NEWGEN™
Newgen Software Technologies Limited
CIN: L72200DL1992PLC049074
A-6, Satsang Vihar Marg, Qutab Institutional Area, New Delhi - 110 067, INDIA
Email: corpmktg@newgensoft.com URL: https://newgensoft.com
Tel.: (+91)-11-4077 0100, (+91)-11-2696 3571, 2696 4733, Fax: (+91)-11-2685 6936

Date: 19th November 2020

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	**National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai – 400051
Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017) Scrip Code - 540900	Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017)

Sub.: Outcome Transcript - Analyst/ Institutional Investor Call - Q2-FY'21

Dear Sir/ Ma'am,

As intimated earlier through our letter dated 14th October 2020 regarding the Analyst/ Institutional Investor Conference Call of the Company, which was held on Wednesday, 21st October 2020 at 04:30 PM (IST), please find enclosed herewith a copy of the transcript of the said call with the Investors/ Analysts.

The transcript of the said Conference call shall also 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

Aman Mourya
Company Secretary

Newgen Software Technologies Limited

Encl.: a/a

"Newgen Software Technologies Limited Q2-FY21 Earnings Conference Call hosted by ICICI Securities Limited"

October 21, 2020

MANAGEMENT:	**MR. DIWAKAR NIGAM – CHAIRMAN & MANAGING DIRECTOR** **MR. T S VARADARAJAN – WHOLE-TIME DIRECTOR** **MR. VIRENDER JEET – SENIOR VP (SALES, MARKETING & PRODUCTS)** **MR. ARUN KUMAR GUPTA – CHIEF FINANCIAL OFFICER** **MS. DEEPTI MEHRA CHUGH – HEAD, INVESTOR RELATIONS**

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

Moderator: Ladies and Gentlemen, Good day and welcome to the Q2 FY21 Earnings Conference Call of Newgen Software Technologies Limited hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepti Mehra from Newgen Software Technologies Limited. Thank you and over to you, ma'am.

Deepti Mehra Chugh: Good evening everyone. I am Deepti Mehra Chugh – Head (IR), Newgen Software Technologies Limited and I welcome you all to the Q2 FY21 Results of the company. I hope everyone in the call is keeping safe.

Connecting with me today is our management Mr. Diwakar Nigam, Mr. Varadarajan, Mr. Virender Jeet and Mr. Arun Gupta.

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

I would now hand over to Mr. Nigam for the presentation of results.

Diwakar Nigam: Good evening everyone and thank you for joining us at our Q2 FY21 Post-Result Conference Call. We closed Q2 with a strong performance and demand uptick from both existing and new customers. We remained deeply entrenched in our existing customers and are adding more solutions for them expanding the digital capabilities and making them viable today as well as future ready. All executions, including integrations with their enterprises were accomplished remotely. The feedback from our customers have been extremely positive and motivating. Increased usage at existing customers will lead to increase in license revenue and subsequent ATS/AMC revenues in coming quarters.

In the next phase of the new normal, working remotely has become a global mandate for enterprises. Enterprises are now accelerating their digital transformation initiatives to create an integrated environment for working from anywhere. The environment would encourage the workforce to stay connected and effectively collaborate for work and provide a seamless experience to their customers.

With our Low-Code and cloud capabilities, we fit in well to provide agile, resilient and quick implementation solutions to the customers. Decision-making has improved over the past few months although it is still slower on large deals. The crisis is driving technology investments Across geographies we are witnessing an increased interest as digital resilience has become a global priority. There is a desire to add business value, reduce costs, remain competitive, drive simplicity in processes and enhance the customer journey. The pandemic has brought digital transformation to the forefront this year.

We made 17 new customer additions during the quarter fairly distributed across geographies. This includes a license deal with a premier student loan financing organization in Americaa. We are also providing solutions for a very large international bank in Singapore and for a US Bank.

Our annuity revenues continue to remain strong and comprised 63% of the revenues and witnessed a growth of 8% YoY. Of this, SasS revenue continues to grow rapidly at the rate of 42% YoY. In this environment SaaS based workflow solutions are catching on and are becoming new class of solutions. They provide a scalable, secure and reliable environment.

In term of geographies, US region continued to be strong for us this quarter as well and witnessed a revenue growth of 11% YoY. India and APAC market too has picked up this quarter.

We continue to pursue opportunities in PPP/ forgiveness in US banking, over the last quarter we talked about it. The banks that opted for our services are engaged and are considering us for additional opportunities.

In term of verticals, Banking and Financial Services, Shared Services and Government & PSU verticals were the growth drivers during the quarter with growth of 3%, 11% and 13% respectively.

In Banking and Financial Services, the uptick in business has been in areas that banks are investing in significantly post-COVID i.e. customer support, loan origination etc..

Our margin profile has expanded substantially compared to last year due to strong operational efficiency and cost rationalization measures that we undertook in Q1 and Q2. As we had mentioned in the last quarter, we had made substantial cost rationalization efforts across all spheres including manpower cost and operational cost. We have optimized our execution capabilities while we are still continuing with long-term investments in R&D and sales.

EBITDA was up by 350% and reached Rs. 41 crores and profit after tax was up by 592% at Rs. 29 crores. Operating cash flows grew significantly in H1 driven by our consistent focus on liquidity and cash management. Our net cash from operating activities was Rs. 116 crores during the period compared to Rs. 39 crores last quarter.

Our net trade receivables as on March 31, 2020 was Rs. 175 crores which resulted in net DSO of 97 days.

In the current era. Low-Code platforms are helping businesses to rapidly build relevant applications and are becoming an emerging trend. With structural shifts in the industry towards Low-Code development and cloud adoption we are happy to be part of this journey. I am extremely happy to share that we featured for the first time in Gartner’s Magic Quadrant for enterprise Low-Code application platform. Gartner estimates that by 2023 over 50% of medium-to large-enterprises would have adopted Low-Code as one of their strategic application platforms. This should significantly expand the overall market size for our products and solutions.

Our partnership strategy with GSI is gaining ground. Our ECM+BPM+CCM combined platform is becoming very attractive from cost as well as quick implementation point of view. Our case pipeline with GSI Partner is good and growing continuously in all geographies.

Going forward we see possibilities of accelerated growth in acquisition of new logos both directly as well as through partners. We continue to invest in partner sales, support and enablement to facilitate our partner’s relationship further.

Looking ahead, we continue to see strong traction in our business across geography. Growth is accelerating as economies across the world are opening up gradually and clients are focusing on technology to help overcome impediments. We expect strong acceleration in demand and adoption of digital solutions across all verticals and regions in the medium and long-term.

New logo acquisitions are picking up as decision making is accelerating. For the remaining part of the year we expect to return to better growth momentum. Seeing growth potential in coming times, we intend to increase our efforts in R&D and product development. We are going ahead with investment in this direction. We see a scope of further investment in this area without compromising our margin.

Our employees are our biggest strength and have displayed immense dedication during this phase. We continue with our caring and proactive approach towards the safety of our employees and their family.

Keeping in mind the business recovery and long-term growth, we are announcing the salary revisions for our major workforce.

Superior customer experience, differentiated value proposition, and operational resilience remain our key strategies helping us sustain our growth and profitability.

We are now open for Q&A.

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

Hardik Sangani: Just couple of questions so just wanted to know in this quarter how much revenue will be coming from the COVID-19 related projects which would be PPP or loan forgiveness. Secondly, I wanted to check has the normalcy returned in kind of the spend which we are looking for and so what do we plan for the growth from new clients in this coming year and just wanted your comments on SI related deals and pipelines how do we see this going forward?

Virender Jeet: In Q1 we had lot of cases which we won in US which had been around PPP initiative and forgiveness initiative, which are typically banks. The whole idea was that would be an entry point for us and going further we should be able to build these. So I think there are good healthy deals progressing in all those cases. Though what you call COVID related revenue would be almost NIL or insignificant revenue this quarter. This quarter is all normal business-related revenue. So I would say on that front this quarter has been more normal than the previous quarter. Even saying on previous quarter, the COVID related revenue was a very small part I think the overall revenue was less than a million or $1.2 million revenue. . For normalcy of business, we have been able to win new deals across all geos so the decision-making has started, but it is not still at the same speed as last year. Though we were able to achieve 17 new logos this quarter, we would have expected on a normal quarter these to be more like 25-30 logos. I would say that still slightly slow, but Q3 and Q4 we are feeling that the momentum on the market is picking up. Decision-making is speeding up and people are getting more equipped to finding digital solutions to normalize their businesses. So the whole traction around cloud and digital is growing and we are very well-placed in this whole Low-Code space and digital space to really leverage it. I think over the next two quarters we see better deal flow momentum.

On the growth from new clients I told you I think new business was good this year I think it was almost similar to the new logo business we did last year at the same time so it is normalized, but still much more is desired over the next two quarters.

The SI initiatives are going well. I think our funnel out there has become much better though I do not think we have any major conversions this quarter, but over the next two quarters again we are looking at some significant conversions coming on the SI ecosystem. Our funnel in US is becoming better. Also, the funnel has started growing in both Europe as well as in Australia.

Hardik Sangani: So the system integrator related deals which we are planning to expand in our portfolio so just wanted your commentary on it, how this has been this quarter and what do we see going forward?

Virender Jeet: We are talking of two things – we have already partner-driven revenue which is roughly around 20% of our revenue which has various different kind of partners. The initiative which we talked about last time as well as this time is about the global system integrators (GSI) which are big four, five companies. Out there, our relationship with companies like Infosys, TCS that is what we are building and trying to mature. We previously have some wins along with them and over next few quarters we are expecting few more wins. I explained that there is a significant improvement in our overall funnel size along with these SIs, but so far, material conversions have not been there this quarter. We expect new few quarters to have more conversions on that.

Hardik Sangani: So, like all the IT companies have started to give pay hikes starting from at least Q4 or from Q3 of this year, so do we plan to do anything on the increments?

Virender Jeet: Are you asking for salary hikes?

Hardik Sangani: Yes.

Virender Jeet: So I think Mr. Nigam in his announcement already said that we are considering increments and salary hikes for majority of our workforce. For more than 80% of our workforce starting sometime this quarter, we will be announcing that in next few days.

Moderator: Thank you. The next question is from the line of Amit Kumar from Indian Capital. Please go ahead.

Amit Kumar: I just wanted to understand we did extremely well during the COVID season, but then also you see the promoter has not increased their shareholding when the price has collapsed from a high of Rs. 400 to Rs. 100 in the month of April and May. So is not it a great idea to do a small buyback of around 3-4% if we are generating so much cash? Secondly, I wanted to learn what kind of inquiries or what kind of big clients or what kind of deals are there in the market for a company of your size? Is there any trend that lot of people we have heard in Europe or US are shifting to the small-sized companies just to save the cost, so can we throw some light on that sir?

Virender Jeet: So I will take the second part I think as you are seeing that with this whole COVID, there has been acceleration in two things. One is the cloud journey, people are relying more on cloud as way to go ahead and solve their problem and second is eventually they are accelerating their digital journey so that they can connect their internal ecosystems with customers better. In all the areas across all markets we see there is a strong interest and Newgen as a company it is very well placed in the areas which with Low-Code platform we are able to really accelerate the digital transformation and with our ECM, BPM and CCM we are able to really take their current solution, can migrate them to cloud and provide a great transformation service with the extremely compelling value prop at cost. So, we see the lines of business or the areas of interest are exactly what we have been pursuing previously, but there is an acceleration of overall interest in the market. Though we again say that the decision-making have not returned to the old cycle. Still the larger projects do take some more of time to really finalize. On the other side, I think we have been doing business for last five, seven years we have shown a consistent growth momentum both in terms of revenue as well as profit and I think the market prices for stocks have different dynamics and I think as a company we can only work on our own performance that is what we are working. I think we have the promoter holding in this company is substantial, it is almost at 66% in fact we have very little float in the market or shares available. So, we do not see there is any reason for going for buybacks right now there is no plan for that. In case the plan is considered, we will be happy to share that.

Amit Kumar: We get our 56% of annuity revenues as per your recent PowerPoint presentation, the large annuity revenue stream is around 56% of the total revenue, so what kind of revenues in this particular annuity we can expect in H2 or the coming year, any guidance you can give?

Virender Jeet: So overall if you look at our annuity revenues comprises of ATS, our cloud and our recurring support revenue which are typically contracts which just keep on getting renewed year after year and we have shown that this revenue stream grows better than the overall growth rate of the company. So like if I am not wrong for the H1 we are above 60% as percentage of overall revenue. So in coming quarters also we will see there is always going to be increase in this. So we do expect this number to grow substantially over next few years so that we can expect this to reach 60-65% on a normal basis.

Amit Kumar: And some of the key verticals where we work on like government sector and the healthcare are doing extremely well, so what kind of solutions or what kind of demand is coming from these sectors basically because there is a lot of mid-sized companies from Bangalore and Chennai are getting big orders from these particular sectors, are we also positive about these sectors?

Virender Jeet: So we are predominant if we look at our predominant sectors are BFSI then government and followed by shared services. So we still find traction in all three sectors there is an interest. Our primary sector globally - BFSI is much more positive. Government in certain markets, we do not do government across all territories, but in markets like US as well as South East Asia, Kenya and India we do have some government deals. So we do not see a single segment behaving very differently. We think this demand is overall across all segments and depending on the right fitment for our products and solutions we will find better traction.

Amit Kumar: Off the line I will tell one of my technical guys to speak to your team, he can explain us some of the banking financial services solutions to us, what kind of technology or solution you are giving. So we will write a mail to investor relation or a company secretary for that?

Deepti Mehra Chugh: Sure Amit you can write to me and I will take it further from there.

Amit Kumar: What is the email ID ma'am?

Deepti Mehra Chugh: Deepti.chugh@newgen.co.in.

Moderator: The next question is from the line of Rohit Krishnan from Vriddhi Capital. Please go ahead.

Rohit Krishnan: So sir just wanted to understand your business a bit better in terms of I believe as per your presentation a large portion of your revenue comes from Banking and Financial Services, so in terms of your competition could you probably point me to who could be your key competitors in the global market and as well as in Indian market?

Virender Jeet: You are right, more than 50% of our business comes from BFSI, but the products which we have are across all verticals we have sold our installations across more than 17 verticals with BFSI, Government, Shared Services, Insurance being the primary verticals. If you look at traditionally the Enterprise Content Management, Business Process Management and Customer communication management these are the three areas we operate in and the global competition names are companies like Appians, PEGAs, IBMs of the world. Also in some local markets there are local competitions like companies who are specialized in banking software competing in certain banking areas. But broadly, I think our competition remaines from global companies in global players which are I just mentioned the names like PEGA, Appian, OpenText, IBM.

Rohit Krishnan: Sir if I look at the historical numbers in this quarter has been one of the best margins for us and largely driven by cost reductions, so two questions – one I mean typically in our business what kind margin does one typically work with and consequently, these kind of margins are they sustainable given right now the costs are a bit low given the way things are functioning, but once they come back some of the costs will come back or do you think these margins are sustainable?

Virender Jeet: See if you understand our business the business has overall very high gross margins because we are still into a licensed and a cloud-based licensed business and majority part of the revenue has no direct cost associated with that. Since in the previous quarters we have some optimization in cost on various fronts and also some inability to spend cost on international travel or marketing expenses so there was the expansion of margins in terms of the results this time. I think going forward we are looking at two things. We are looking at quarters becoming better in growth. We do expect some cost to increase on the front of manpower as well as when international travel will start, the cost will go up, but still significantly we will be able to deliver healthy margins. They may not be at the same levels as this quarter, but they will be substantially better than previous years.

Rohit Krishnan: I believe at the time of our listing large part of our growth was expected to come from advanced markets like US, so we are now deriving revenue of almost close to one-third from US. So in terms of future growth, do you think the pie from geographies like US and Europe will contribute the largest share of revenue like around 75%, 80% or would India and other geographies like Asia will be very dominant?

Virender Jeet: See you are absolutely right, our larger growth over next few years will come from more mature markets, that is also where investment is going in terms of our US operations, our Australia operations, our Europe operations. But in immediate quarters I think all the markets are showing positive signs of growth so we will continue to grow broad-based. But as we grow as a company and become a larger company, the overall availability of market size which is in mature markets will start reflecting also in our numbers. So over slightly largely horizon, it will shift towards the availability of market size which is predominantly US, Europe the larger mature markets.

Rohit Krishnan: And sir just longer-term just taking from there, what kind of growth rate are you broadly looking at I mean not just in FY21 I am asking let us say three, four years out what is our aspiration in terms of revenue growth rate? Right now is about Rs 660 crores of revenue, do you want to double this or a broad aspiration if you can share over the next three, four years?

Virender Jeet: See we have shown a continued performance of around 20% growth rate over last many years. I think organically we have been able to do that and with our push in mature market and the GSI initiatives, we are expecting to even push it up higher because for our business, the availability of market is not a challenge. So we think the addressable market especially with the Low-Code initiative and the interest in digital we think the growth in overall available market is going to be high. So we do expect that we can even push it up than our traditional growth rates.

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

Nitin Saklecha: I have two questions one is on the revenue growth which was partly answered before, but I just have an extension to that question, so is it fair to say that you expect in next three to five years the company returning to largely 15% to 20% revenue growth rate which is our last three to five years average and my second question on the revenue is do you actually calculate the net recurring revenue numbers in terms of percentage for both your cloud as well your annuity business?

Virender Jeet: See I think if you look at historically, we have shown around 20% growth rate. I think we find no reason why we cannot even push it up over next coming years. All product companies do expect much higher growth rate at least for a number of years. So, we are all working on that momentum and as the market is opening up we think we can come very fast torwards traditional growth rates and even exceed that. On the net recurring revenue you know we have been traditionally a software license company. So our recurring revenues are coming out of ATS and last 2-3 years we have gone in the US where we are predominantly selling our systems as cloud. So cloud plus ATS plus our support revenue are right now the net recurring revenues for us and which is traditionally around 55% of the annual revenue coming from the recurring revenue for this H1 is slightly higher it is around 64.

Nitin Saklecha: And just one more question and that again partly it was addressed from by earlier participants, but it is mostly on the competition so A can you tell us what is your total addressable market and B we have seen a lot of competitors especially in the US like there is a cloud based analytical enterprise software companies like nCino and they have this amazing fully operating system for banks and they are very aggressive in getting that market share, so do you see these kind of new age software players as a threat to our business?

Virender Jeet: Two parts of the question see total addressable market share is defined in two ways. One is the overall addressable market of the ECM, BPM and CCM which are the traditional product line which are very well tracked by Gartner and other guys. So broadly it is around $20 billion of industry and growing at around 7% to 8% CAGR, but the Low-Code initiative which has been the recent take on the digital companies, I think that has expanded the market size to a much larger. I do not think we can quantify right now as numbers, but some reports can suggest it as big as $60 to $200 billion additional market that is what I said there is no dearth of addressable market. On the competition side, I think you can understand as a company we on our own platforms are very well recognized. We are in Gartner and Forresterfor last more than 10 years. We are in fact one of the few companies on horizontal products recognized by the leading analysts right from visionary to challenger and leadership quadrant for all our three-product line. So, globally in our area we are one of the top players, so we do not see that as a challenge. Companies like nCino which are contemporary, but we are as contemporary as them in technology products and we do compete with them in US for certain banking deals and regularly we end up winning some and losing some that is part of the business. So we do not see that as a challenge. Our core differentiation is predominantly the investment we have done in our products and technology and approach which has been always to deliver return on investment at a very fast pace to the customers.IWe have more than 70 to 100 customers in US right now who are working with us. So, entry in a mature market is the toughest, but we have done the tough job. Now the second challenge is to scale it up and that is what we are working on.

Nitin Saklecha: Can I just suggest one last thing if you can show the net recurring revenue in one of your slides going forward that would be great.

Virender Jeet: In the presentation you will see it is called annuity revenue.. So annuity revenue has grown by around 11% and cloud by around 40% so I think that is in the presentation and otherwise you can contact Deepti and she will give more data.

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

Hardik Sangani: So just two questions, so in the last quarter when we discussed that we have got a lot of PPP and loan forgiveness fee due to COVID related, but here I wanted to check that in this new client which we have got do we see potential to cross sell and are those happening and secondly in terms of debtor days so what could be our provisioning in this year compared to what we estimate?

Virender Jeet: I will talk about the PPP and I would like Arun to talk about the provisioning. So on PPP deals I think last quarter we had PPP deals and I think with most of those customers we are already running multiple cases in all these opportunities, but we understand generally these evaluation are complex and our sales cycles are anywhere between 6 to 9 months. So we do expect in next coming quarters to convert those deals and they are all positive engagements with those customers. So that was the whole advantage of getting into the PPP deals. On the provisioning side I will ask Arun to add to it.

Arun Gupta: So Hardik on provisioning where we have done a provisioning of around 20 crores in this H1 and I think we have some amount of additional provisioning also because of current year.

Moderator: Thank you. The next question is from the line of Shivam Saxena from ICICI Bank. Please go ahead.

Shivam Saxena: So I wanted to understand Gartner has forecasted there would be 7% decline in client spending this year because of the COVID, but are you not witnessing bargaining from existing clients for reduction in budget that is my question broadly?

Virender Jeet: So for our existing clients what we do is very, very sticky. So most of these installations are in banking doing their loans, insurance companies, processing their claims so the installations are very critical and very sticky. We have had request from certain customers to negotiate or to provide discount and we had found individual solutions around that, but none of these are substantial or have any impact on revenue they are very minor, they are to extend support to the customer at this tough time and we have been quite flexible to extend that support, but none of these have reflected any kind of significant reduction in our revenue or recurring revenues.

Moderator: Thank you. The next question is from the line of Vaibhav Dusad from ICICI Prudential. Please go ahead.

Vaibhav: Just wanted to understand your DSO so I wanted to understand that your DSO has improved this quarter, so what is the outlook going forward and what is driving this improvement in this quarter?

Virender Jeet: So, if you look historically our DSO in the second quarter is the lowest in the year. So we have maintained that our average DSOs will be in the range of 120 days and from there going further as our mature market revenue and cloud subscription revenues increase the DSO will start coming down. On a long term we have a target say the target of three years we have target of reaching 90 days, but right now we are very well in that range and over next quarter it will vary a bit. generally it is the lowest at the end of Q2 and highest at the end of Q4. But as you are rightly seeing I think we have travelled a long way over last eight quarters to really reduce this number and it is better discipline on collection, better discipline on incentivizing collections on time and all those follow ups.

Vaibhav: So 90 days is on gross or net the target?

Virender Jeet: Our long-term target is on net level.

Vaibhav: And what is the outlook on Indian banking sector and government and PSU because last few years this has been little bit challenging?

Virender Jeet: See what is happening post COVID everything is opening slowly there is a renewed interest across all segments, all sectors, all places. In India, we have faced challenges because of challenges in the marketplace and I think everybody knows that and I do not need to repeat that. Right now, I think we have a huge interest coming from our existing clients in India. Lot of big banks where our customers were looking at really launching lot of digital initiatives and we are finding strong interest. Also, there are interest from some new logos in that. So overall we are very positive about India business this year, but having said that I think our long term future and growth will come from mature market and that is what we look forward and that is where we are investing.

Vaibhav: And of these 17 logos how many would be from US this quarter?

Virender Jeet: I think 5.

Vaibhav: And just last one from my side I mean is there any sustainable way to improve the average license per client it is around 150-200 k and do you see is there any room for that to go up?

Virender Jeet: I think yes, we are working on that I think it is happening there are two ways to do it. One is to increase the portfolio of what we sell so we are investing in our R&D, investing in technology, creating more offerings for the client,cross-sell and upsell. The second is our GSI initiative where we are targeting Fortune 2000 clients. Of course the room out there to sell license and headroom to grow on license is very large. So between these two tactics we should be able to overall increase our account realization.

Vaibhav: What is the sustainable margin one should work is it like between 20% to 22% is the fair range now post COVID?

Virender Jeet: We would still discover and see over next few quarters what is going to be that because right now there are a lot many variables. Some of the cost optimization right now is because of certain cost which we cannot incur that is why we are not showing substantial growth because we are not able to do business travel, we are not able to do our business promotions and events and other things. So as we end up growing I think overall the business has got enough margins because of our license and cloud sales, and depending on how we balance our investment and our growth aspirations we should be able to deliver consistent margins quarterly

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

Sagar Goyal: So I think one questionI have is in the Australian market how do you see the Australian market growing and I see some revenue that is coming in this quarter, so could we just give some information around?

Virender Jeet: Australia is interesting we started investing around one and half years back in this market and we are in early stages of developing. We are working predominantly through our global system integrators and they have carried us across different markets. We are also pursuing some direct deals and we are hoping that over next few quarters we should start getting early deal wins.

Sagar Goyal: So, do you see in the current situation ARPU going up for each customer post covid?

Virender Jeet: Average revenue per customer is dependent on two things. One is about our ability to sell initial deal sizes and then also ability to mine and keeping on selling licenses out there.. One is about the width of our portfolio and the depth of penetration in that account in terms of how wide, how many users how many functions, how many solutions and overall, also on the size of the customers. So we are working on both on each vertical area we are making better what you call solution accelerators for better products. So in banking we have more than 20-30 products which we can sell to improve the overall realization for that account. Similarly, also on the account profile as we get into larger customers our deal size may improve, just because utilization is more. So our deal size improvement is a general trend along with growth you will always see that there is a improvement on average deal size year after year.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Just had a couple of questions we have been getting a mixed bag of feedback from clients with regards to service offerings and specifically there were couple of clients there are some concerns in the US where some order needed to be rejigged etc., could you share us a little bit of your own insights on how your customer feedback is with regards to growth in the US because obviously we have got some pretty large heavy competitors out there, so just wanted to understand our ability to actually win in the US market?

Virender Jeet: Customer feedback is a very different exercise we do it globally we have a third party for evaluation with us and I think overall year after year we are progressing. In fact, our feedback from US market are pretty good out there. On our scope of competition and our win rates out there, we have been winning deals over last four-five years, ofcourse our aspiration is to accelerate that deal win ratios to a much larger number and that is where we are investing and our funnels are looking positive.With this GSI initiative opening up in US where we have already closed few deals and now the funnel is looking positive we should be able to improve. We do not see competition as a major concern for our growth because in competition we have handled all kind of competitions and we are able to articulate our value prop to our customers and differentiate out there. We are one of the few players who goes with the great combination of platform play as well as vertical depth in the solution accelerators because we have done substantial investment both on the vertical side and on the horizontal platform. So customer, with both these advantages, is able to get a substantial ROI on that, so that is not a challenge. This is able toreally get and accelerate the whole process of selling. US is a large territory so we have to really expand and invest. So we are looking at now next stage and we are giving it a big push over next few years I think we should be able to accelerate our sales in US to much larger number.

Riddhesh Gandhi: And is there I mean are there any specific holds with regards to our product offering that we feel we need to improve specifically based on client feedback or overall almost all our clients have been sort of happy with us because we have got in us sort of a mixed bag where a few clients from the channel check have been extremely satisfied a few have ended up sort of terminating services, so just wanted to understand like where that kind of main concerns lie with the clients that have not been happy?

Virender Jeet: See on the feedback side, when we draw our investment on products and portfolio roadmap there are many feedback areas. One of the feedback is also the customer feedback or the client feedback because they are going to evolve the product, but I think more of our feedback is on the opportunity side - where is the technology going, which are the areas we should invest in and of course there will be some pain areas like in US it is always about areas around interface or product marketing – these are big challenge area. So we are investing in that I think some of the areas we have already communicated that we are going to invest more heavily in our R&D to fix some of those areas, but I think our major investment is still going to be opportunity area. In terms of termination, I think we have substantially very sticky customers I think if you look at our history of customers the customers who have onboarded 20 years back are still going and working with us and this is true across all geo and major accounts. In midcap areas on smaller accounts there may been some churn on various accounts - so there is a churn because of change in priority of a customer sometimes there is also churn in terms of disputes in terms of our ability to meet all the customer expectations, but we do not see this as concerns those are still at a rate which are negligible and are similar to other markets for us.

Riddhesh Gandhi: When I look at churn rates how high would that be especially for our annuity kind of products which we have?

Virender Jeet: Deepti can give you more data, but for customers giving revenues aboveRs 50 lakh/Rs 1 crore, we have almost 97%, 98% retention rate.

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

Jitendra Chawla: Couple of questions the first one is regarding the cost and margins your release mentioned some rationalization and we noticed that the huge drop in the employee cost, so I just want to understand how much of that is sustainable over coming quarters because you also mentioned some salary revisions are going to happen now and usually in the second half because of operating leverage margins are usually higher, so I wanted to understand whether the expansion will be similar or some of it will be sustaining or it is temporary. secondly earlier in one of the calls you had mentioned about challenges in the domestic market where some banks were going through mergers and hence the process of account acquisition had kind of got hampered, so is it back to normalcy how is the domestic market moving?

Virender Jeet: So on the margin side as you are rightly pointing out there has been some amount of optimization both on the employee benefit cost, but I think there is also major optimization happening on the rationalization of travel cost and our direct marketing cost of events and other things. So if you look at Q3 and Q4, these are generally our larger revenue quarter and we see no reason why we cannot repeat that for this year also and with some amount of rollback of our cost of manpower and giving increments we should still be able to deliver very healthy margins over Q3 and Q4 so we do not see that as a challenge. As a percentage (margins) we may not reach at the same percentage, but generally from what we delivered previously, we will be far better than that..

Jitendra Chawla: There is an improvement of previous years or you are talking about improvement over the current?

Virender Jeet: Improvement over previous years. When we come to domestic market I think last two- three years we faced challenges both on account ofNBFC disruptions because lot of new logo acquisition was happening in NBFCs and lot of cases did not mature because there were merger exercises of banks, I think that has stabilized now. Of course, new banks cannot get created so not a lot of new logos, but I think in each of those banks we are creating more opportunities. So now that these banks have merged and stabilized, they still need licenses for their merged entities, they are evaluating new products and solutions. So in India we are finding recovery around existing accounts, the business is looking much more positive. On new logos of course the market overall there is some amount of revival of interest out there, but it does not compensate for what has been lost previously. So I would not really think that India is looking as the great market, but from our existing account relationship we are finding lot of opportunity out there.

Moderator: Thank you. This will be the last question from Shalabh Agarwal from Snowball Capital. Please go ahead.

Shalabh Agarwal: So the first question is this recognition by Gartner on the low coding matrix, how does that open bigger market opportunity for us, do we get to enter into some new products or new areas where we were not present earlier because of this recognition if you can give some details around that will be good?

Virender Jeet: Low-Code has right now very strong interest for all the digital initiatives across all customers as Gartner predicts 50% of the organizations middle and large would have low code initiatives running around and these initiatives are also in parallel with their digital initiatives. Low-Code is a mechanism by which you solve a digital problem. Our being recognized in Gartner's Quadrant opens up those opportunities for us. So otherwise also we would compete in such opportunities, but initially you have to handle objections because customers could require Gartner Magic Quadrant to be considered for evaluation. So it does open significant market for us to be competing in that market.

Shalabh Agarwal: Basically, the products that we had we were already using the Low-Code application BPM, ECM and CCM products?

Virender Jeet: So the products do not change overnight - it is whether your product can take the position and get evaluated for such needs. So, we have worked with Gartner we have got our product evaluated across 100's of points we have done thorough evaluations and found our products and solutions fit to be competing in this category of Low-Code. So organizations when they are looking at Low-Code platforms to solve their digital problems can also consider Newgen as one of the alternatives that is all what you want from these global recognitions rest anyway you have to compete for your own business.

Shalabh Agarwal: The other thing that we noticed was though we have been consistently being recognized for ECM products the BPM consistency seem to be missing, any reasons or anything that we are missing in terms of that we are looking at the analyst report?

Virender Jeet: It is a very good observation, but if you track the BPM area,you would seethere is no single BPM quadrant, there have been a lot of switches-- so it moved from BPM to iBPMS which is called Intelligent BPM Suites. It has now started shifting into a content-centric BPM and non-content centric BPM. Lately it has got into Low-Code and also citizen development areas. So the whole technology space is getting rapidly changed. So what is happening each time when this technology area is rebranded then you have to get into a new kind of a quadrant. So Low-Code is also very much like our BPM suite, but now it has been rebranded or you have an additional quadrant to compete for. So ECM has been a very stable kind of terminology and a business segment which has been very well tracked. While BPM there is lot of overlap between lot of other technology spheres. So they keep on redefining,that is the reason you will not find consistency out there.

Shalabh Agarwal: One thing more related to that like if we check we have been present in Gartner and Forester, but if you look at over on some other analyst there we seem to be missing, so any comments from your side?

Virender Jeet: Globally Gartner and Forester are the two names I need broadly, apart from when it comes to verticals and there are cornerstone of the worlds. So we also do not go and pursue that right now, because of the bandwidth because these are very intensive exercise relationships and then you got to maintain them year after year to keep.

Shalabh Agarwal: And sir lastly you know if you look at the vertical revenues it seems the healthcare was doing very well I think till FY20 and last year and this year somehow we have not been able to get pace on that vertical, so any thoughts on that sir?

Virender Jeet: So you know if you look at our healthcare business also it was about healthcare and health insurance it was more of a financial business rather than and I think if you remember that way we have given disclaimer this wa large one off deals which changed the revenue. Overall we are not really in the health space and broadly we do not see healthcare as a growth driver for us. Health insurance is a market for us which we are pursuing and that is where some of these cases were.

Moderator: Thank you. Ladies and gentlemen, I would now like to hand the conference over to Ms. Deepti Mehra for closing comments.

Deepti Mehra Chugh: Thank you so much for joining us on the call. For any further questions you can contact me or can go to our website.

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