical including again the analysts' recommendations and other things around continue to play a role.

Rahul Jain: If you have to provide the split between the customer you are trying to chase and the customer who are in pipeline, are these people moving from some existing software as a replacement or these are more complicated Legacy structure which we are trying to replace?

Ketan Mehta: Our pipeline is made up of both those types, which is the Legacy transformation from the Legacy platform to the new platform, but what we find interesting is that more and more of the opportunities are where they really want to enable a new business model, so sometimes the client wants to introduce new products, they want to go to new geography, have a new business model, some of the clients want to offer direct-to-consumer types of solutions. Now when they want to do that instead of trying to change their Legacy platform, they are enabling the new ideas or new business model completely on a new platform typically on a cloud and we see increasingly that type of a behavior so fair amount of our pipeline is made up of those types of initiatives which we are enabling and some of them are coming from established carriers, some of them are Greenfield initiatives, some of them are insurers like start-ups as well.

Rahul Jain: Lastly if I may, how many of your clients or maybe potential clients still requires kind of an understanding in terms of the benefits of moving to a modern architecture solution or you think most of them understand the importance and it is just a matter of time they move onto one?

Ketan Mehta: If I look at the insurance carriers they are in an interesting position because they do have a strong need to transform and offer different type of customer experience, introduce new product very quickly, expand geographically etc., so they are interested in those business drivers and it so happens that their Legacy products are unable to offer those benefits quickly enough. If their interest is to enable their business growth quickly and the cloud platform or a modern architecture is a means to enhance to get to what they plan to implement the new business plans.

Rahul Jain: Where we see the disconnect, where we see this converting into dollars for us?

Ketan Mehta: If I understand your question correctly, but what we are seeing is that as we see our pipeline building up on cloud, we do see that the cloud types of deals are coming up and we see a pretty good traction there, however as I was explaining earlier, the cloud business model is such where the initial implementation revenue is small but we pick up a long-term subscription revenue and as we transition our business model to cloud, we are completing some of our legacy programs which we have started few years ago as a normal course as we put the client into production and so their revenue comes down. The new programs are mostly on cloud where the revenue ramp up is slow and that is one of the reasons why we see a slowdown in our revenue, but as Farid mentioned, we now see a growth trajectory in our top line as well for the rest of the year.

Moderator: Thank you. The next question is from the line of Ankit Pandey from Quant Capital. Please go ahead.

Ankit Pandey: Just picking up once again on this particular part of cloud, Farid, did I get that right, you said of the potential pipeline 90% deals are around cloud, am I right in saying that?

Farid Kazani: That is right, the opportunity that are sitting in the pipeline, 90% of them are asking for cloud solutions.

Ankit Pandey: Great, and also talking about the order backlog now of this $79 million, could you give any color as to the length, maturity or timeline, any of that sort, which area and so on and so forth?

Farid Kazani: The $79 million is actually the 12-month backlog which means the $79 million will be converted into revenue in the next 12 months. The total order book is much larger, we said that as part of our release, if you can have a look at our analysis sheet separately.

Ankit Pandey: Any segmentation of those deals, how much of this is in cloud for example especially if you are talking about great growth in cloud?

Farid Kazani: We do not share that data very specifically at this point in time.

Ankit Pandey: Did you mention, am I right in getting that, license, support is recurring, all that put together is about Rs 16.4 crores this quarter, am I right?

Farid Kazani: The license, the cloud subscription, and implementation is Rs 16.4 crores.

Ankit Pandey: That is the part that we call as recurring?

Farid Kazani: That is all recurring, your contractual recurring long-term basis.

Ankit Pandey: How are we to understand from the perspective of the cost curve of these kind of things, of course there will be I imagine there will be more stable in this subscription part of or the regular part of the cloud revenue, so when we transition to cloud revenue, we will probably stabilize margin and in the initial implementation, we may probably not make a lot of money, so given the contracts that we have new in view or our pipeline, do you imagine the implementation percentage of the cloud revenue that we have today will change significantly over the next 12 months?

Farid Kazani: I would want it to change significantly because that gives me, ultimately that will convert into more subscription revenue, so if the deal flow is good that is good for us because what we are doing in we are actually building a much higher recurring revenue which will at a steady state become much more profitable in terms of our business model.

Ankit Pandey: That is the forecast over the next 12 months or so and sitting in the pipeline that we are saying pretty much that is going to happen, am I right?

Farid Kazani: Yes, because the leading indicators what we see in the pipeline and we also gave you a number that five out of last seven has been on cloud. Going forward, we are seeing more cloud deals so our expectation is that it is not that we will say no to on-premise deals, we still continue to get some prem deals, we will do that but our focus in terms of on our investments will be in terms of building a much stronger cloud solution, building a stronger data, digital kind of framework surrounding the cloud.

Ankit Pandey: In the execution of especially during implementation, the reason we ramp up a lot of cost, do we outsource a lot of the contractual activities or is it more done organically?

Farid Kazani: So, if you look at the projects that we get directly is all done by us, it is that the implementation is solely by us, we do not outsource anything, there is a very small component that we outsource which was in erstwhile coverall business that we are executing, but when you look at working with SIs, we obviously work with IBM as we just mentioned both and we work with Deloitte as an SI, so whenever there is an SI which is actually a player involved, good part of the implementation also is done by them, so it is a shared implementation program.

Ankit Pandey: Where does the sort of operating leverage kick in when we move from implementation to regular recurring revenue or is this purely linked to the revenue itself that it ramps up?

Farid Kazani: The way I would see is the operating leverage will definitely come when we have a decent sizeable base of revenue. At this point of time, we are clearly definitely much lower in the base of revenue. If you look at the cost that is there when I refer to the cost, if I look at the R&D cost is around 14% of my revenue. If I look at my SG&A, which we declare in the US results that comes around odd 35%, so this current base of revenue is obviously we cannot sustain that cost, so it is only when we build up my revenue and we would just would not like to throw a number but anything upwards of another 20% to 30% growth on the current basis revenue will definitely give you much better operating leverage both in SG&A product.

Ankit Pandey: Coming to the cost items and R&D and SG&A, do you see any operating leverage there or is it largely like as you said growth leading to alleviation?

Farid Kazani: There is fair amount of operating leverage that will kick in, but at the right time when we achieve the right base of revenue, so at this point of time when we are at around $28 million it obviously looks like a very high cost as a percentage of revenue, we need to grow at least 20% from here to see operating leverage.

Moderator: Thank you. The next question is from the line of Megha Hariramani from Pi Square Investments. Please go ahead.

Megha Hariramani: On the IBM side when do we start working full-fledged on the deal that we have won?

Ketan Mehta: We have already started working full-fledged on the deal which we talked about and the teams have already started working as Farid mentioned from July'17 onwards.

Farid Kazani: Actually, we ramped up the team in the previous quarter which is why there was a ramp up cost that we took without commensurate revenue.

Megha Hariramani: On the broader picture for next two years is there any target number that we outlined on the overall basis like what would be the revenue and the margin that we are looking at?

Farid Kazani: We are not guiding any future revenue right now. There is a reason for that because we have seen the transition of our business model from on-premise to cloud, coincidentally faster than we had anticipated, so it becomes very difficult to predict revenue, so at this point in time we do not want to give out any future guidance.

Megha Hariramani: Is there any kind of revenue mix that we are looking at in terms of the cloud and product-based revenues, any percentage on that since 31% is already that we are getting from cloud, what would be the kind of percentage that we are looking at like going forward?

Farid Kazani: It is a mix of, it is definitely dependent upon how each business are going to grow while cloud remains primary factor of growth over there, there are other parts of business also which are likely to reflect some growth, so again it is pure Excel modeling to say what will be those percentages, but our expectation is to see cloud keep growing every quarter as a percentage to total revenue.

Moderator: Thank you. The next question is a follow up from the line of Shraddha Agarwal from Asian Markets Securities. Please go ahead.

Shraddha Agarwal: Sir, I am just looking at your sales and marketing numbers and that number seems to be constant for the last four quarters that 88 people, so are we good enough on the sales side and we are not adding enough resources there, so any?

Farid Kazani: Shraddha, good question and I think good observation, actually what we have done is we ended up making some changes in the sales team, so we had in this previous quarter almost 6 of them where we had to kind of replace and we got six new guys across the US to support the cloud model business and the services part of business, so as the number remains the same, it is a little refreshed in terms of some team members over there.

Shraddha Agarwal: Sir, any color would you want to give on the new hires that have been added on the sales side?

Farid Kazani: First of all, we added a leader on our services part who has come from Mphasis and he has brought in a couple of strong guys to kind of build that part of the business. Then we have added few guys who are going to help deliver the business from the cloud across North America geography and that is going to be our focus right now, so we have not added too much on the other geographies. The US has been where the additions are happening.

Shraddha Agarwal: Secondly, a quarter back we had talked of a slowdown in one of the top clients which had led to revenue decline when we were hopeful of that client getting back on track by second half of this year, so where do we stand in that client account now?

Farid Kazani: We have a good engagement level with that client and if things go well, we should start working with the client again, but there is no promise at all from their side at this point of time, so we will see how things shape up.

Shraddha Agarwal: Okay, but are we engaged on at least some portion of work or are we completely out of them?

Farid Kazani: There is some kind of continuous dialogue and engagement that we are having where we are trying to figure out what is the best solution that we can give them so that it helps them from their implementation perspective both in terms of simplifying the processes and also helping them in the end get a much better value for the investment that they are making.

Shraddha Agarwal: Thirdly, Farid, probably my understanding is low, but then I cannot comprehend very well why the license revenue low at 1% and still our implementation revenue is at 57%, so any color as in how can we get such good implementation when the license contribution?

Farid Kazani: License revenue, Shraddha, I don't know whether I had mentioned to you or on the call, but we moved to an annual license fee two years back and that part of the annual license is only linked to the on-premise deals that we have been selling and last year we did not have too much of on-premise deals so actually the license revenue has remained where it is, though one of the client that we won in the last quarter is an on-premise client and we will get some license revenue from that client, so the reason why it is low is because it is not a regular annual license from the entire base of the client that we serve on on-premise because we changed our method of getting the license revenue on to an annual license two years back, so as we keep selling some of this on-premise deals, then we will get an increase of the annual license fee, as a percentage when you look at it from the other part of business are growing, as a percentage that may remain where it is, it could vary plus or minus 2% to 3% here and there.

Ketan Mehta: Just to elaborate what Farid said, few years ago most of our licenses was on perpetual license and when we do a perpetual license, we recognize it in that year and there is no recurring revenue which gets moved on to the next year. So, only when we started doing the annual license part few years ago and got few deals done, that is what is showing up as the recurring revenue year after year, but then we quickly moved on to cloud so that all the new cloud deals would not have a license component and that we will show up in our cloud subscription number and that is the reason why the license component looks very small, again with majority of the new deals taking place in cloud, it is included in the cloud subscription number.

Moderator: Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Farid Kazani: Thank you Margreth and thank you all listeners for the interest shown in Majesco, we will continue our endeavour to build the value of the company and look forward to address and meeting with you in the next quarter.

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