"Newgen Software Q4 FY2018 Earnings Conference Call"

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

Moderator: Ladies and gentlemen good day and welcome to the Newgen Software Q4 FY2018 Earnings Conference Call hosted by ICICI Securities. 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, please signal an operator by pressing "*" then"0" on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Ms. Deepti Mehra. Thank you and over to you Madam!

Deepti Mehra: Good afternoon everyone. I am Deepti Mehra Chugh, Head IR Newgen Software Technologies Limited and I welcome you all to the Q4 FY2018 results of the company. I have along with me today Mr. Diwakar Nigam, Chairman and Managing Director, Newgen, Mr. T. S. Varadarajan, Whole Time Director, Mr. Virender Jeet, Senior Vice President, Sales & Marketing and Product, and Mr. Arun Kumar Gupta – Chief Financial Officer. Before we move on with the discussion let me highlight that this call may contain certain forward looking statements concerning Newgen's future business prospects and business profitability, which are subject to a number of risks and uncertainty and the actual results could materially vary from those in such forward-looking statements. Past performance may not be indicative of further performance. The company does not undertake to make any announcement in case these forward-looking statements become materially incorrect or update any forward-looking statement made from time-to-time by or on behalf of the company. For further details, please refer to the investor relations section in our website. I would now hand over to Mr. Nigam for the presentation of the Q4 FY2018 results.

Diwakar Nigam: Good evening ladies and gentlemen. It is my pleasure to have you on this call for our first quarter results post listing. I would start with the full year results before coming to the quarter results. We are happy to report that we have continued our strong growth and profitability momentum. During the year, we have delivered broad-based growth across geographies through expanding our sales distribution both direct and indirect with emphasis on expanding our recurring revenues and operating cash flows.

It is important to note that we have adopted Ind-AS accounting standard in this financial year. On a consolidated basis we reported revenue of Rs.5124 million in FY2018, which is 20% growth year-on-year compared to the previous year revenue of Rs.4271 million. Our license revenues were Rs.1370 million and witnessed a 17% growth Y-o-Y. We witnessed a strong growth momentum in our annuity revenues as well (ATS and Support) and this grew by 25% during the year.

We continue to remain well diversified across geographies with India comprising 35%, EMEA comprising 33%, USA coming to 23% and APAC comprising 9% of revenue. EMEA, APAC were two strong growth center for us this year. In USA also we have grown well. The business I think you should understand that the business out there is focused on SaaS/Cloud and thus upfront revenues are in line with the business model, but these are better quality revenue streams and will continue for a long time to come.

Newgen continues to be a global business well diversified across geographies, customers, and revenues. We have an active customer base of 520 plus clients running their businesses and critical operations on our platforms in countries including India, USA, UAE, Canada, South Africa, Saudi Arabia, UK, Philippines, Indonesia, and many more. We are providing solutions to some of the world's leading banks, insurance companies, healthcare firms, global manufacturers, etc. We had made substantial customer wins during this year as well and added 120 new customers including some fortune 500 companies. Our investment in USA is starting to bear fruit and we have seen large customer wins in US this year.

Business today focuses on digital transformation especially on cloud in the mature market, customer experience centric organization and information insights to enhance and expand. So, Newgen is well positioned to help organizations in building unique software. The applications build on our platforms are extremely powerful and help organizations achieve their critical objectives. Our applications are scalable, secure, cloud ready, highly available and usable on all major devices and mobile devices, etc.

Currently, we work on a hybrid business model providing both on premise as well as cloud solution. We are focusing on scaling our cloud SaaS business by increasing penetration and strengthening the platforms to meet all compliances, regulatory requirements, etc. SaaS revenue witnessed robust growth of three times and comprised only 2% revenue from operation of this year, so I think this will go. Customer base increased from 8 to 22 over the last one year with large wins in US.

Newgen continues to strengthen its horizontal product platform with vertical service accelerators to enhance the overall portfolio. We process multi-vertical industry expertise and target a broad spectrum of services in our business and product offering. This has helped us build solution frameworks, which are enriched with domain knowledge from the relevant sector and subject matter experts across the whole industry. These frameworks have been built on our platform and are scalable and adaptable based on a particular customer's unique and constantly evolving business needs.

We have built high level of domain expertise and created robust framework for retail and corporate lending in banking, which are successfully operating across banks and geographies. Banking and financial services vertical continues to be a stronghold witnessing 36% year-on-year growth. Revenue from emerging verticals like healthcare and insurance witnessed a growth of 81% and 6% respectively.

The PSU business work in tandem with various initiative of the government especially in India, EMEA, and APAC. Actually in FY2016 we had witnessed a spike in our government business/ PSU business due to a few implementations and this year we could not repeat some of them as thought and thus there has been a little below par performance in the government vertical.

We are happy to report that with increasing size we are constantly reducing our client concentration despite increases in the large size customer base, which is customers providing more than Rs 2 Crores revenues. Given our constant focus on research and development during the year, we have continued to enhance our solutions to take advantage of market trends and release our product upgrades for various customers.

Our new offerings in mobility, virtual repository services, dynamic case management, RPA with BPM, digital sensing and flexible designing and authoring, etc., are making waves. Newgen's commitment to delivering innovative products and solutions makes us one of the few software product organizations which have attracted multiple recognitions from leading advisory and research firms from time-to-time. It has been positioned as leader in dynamic case management, digital process automation and enterprise content management by Forrester a leading independent research in their WaveTM Reports.

It has also been positioned by Gartner in its Magic Quadrants. During the year, the company has been named as a 'niche player' in Magic Quadrant for content services platform and a 'visionary' in Magic Quadrant for intelligent business process management suites. According to Forrester, Newgen has a broader portfolio than many other DCM vendors and includes ECM, BPM, capture, output management, complex event processing event model and mobile development framework. Enterprise often chose Newgen software for its geographical diversity with many installations in Middle East, Asia Pacific and so on, its strong product features, quality of consultants, ease of implementation and lower total cost of ownership.

Our go-to-market strategy continues to be direct sales supplemented by sales through our channel partners. Our direct sales are made by our company in India and our subsidiaries located in USA, UK, Singapore and Canada through sales and marketing teams of 270 plus employees. We have more than 300 channel partner helping us in improving our business reach.

Further we have a differentiated land and expand model. Our customers receive the complete set of modules and functionality of our platform with their initial purchase which might be just a lending system or trade finance system, which facilitates a seamless creation of new applications. Many of our customers begin by building a single application and eventually grow to build dozens of applications on our platform, which allows them to be more cost effective.

Generally, the development and new applications results in expansion of our user base within an organization and corresponding increase in our revenues from the same customer base in terms of licenses, subscription charges, etc. Every additional application that an organization creates on our platform increases the value of our platform for the organization because it further integrates people, processes, and data across the organization. Many of these organizations who adopt our solutions will be there with us for a very long time.

Coming to profits and margins, the company witnessed substantial improvement in operational performance, which reflects in the 39% increase in EBITDA. The company reported EBITDA of Rs.975 million in FY2018 as against Rs.702 million in FY2017. PAT improved by 42% from Rs.513 million in FY2017 to touch Rs.729 million FY2018. We continue to strike a fine balance between investing for our future growth and managing our margins. R&D is a key area of investment for us and R&D expenditure comprised approximately 7% of our revenues.

We continue to focus on the sales and marketing efforts of the organization especially in new geographies like US and UK. The sales and marketing expenditure comprised of 18% of our revenue this year.

Trade receivables is yet another area. Our trade receivable as on March 31, 2018 are Rs.2220 million against Rs.1996 million on March 31, 2017, net of allowances. We have taken adequate additional provisions on debtors in the balance sheet as per the Ind-AS requirement.

However, we do still see an improvement in the trend in the last three years. We are constantly working towards improvement in our debtor position. We have a stringent collection policy and related incentives and improvement in contracting. During the year DSO (net of allowances) stood at 158 days as compared to 171 days in FY2017 as per Ind-AS. As per IGAAP also the last time when we met we have talked about the debtor days are 205 days, now it has become 179 days as per IGAAP. Our cash from operations has improved from Rs.362 million to Rs.601 million on a consolidated basis.

We are constantly working on strengthening our work force and added about 400 specialized people across functions especially in our delivery, product development and sales and marketing teams.

On Q4 FY2018 results, our consolidated revenue from operations were Rs.1838 million with EBITDA at Rs.768 million, profit after tax at Rs.595 million. Here you will have to note that our business is seasonal in nature with a large part of revenues skewed towards the second half of the year especially Q4 with many deals closing in the last quarter or the calendar year or the financial year.

On our Outlook, we continue to work towards improvement of our products to make then future ready. Our endeavour to create a strong presence in the mature markets in verticals that are our strength. This would help in creating references in the market, which can be further explored. I am now open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Kunal Thanvi from Equity Master. Please go ahead.

Kunal Thanvi: Thank you for the opportunity and congratulations on a good set of numbers Sir. So my first question relates to our working capital, so if we look at our pure competitors which are global players like Appian and OpenText. They have debtor days of around 100 or 50 days in case of OpenText, but our debtor days are around 180 and as you rightly mentioned that we have got it improved to 158. So can you highlight the reasons why we have such an elongated debtor days and what would be the right number to look at two years from now, what kind of debtor days we expect to have?

Virender Jeet: Thank you Kunal. This is Jeet from Newgen. As you are rightly saying, I think there is a considerable improvement in the debtor days as we have taken up this endeavor in the last seven to eight months to improve our debtor cycles considerably. Now this stands at 158 days compared to 171 days as per the Ind-AS last year. I think historically if you see, license companies globally have slightly higher debtor days than service companies, but in case of Newgen they are slightly on the higher side. Reasons can predominately be attributed to certain segments of our business especially some Indian customers and especially the government customers. So this is the known weakness in our business, which we have realized and we have taken certain measures to improve it and you can see a drastic improvement in the last seven to eight months from the time we last came to the market. Our target is to improve them by another 20 to 30 days in a period of next six to seven months and beyond that we would look at maintaining it for sometime, as you understand our customers clearly have long-term relationships and most of our contracting with the customers is very, very long-term, so unless we can go back and redo certain contract terms of like 60 to 90 days' payment terms, you would not see a significant improvement on say 120 days. So I think in terms of our internal estimates, we are targeting to reach average debtor days of 120 days' for the year in the next say four to six months.

Kunal Thanvi: Okay. That is helpful and you mentioned about new client addition and we added around 120 clients this year, so out of that how many were from USA?

Virender Jeet: I do not have that data upfront, but I think we had client addition growth across all verticals and in terms of our SaaS customers, they did grow from 8 to around 22 customers and I think most of the customers of SaaS are in US, so would have broadly more than around 15/20 clients in this also last year, but I can send you the data separately.

Kunal Thanvi: Last one, significant growth came from EMEA market and historically when I came to meet our CFO we mentioned about in the past there have been big problem because of bad debtor days in EMEA market when the markets were not doing good, so what would be our strategy in that market, do we aspire to grow the way we grew in this year in the EMEA markets or we will restrain our growth there?

Virender Jeet: Frankly, we do not have any specific strategy to grow by X percentage in the market, so you understand at smaller revenue sizes, few order flows can change the percentages and contributions of various regions. EMEA has done very well last year as well as a year before that and there was a dip because of oil price increases in FY'16 and similarly APAC is growing on a small base. We have also done very well in US, but the percentage growth as Mr. Nigam explained is slightly back ended because most of it is SaaS revenue, so though we have done many customer acquisitions eventually the revenue and P&L impact on those customers in that year comes slightly slowly and then it improves over the next two to three years. So EMEA would continue to be a strong market so would be India for us. On the receivable side, the risk for receivables, which were introduced, were about extreme currency fluctuation in Nigeria and extreme oil prices. So we are cognitive of that fact. We have taken certain business practices of looking at much more controlled sales in government accounts, more partner-based sales in certain cases so that we do not have the risk on that, but we cannot ignore that market, it is very important market for us. So we will continue doing strong business out there.

Kunal Thanvi: I will get back in the queue. Thank you so much.

Moderator: Thank you. Next question is from Rajatdeep Anand from Canara HSBC Life Insurance. Please go ahead.

Rajatdeep Anand: Sir, good evening. Congratulations on a good set of numbers. Broadly this 20% revenue, 40% profitability growth and high cash flows is very commendable in a tough environment, are things getting better in overall IT space? Do you feel that further years would be even better than this? and also on cash flows, would this improvement continue and especially if you could talk about North America and as part of your business, I know SaaS is very small right now, North America is also a quarter, but if you could talk more about these two?

Virender Jeet: Thank for your question. I think there are three questions, one is - does our business reflect the global trend and I think we are too small to reflect anything, but I think what has happened across all segments we have not found weaknesses anywhere so there is a strong funnel and growth everywhere. It has been holistically across all segments as well as territory. So we do not see any challenges or headwinds so things remaining same for the next year, we could continue the momentum forward. So the other thing is about cash flow margins if I have understood your question right, as you understand our cost basis are very linear, they have very little to do with, only small part to do with the revenue. So we have (as you can see in last year) we were estimating our cost basis to grow by around 14% to 15% accounting for our growth, so as long as our growth would be higher than that it would surely improve both the cash flow as well as the margins in the business. Coming to your third question about North America, of course it is the most promising market for us because that is where the market size is and we did share last time that the complete banking and healthcare pipeline out there looks attractive. In fact, we had substantial wins last year on that same pipeline and even pipeline this year looks even better than last year, so everything remaining same in the market, we should be able to keep on growing that market for us as well as improving our customers. 80% of the wins out there are SaaS-related wins. So as you put it rightly in terms of whatever customers we win, we could fairly assume in US out of 10, 8 would be SaaS cases, so the SaaS revenue part of that will grow, so as you understand SaaS is a deferred revenue, so even the revenue which we have done for the last year we hope that that would keep on improving in terms of keeping at a much higher pace, it will keep on growing for this year as well. Does that answer your question?

Rajadeep Anand: Yes, it does. Thank you very much and wishes for future.

Moderator: Thank you. Next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Good afternoon team. Two questions, firstly on the growth side, what is the sort of outlook going forward, what needs to work to get you to something like 23%, 24%, 25% growth?

Virender Jeet: Arya, a million-dollar question, for 365 days we just work on that, apart from this call. On a more serious note Arya, I think most of our territories are showing signs of growth, but the largest growth for us is to focus on markets which are the largest in market size and progressively that is where most of our investments and marketing dollars typically go into i.e. in the mature market US, UK and Canada, so what would make a big difference to accelerate is the speed of acquisition of clients in these markets, start getting more momentum. If that gains momentum, I think we could easily do a higher growth rate than our previous CAGR for the last four, five years.

Arya Sen: Right, is it possible to share the growth rate in revenue for the Q4?

Virender Jeet: I think what has happened is that the last year Q4 numbers is not audited, so we do not have a quarter-on-quarter.

Arun Kumar Gupta: So last year as was per the normal GAAP, so I think comparable number will not be there

Virender Jeet: We do not have an absolute comparable number, but broadly there is no different trend from Q4 to Q4 this year. So last year the Q4 was of a similar size as well as this year. Also last year Q4 did contribute a lot of margin in the business and this year also the same has happened. So from the business side, there is no change in the Q4 to Q4 last year.

Arya Sen: Right, on the margin front you are basically saying that your cost will continue to increase at about 14% to 15% and then revenue growth if it is higher than that you will continue to see margin improvement, that is how one should look at it?

Virender Jeet: I think, at least for near future this is what we have planned, at least for the coming year, we will have an estimated cost growth at around that percentage may be 14% to 16% somewhere in that and as you rightly put any topline growth which are larger than that should automatically add to the margin, but then again on a more larger timeline we have to take a more holistic view that should we invest for higher growth and make a balance between the margin expansion and our growth aspiration.

Arya Sen: Right and in US, the reported INR growth would be impacted to some extent because of the rupee appreciation in 2018 and now this depreciation so that should be a tailwind for you going forward?

Virender Jeet: I hope so, but I think it is a very financial question, but I think we do see in terms of dollars if it does appreciate significantly, we do see some amount of impact on the topline, but in US we should be cautious, if you look at the US growth in percentage because of the cloud revenue predominantly you cannot compare the growth percentages to other territory so actually the US growth does not really reflect in percentage terms for that year, but I think in two to three years you can see a significant shift in that.

Arya Sen: Right, on the balance sheet side could you explain what are the changes under Ind-AS versus IGAAP and particularly the receivable number has changed, so how does that reconcile on a 2017 basis how has the other part been recognized?

Virender Jeet: I think most of data would be uploaded, but I think from receivable side, the Ind-AS numbers we shared with you just now, it is from 171, which has become 158 (debtor days) and on Indian GAAP which was previously 205 number, on the same it has come to 179.

Arya Sen: Right, so the difference is that a provision or is it appearing somewhere else on the balance sheet?

Arun Kumar Gupta: No, I think there is an adjustment on account of Ind-AS in the previous year balance sheet as far as Ind-AS is concerned on the debtors that has an impact of around Rs. 40 Crores in 2016 opening balance sheet which was adjusted directly in the balance sheet.

Arya Sen: So the equity would be adjusted to that extent? it has not been passed through the P&L?

Arun Kumar Gupta: Yes, there are other adjustments also on the positive side as far as equity is concerned, so equity has been adjusted by around Rs. 18-20 Crores on net basis, but I think there are certain adjustments in the balance sheet on the positive side and certain on the negative side, so net is around Rs. 20 Crores as far as equity concerned, but one of the bigger adjustment is this one.

Arya Sen: And this can directly be done into the balance sheet without passing through P&L right?

Arun Kumar Gupta: Yes, you are right.

Arya Sen: What is due beyond six months, if you can share that?

Arun Kumar Gupta: Sorry, come again?

Arya Sen: How much of the receivable is due beyond six months now out of the reported figure?

Virender Jeet: Around I think 23% if I am right, but I can send you the data, so this is also beyond six months. Exact data we will send you. There is a significant reduction in that compared to last year also.

Arya Sen: And is there anything which is still due beyond two years?

Diwakar Nigam: We might have some debtors over two years, but that is largely provisioned

Arya Sen: And what was the provision in other expenditure this time?

Arun Kumar Gupta: This year obviously there has been a reduction as far as provision is concerned in the current year because of all the assessment we have made in Ind-AS so obviously there is a reduction in the provision of around Rs. 7 Crores compared to earlier year of Rs. 15 Crores.

Arya Sen: So, Rs. 7 Crores is the provision this year?

Arun Kumar Gupta: Yes, that is what is the provision, so there is a reduction in the provision because we had adjustment in the Ind-AS as I told you in the balance sheet.

Arya Sen: Correct, that is all from my side. Thank you so much and all the best for the future.

Moderator: Thank you. The next question is from the line of Sarojit Bodas from Equity Master. Please go ahead.

Sarojit Bodas: Sir, first of all congratulations on good set of numbers. My question is on mature market side, so as you mentioned in your presentation that you are targeting mature markets for next set of growth, so could you elaborate your strategy about the same like how many clients have you added in FY2018 and what kind of customers you are targeting and what kind of revenue growth do you expect in the next three to four years?

Virender Jeet: As we said initially that mature markets for us predominantly mean markets in US and UK (has just begun) and Canada is another one, which we have opened up. In these markets what we have done, we have got a very refined sales and marketing strategy, we are focusing on core verticals where we are finding lot of traction and a couple of core verticals for us, one is banking and the other is health, so in banking we are focusing on mid tier banks with assets sides of roughly around between $2 to $50 billion, there are almost more than 1000 banks like that in US and what we have done for those (in their digital initiatives) is refining their current existing systems around lending, origination, those are the sweet spots we have found and in these we have got a very strong funnel. In fact, over the last two years, we would have got at least 10 to 12 banks, I do not have the exact details, we could send you that data, similarly in health we have got certain solutions - providing contracting, so these are the two markets which we are focusing strongly as part of our sales strategy. So what we see is over the next couple of years we see this funnel growing and our ability to win more cases every year to significantly improve, which creates a larger base and once we have this base and then we also have opportunities to up sell and cross sell other solutions in the same market whether in the same customers or across different customers in the same area, so this is broadly our mature market we are targeting.

Now in terms of projecting the growth rates because of that, I think it would be very difficult unless we really find the success and really find the acceleration of account acquisition out there. We would not be able to project what is going to be the real effective growth rate, but as you rightly can estimate …. more than 60% of the global market lies in these countries, so our ability to penetrate a significant part of that and eventually get our initial threshold of 50, 60, 70 customers can open up a huge market opportunity for us, so that is what we are trying for. It is very difficult to quantify it or quantify it in terms of growth for the next three, four years, so this is an organic model we with have to go through - getting these customers, doing our installation and then making more wins up there. Does that answer your question?

Sarojit Bodas: Yes Sir and Sir what are the receivable days in US market?

Virender Jeet: Generally, in US, you have better receivable days, I do not have data on hand, but we could send it that to you, but the mature markets are much better.

Sarojit Bodas: Sir, on PSU side what are receivable days that we currently do in PSU business?

Virender Jeet: See I do not have off hand the segment receivable data, but you can get in touch with Deepti from our team and she can find out if the data is available and she could share with you.

Sarojit Bodas: Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Kunal Thanvi from Equity Master. Please go ahead.

Kunal Thanvi: Sir, thanks for the opportunity again. So you talked about mature markets USA and UK obviously 60% of the market stays there, so my question here is there we have global competitors like OpenText and Appian. So what would be our strategy there, why would those banks prefer Indian player over a player like Appian or OpenText, do we have a cost advantage or any other advantage that we see?

Virender Jeet: I think first of all you said it rightly, I think mature markets have a strong competition, so the competition which you named is present globally, so even for customers of India, APAC, Middle East or Africa - all these companies are present in all locations. So over the time we have built a very strong space and strength in certain verticals, our go-to-market is completely verticalized in banking and financial services, health, government we have very strong vertical domain knowledge / vertical solution accelerators. By our product horizontal platform and vertical accelerators, we are able to really bring down the implementation cycle for our customers and reduce their overall total cost of ownership. With that competition, we have been successful across all markets. For US customers, as I explained in the earlier question, in US again we have segmented ourselves - in US banking, mid tier banking, for commercial lending, retail loan or digital on-boarding of accounts we are very strong, we are among the top two or three providers out there … we are also very strong in these segments and our overall value proportion, because things are getting refined, we are able to penetrate in these market. Third important point is if you look at the global markets where we compete and if you look at all the Gartner and Forrester quadrants, the full market is defined by a set of 7 to 10 companies who have pursued these areas for 20 to 25 years. I think we are one of those, we are the leaders in Forrester in three lines of business, so I do not have an entry barrier into any account because globally customers might need few Gartner and Forrester reporting and I am one of the top global players in these three or four areas of my business, so we do not have entry barrier. Then as we mature our vertical knowledge as well as market intelligence we are able to penetrate market and we are very strong about our total cost of ownership for customers based on our product solution accelerators and expected delivery we are able to provide a huge advantage vis-à-vis competition to our customers.

Kunal Thanvi: That makes sense, but what concerns me is that the nature of our business is very sticky because the pain of implementation of new software over the existing software is something that catches the inertia of client so what Newgen would be doing different than these global players if already those banks are their clients?

Virender Jeet: I think you said it right and I think the answer lies in the question, so the pain we reduce by reducing the risk of change that means if the total cost ownership and the speed of their going live with the new initiative is reduced then their ability to invest in that increases drastically. If somebody has to do a commercial lending through competition, he has to have a two year plan or project, if I can deliver the same in six to seven months at a cost point, which is very attractive then he is more keen to experiment and start the relationship with me, so I do not have entry barrier, (multimillion dollar entry barrier) like some of my competition, we are tactically entering these accounts at a very adequate size, our initial deal values can be 500k to a million dollar and as we have entered small then we can grow into the account by selling more products, more accelerators, more solutions.

Kunal Thanvi: That makes sense. Thank you, I will get back into the queue.

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

Jitendra Chawla: Sir, Congratulations on a good set of numbers. My question is related to the profile of your customers. What is the average age of a client in your system once you acquire a client? so what is the average age of your clients that have been with you. Second question is that after the first year that you get your initial revenues, every year what kind of repeat revenue in terms of percentage do you see from these clients?

Virender Jeet: Generally this business is very sticky because if you look at the profile of customers they are either banks, insurance companies, large governments, so once they make an IT initiative it is a very integrated product doing their mission critical job, generally we will have examples of customers who came in 1999, 2000, 2001 still using the system by upgrading it and even doing more things. So in general if you look at my key installations their age is as old as the company, i.e since the day we got the order they are using it. Also there is very little churn rate with significant customers who do significant revenue with us. So this is a very, very sticky business. Enterprise software in all cases is very sticky business. Coming to our revenue stream, so what happens in this business if you are selling licenses, licenses do automatically kick in a part annuity business which will call the annual technical support or annual technical maintenance. This is typically - a customer buys an insurance for keeping their licenses upgraded, supported across different users in different platforms and with the right to upgrade in certain cases, so that is by default an annuity revenue which gets generated, but also there is an opportunity to mine the customer for additional licenses, more products, more solutions build on the same licenses and as the customers installations becomes critical, they also have dedicated support revenue coming year after year. So there is not a particular trend that what is an absolute number for a delta and what is going to be the next year revenue, but generally as a company we are able to generate around 80% of our business from existing clients for the next year.

Jitendra Chawla: Okay and Sir, also I just wanted to know since your business is a very sticky business have there been any clients who would have discontinued your services or discontinued your products and what percentage would that be?

Virender Jeet: We could sent you an exact data on that, but I think on our mission critical solutions there is very little churn, the churns can happen because of merger or acquisition or sometimes business closing down, banks closing down business, but there could be a higher churn in our partner led cases where there could be small cases of DMS or ECM being used by customers. but they do not pay the AMCs to us again to use this. So customers who are typically paying us roughly around Rs 50 lakhs above, we see a very small percentage of churn, less than 4% to 5% churn in that, but customer who are typically smaller sizes partner led may have higher degree of churn for us.

Jitendra Chawla: And just one last question, what is your hedging policy and which are the currencies that you have most exposure to and what is your hedging policy and the current up move in the dollar, how does it impact your performance in this quarter?

Virender Jeet: I will let Arun our CFO reply to that.

Arun Kumar Gupta: Currently we are covering more than 80% of our currency exposure, hedged through a national hedging process which is the packing credit limit. So I think we will continue with that and that is the hedging policy we have, so we will continue with a two-third exposure getting covered through the hedge. Dollar is the primary currency for hedging.

Jitendra Chawla: Alright, thank you. That is all.

Deepti Mehra: Just to come back on the debtor numbers - more than six months would be about 22% which is about 57 Crores we might have some debtors over two years, but that is largely provisioned.

Moderator: Thank you. As there are no further questions in the queue, I would like to hand the conference back to the management for any closing comments.

Deepti Mehra: Thank you so much for joining our call. In case you have any further queries you can come back to me or write to me and we can take it forward. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.