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Date: 18th October 2024

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 – Conference Call – Q2 FY'25

Dear Sir/ Ma'am,

As intimated earlier through our letter dated 10th October 2024 regarding the Conference Call of the Company, which was held on Tuesday, 15th October 2024 at 4:00 P.M. (IST), please find enclosed herewith a copy of the transcript of the said call with the Investors/ Analysts.

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

Thanking you.

For Newgen Software Technologies Limited

Aman Mourya
Digitally signed by Aman Mourya
Date: 2024.10.18 16:40:47 +05'30'

Aman Mourya
Company Secretary & Head-Legal

Encl.: a/a

“Newgen Software Technologies Limited

Q2 FY’25 Analyst Conference Call”

October 15, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '25 Analyst Conference Call of Newgen Software Technologies Limited 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Aditi Patil from ICICI Securities. Thank you, and over to you, ma'am.

Aditi Patil: Thank you, Good evening and welcome you all to the Q2 FY '25 Earnings Call of Newgen Software Technologies. It's my pleasure to introduce the senior management team of Newgen who are here with us today to discuss the results. We have with us Mr. Diwakar Nigam, Chairman and Managing Director; Mr. T. S. Varadarajan, Whole-Time Director; Mr. Virender Jeet, Chief Executive Officer, Mr. Arun Gupta, Chief Financial Officer; and Ms. Deepti Mehra Chugh, Head – Investor Relations. I now hand over the call to Mr. Deepti for further proceedings. Thank you, and over to you, Deepti.

Deepti Mehra Chugh: Thank you, Aditi. Good afternoon, everyone. Welcome to the Q2 FY '25 results of Newgen. Before we move on to the discussion, let me highlight that this call may contain certain forward-looking statements concerning Newgen's future business prospects and profitability which are subject to a number of risks and uncertainties and the actual results could materially vary from the forward-looking statements.

Past performance may not be indicative of future performance. The company does not undertake to make any announcement. In case any of these forward-looking statements become materially incorrect or update any forward-looking statements made from time-to-time by or on behalf of the company. For any further details, you may please refer to the Investor Relations section of our website. I would now hand over to Mr. Varadarajan for presentation of results, which will be followed by a Q&A. Thank you.

T. S. Varadarajan: Good afternoon everyone, and thank you for joining us for a review of our Q2 FY '25 performance. Newgen delivered another strong quarter driven by continued momentum across our key markets. Revenue for the quarter reached INR361 crores representing a 23% Y-o-Y growth. Revenues in EMEA region witnessed a growth of 21% Y-o-Y and India region grew by 19%. APAC continues to be strong for the second consecutive odd quarter with 53% Y-o-Y growth.

We believe these markets will continue to be a sustainable driver of long-term growth. Revenue growth in US region was at 17% Y-o-Y as we continue to work on our restructured strategy of tapping larger accounts in that market. We saw a substantial increase in license sales during the quarter, witnessing a growth of 52% Y-o-Y followed by implementation revenues.

Annuity revenues grew were at INR205 crores. While banking and financial services continue to be our core vertical, we saw an increased traction in the insurance and government segment in the quarter. One of the most significant growth areas this quarter was cross-selling within our existing customer base. We continue to see customers expanding their adoption of our platform and solutions. This is a testament to the value of our platform offer and request our customer base in our -- as a strategic partner.

We have closed many significant deals during the quarter which includes a project of about INR 25 crores from a large insurance company in India for building their system of engagement. Providing enterprise content management solution for one of the top financial institution in US with an aggregate order of value of about USD 1.5 million. Received an order from a leading financial leasing company in Saudi Arabia with an order of value of USD 1.5 million for loan origination and collection system.

In India, we received an order from a large infrastructure financing services company with a value of INR 16.9 crores. In APAC, we entered into a contract with Singapore's leading financial institution. We added 8 new logos in Q2. Coming to our products and solutions, we are seeing continuous traction across our existing accelerator line including customer onboarding, SME lending, supply chain finance, payment hub and trade finance.

As part of our ongoing efforts to strengthen Newgen's footprint in the Middle East market, we have launched the Islamic retail and SME financing too. In India, our focus has been on expanding our presence in the captive finance segment, particularly with our leasing capabilities. During the quarter, we released new versions of our enterprise content management products which are OmniDocs and OmniXtract. We also enhanced video KYC, an essential part of all digital onboarding processes.

We also increased NewgenONE Marvin APEX version. This is expect to further streamline complex workflows, enhanced customer engagement and ensure secure AI integration. We continue to receive accolades and analyst recognition. During the quarter, we were recognized in Forrester's Task-Centric Automation Software Landscape for Q3 2024. We were also recognized among notable vendors in the Content Platform Landscape of Q3 2024. We remain focused on executing our long-term strategy in building key competencies across our product line and customer-facing and implementation teams as businesses increase embrace digital transformation.

We are ensuring that we are all well positioned to support them with the right skills, expertise and product innovation. We continue to invest and build internal capabilities in critical areas such as AI, GenAI and machine learning which are becoming essential to modern enterprise software. We continue to invest in and develop our global workforce and their training and development programs. Continue to work on our strategic partnership with leading technology firms and industry alliances.

During the quarter, we announced continuation of our strategic partnership in Fadata a trusted core insurance solution provider. The partnership is aimed at helping insurers achieve centralized systems and effectively handle complex and content-rich processes. On profits and margin, we witnessed a growth in profit and expanded margins. Profit after tax was at INR 70 crores for the quarter witnessing a growth of 47% Y-o-Y.

Our increased investment in competency development is reflecting in our R&D and sales and marketing expenses. R&D expenses were at 9% of revenues for the quarter and sales and marketing expenses were 22%. On the balance sheet front, our net trade receivables were at INR442 crores as of 30th September 2024 which resulted in net DSO of 117 days. For the 6-month period, our revenues were at INR676 crores witnessing a growth of 24%. Profit after tax was at INR118 crores witnessing a growth of 51%.

As we look ahead, we remain focused on driving innovation, expanding cross-selling opportunities, adding new logos and continuing to grow profitably. Thank you very much. We are now open for Q&A.

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

Ruchi Mukhija: Congratulations on a good set of numbers. I have two questions. Firstly, if you look at the APAC has seen a 50% plus growth for second consecutive quarter. Sequentially, also there is the recent growth for second consecutive quarter. This appears to be supported by a large project ramp-up. So, is this ramp-up complete or likely to continue in the near future?

Virender Jeet: Ruchi, thank you for your question. You are right. So, what has happened, the APAC has grown this year on a base which was weaker last year. And predominantly in both the quarters, we have got substantial license deals out there. So, these are typically wins which have resulted in a higher growth rate on that. Also, the orders which we have received are in the process of execution. They will be executed over the next 18 months and they will have a long-tail revenue to them, but predominantly to reflect on the growth of the H1 is on account of license wins and new logo acquisitions out there in that market.

Ruchi Mukhija: Understood, sir. Secondly, annuity-based revenue this quarter has registered 14% Y-o-Y growth which is softer and has fallen below 20% mark after 10 quarters. So, could you explain the reason and how to think about the trajectory going forward?

Virender Jeet: Yes, I think this is slightly more complex to discuss because there are two factors broadly there. One is predominantly our shift in US from lower accounts to larger accounts has also -- we have closed down a lot of existing accounts in small values which were typical contributors about the SaaS business, that's one part of it.

So, unless the momentum of logo acquisition starts in US, the annuity -- new logo acquisition on the annuity side will be softer because most of the other markets, the sales is happening still on the perpetual side. The second contributing factor is that if you look at deeper in the data, you look that the ATS growth has been a bit muted compared to historical levels. And this is on account of a lot of large wins over the last at least five quarters are typically very long-tail businesses. Their execution cycles have stretched.

Thus, our ability to start realizing the ATS revenues have been limited out there, but we are hopeful that this quarter and next quarter, we should be able to close some of those deals and the ATS bucket should grow. So, as Newgen has pivoted to larger deal sizes, they have correspondingly reflected in larger execution cycles and that slightly delayed our realization of our subscription revenues.

So, two factors, mature market sales, especially in the US on licenses which is slightly less than the run rate of our business and longer business and execution cycles, which have muted down ATS. We think it's a transient affair. It may last for one or two or three quarters, but I think we should -- the nature of the business is, it keeps on compounding annuity irrespective of what we do. So, I think as a matter, it may be -- we may be able to recover it in one or two quarters and come back to a healthier growth rate of annuity.

Ruchi Mukhija: Got it. Thank you and all the best.

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

Aditi Patil: Thank you for the opportunity. So, I have a question on order book. How has the order book grown in FY '25? And can you give some color on deal pipeline?

Virender Jeet: Yes, so Aditi, thank you for your question. So order book, generally, if I remember the numbers right, has grown by roughly around 20%, 22% for H1 for this part of the year which is -- and also you should understand this is not the pending order book, some part of it will be executed and some would be also pending to be execution, but if you look at just linear order book growth that has been roughly around 22% for H1.

On the pipeline side, I think broadly as you see the business, we have the traditional markets, they continue to grow. The deal sizes keep on going bigger as well as our financial services base is becoming slightly wider with the offerings like trade or service request management, they're making the offerings wider, but what is more interesting or what we are excited about to slightly diversify, it is getting more business in insurance and government.

We have invested some amount of energy in the last 2 quarters in building capabilities in that, ramping up sales teams. And we think the insurance and government also in subsequent quarters should start contributing in a meaningful way to the business. So, we are very excited about the whole funnel and especially about the new initiatives we are launching with that.

Aditi Patil: Okay. Sir, this insurance vertical growth, are you -- will you be seeing that across your traditional and developed markets? And have you launched any new products or new products in pipeline with respect to insurance?

Virender Jeet: Absolutely. So, when we take a vertical, we have completely looked at the potential of that vertical across all markets. And I think we are investing in building solutions in what we call accelerated products in all markets in terms of looking at integrations and local ecosystems, looking at integration with third-party systems or core insurance providers. So, we have really built product lines, which are more fitted for these each individual market separately because what happens in enterprise product, lot of integration ecosystem changes from market to market and also the digital tax change from market to market.

So, we have invested and the work is still going on. It's not that we have completed all the product lines, but we are ready to go to the market with them now in most of these use cases. We are opening up pipelines in APAC. We have started building pipeline in India. US is showing some early signs of good healthy pipeline.

Though we have not closed a new insurance deal out there so far, but we do expect in next two quarters, we should be able to have some good wins out there. So, it's broad-based, and we are building it as one more like -- exactly like banking, we want to build over in multiple years, a large vertical for us.

Aditi Patil: Okay. Got it. And can you talk about your progress on winning large clients in US and how many more logo additions have been in US in this quarter?

Virender Jeet: Yes. So, on the US, I would broadly summarize it in work in progress. And though we have -- as I told you, on the large client side, we have already got deals. So, the ability to get these customers and as well as our products being helpful to those customers have been established. But the deal velocity in the US is slightly muted. It's a bit slow.

We are still hoping that both the insurance and banking as well as health initiatives in US start firing in Q2, so second half of this year, and we are able to get some more deals. But right now, I would classify it as work-in-progress rather than -- so right now the business is still relying heavily on our emerging markets. And we are hoping that our investments in mature markets start showing results in next two quarters.

Aditi Patil: Okay. And so, we have seen a strong traction in banking in India and EMEA, like this quarter, the banking revenue, if you see Y-o-Y growth is slightly lower than the company average growth. So, should this traction in banking sustain in the medium term, like can you give some commentary on that?

Virender Jeet: So, I think it's -- the quarterly growth rate is a factor of many things. We don't, as a company level, see any change in the market dynamics right now or the opportunity funnel size. On a single quarter, one license deal can change the number from 17% to 27%, so I think that's why the quarterly, the numbers are still. Having said that the kind of momentum, which was there for the last 2 years on financial services, especially in India, has -- is slightly because we have also penetrated in a lot of accounts and now, we are diversifying in other solutions like we talked about capital finances. And we are looking at still larger deals in trade and captive finance area.

So, I think some of those deals will start coming in the second half of this year, and we should be able to recover the growth rate. In Middle East, I mean, I think Saudi is still not showing any signs of weakness. We are out there really, really working on very large deals, some of them should come in now. I would broadly say that right now, I don't see any concerns that there's any kind of a slowdown or a momentum shift in financial services in India and Middle East.

Aditi Patil: Okay. Got it. Okay. And I had one last question on what has been the response for the LumYn GenAI product which was launched last quarter and in general on AI and GenAI like is there -- what has been the response of your clients?

Virender Jeet: See the client there's an enormous interest in every industry and every opportunity around AI in general and also lately generative AI in specific. So, our ability to drive these use cases through AI is really showing a great traction in it and also opening new kind of opportunities in these accounts. But having said that, there is also a kind of what we call there is an interest and then there is business. So, the interest should translate into business downstream, so we do see opportunities, all opportunities having a strong flavour of AI. But we don't see opportunity here just which are completely AI-led.

So, you have lending, which has to be transformed through AI, but you will not have an AI use case independently running in the market. Too many of these, we don't see. Health, both in claims and onboarding, there are great use cases of AI and GenAI, which we are servicing. We have recently tapped into an industry, which is about what we call regulatory frameworks and how Gen AI can support those regulatory.

I think we're building a strong funnel on that, so it's a work in progress, I would say, but without AI today or GenAI being in the first two slides of any corporate presentation on any account, I don't think we'll do a great job. The customer is demanding that to be at central to all the use cases he's implementing.

Aditi Patil: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Thank you for allowing me to speak. Good evening. Am I audible?

Virender Jeet: Yes, Pranay. Please go ahead.

Pranay Roop Chatterjee: Sir, this is the first time I'm interacting with your business. So if you could just help me -- and my first question is basically trying to understand your business, I've gone through all the public filings, but if you could just in simple words, for someone who doesn't belong to the sector, help me understand what is the type of client you are trying to serve and what is the exact problem you are serving for them, right? And I've seen your R&D is also high on you have various patents, so what is the IP that differentiates the business. If you could just help me understand in simple words?

Virender Jeet: Yes, Pranay, I'll try because it's a long story, but I'll try to -- so Pranay, predominantly, we are a software product company. That's why you see a huge investment in R&D as well as patents, that's a part of. So, all our sales across whatever vertical or whatever solution we are talking is led by sale of our software licenses. And then, which eventually ends up followed up with other revenue streams like what we call services, implementation, support or any other things of that. So predominantly a license-based business.

The end customers, which we are targeting are generally enterprises, the larger enterprises. So, our sales model is B2B. It's typically an enterprise sales model. And the kind of problems, which we solve for these enterprises are in financial services is the larger part, almost 70% of our business comes. So, we end up solving problems about customer servicing things like how a loan is processed, how a loan is approved, how an account is opened.

So, we sit between their core infrastructure, their systems and their users, where users, whether they're internal, external and orchestrate their journeys. So predominantly a bank would look for us to orchestrate and modernize their digital journey for -- whether in any process, whether in customer service or customer origination or any -- more complex processes like trade. That's our business.

The same product is sold to all customers and all use cases predominantly with frameworks of implementing the customer's use case over that. So, I have the same product being sold to insurance, banks, government, health or any other segment. So, I will stop here because explaining the business beyond that will take much more larger time.

Pranay Roop Chatterjee: Got it, sir. That does justice. So then continuing from that, would you say you're in a space where -- which is highly competitive and you will have to fight for a contract with multiple clients or is this a space where you are relying on specific solutions that you are developing for specific clients? And hence, the focus is essentially just on business development, that is signing new clients and then you build specific solutions. Like how is this market that you're operating look like?

Virender Jeet: So, any products -- so basically, the product space we operate is called broadly enterprise content management, business process management. This is a contested space. It's a product space. So, platform products are generally companies who have been there for 15, 20 years, they operate. In every such area, we have four or five global players who compete with us. And then what -- depending on what markets and what use cases you are strong with; you end up becoming having more stronger muscle to sell in out there.

So, it is typically, from our perspective, it's a sales and marketing-led initiatives to go and sell with R&D-based core product as a differentiator of how you solve your problems to that. So, it's a highly competitive space and you differentiate by your ability of your product and the ability of our team to service the use case.

Pranay Roop Chatterjee: Perfect, sir. Sir, my last question is what does a typical contract that you sign entail, right? So, let's take the largest segment, which is your BFSI space and a typical contract, which is like something that you do more often than not. Like how large a contract are we talking about that you usually target in terms of range? What is the contract life? And what is the recurring portion in the contract? Like which streams are recurring? And do you see over time or do you focus on increasing the recurring portion in your revenues? Is that even possible?

Virender Jeet: So Pranay, basically, what our deals generally on an average when we enter an account vary between somewhere around $700,000 to $2 million, on an average. There are larger deals and then there are smaller, but this is an average framework. All deals initially are roughly around 60% license fee and some 40%, which is called implementation charging, which is to configure the system for the user.

Beyond that there is a 20% annuity, which customer pays on this fee to maintain and support, have right to upgrade. Thus, the nature of the business is every time you end up selling, you end up creating some compounding effect. As long as the percentage share of your license to your revenue stays in the healthy ratio that every deal you are making 50%, 60% license say, your annual annuity keeps on growing at a better rate than your growth rate.

But if your service revenues become larger than the annuity just compound, but does not compound at the said rate. So, the nature of any software license or a subscription business is that annuity compounding does happen. Does that answer your question?

Pranay Roop Chatterjee: Yes, so that answers my question very well. Thanks a lot for being patient and great set of numbers. All the best.

Virender Jeet: Thank you, Pranay.

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

Mihir Manohar: Congratulations on a good set of numbers. Sir, largely, wanted to understand the Newgen LumYn side. If you can throw some color as to which area is this particular offering exactly trying to solve? Is it trade finances? Is it working capital? If you can just throw some color on what is the use case and application over here, that would be helpful. And second question was on the restructured strategy. I mean, you mentioned that the restructured strategy of tapping larger accounts is playing out well. So, if you can throw some color around the internal KPIs that we are tracking to get more confidence on this thing?

Virender Jeet: Mihir, thanks for asking that. So first off on the LumYn, so predominantly I can tell you what the product does and where we target it. Predominantly, what LumYn is a product, which let's use the traditional machine learnings, but exposes it through a generative UI interface. So that you could almost do, what we call brainstorming or you could do a very interactive discussions with the end business systems you have. So, where we position it?

We are right now positioning it wherever the customers find opportunities to either segment their information for cross-sell and upsell. So, discovering, which are the right opportunities for cross-sell. So, we have a variant of LumYn which we call Harper which is used in retail. LumYn, we are targeting predominantly in financial services for cross-selling and upselling.

So that is where the broad -- but the product is very horizontal. It can be applied to many use cases, but we are trying to go to market initially on identifying these use cases. So predominant usage is going to be in retail journey or in the journeys like collection. We are not using right now on trade. Trade, we have a very different product, which is about document analytics. That's a very different product. So that's about the LumYn.

On the shift of strategy, I think, what predominantly if you look at some KPIs internal -- and linking into internal goals and KPIs, our core strategy has been on two things. One is about changing the increasing our average deal size every year. And then also getting the number of logos from mature markets. That is broadly -- because that ties up in terms of what we want to do.

What we have shifted out is that we have shifted out from ability to what you call in terms of giving options for our salespeople to go and sell at a lower price in terms of certain accounts. That means they have to pivot towards larger accounts to make those larger deals. Now if you look at last 3 years data, our new logo acquisition or number of deals in general have been always flat, but we have grown at about 25% consistently on that and the reason it is that because we have changed the per deal size about that.

So, the KPI is not based on the strategy of shifting out, the KPI is more based on the revenue and number of logos and how the revenue in terms of annuity thresholds of those logos coming. But the result of all that is that finally, we have to make sure that we are able to get business sizes up in these geos.

So, what has happened in that the traditional markets have responded very well to that and we have got much larger deals in Saudi, much larger deals in India, APAC. US, we have got the inroads in some large accounts, but we have not had the follow-up sales at the same velocity as in these markets. So that's why you see the market lagging at between 16%, 17%, 18% of growth. So, it does not match the growth rate of that.

Having said that, we are hopeful that in next two quarters, we should -- with both insurance, health and banking kicking in slightly we should be able to get some more new logos and build the momentum.

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

Moderator: Thank you. The next question is from the line of Mohit from Oculus Capital. Please go ahead.

Mohit: Sir I wanted to ask that in the opening sentence you said that you guys are seeing good traction from the government and the insurance sector. And after that you said that you have cracked some large deal worth INR25 crores from insurance companies. So firstly, are you in talks with some other insurance companies? And as you said, you are seeing a good traction from insurance sector, so does that -- does this INR25 crores order categorize a large portion of that inquiry, which you are seeing or you are seeing from other players also?

Virender Jeet: Thanks, Mohit. So Mohit, when I say that we are looking at government and insurance sector, we are looking at building. If you look at today's revenue share of government and insurance in the company, it's less than 20% of the overall business. So, our aim is to make it to a much larger. We want the government and insurance together probably to reach around 40% of our business, which does not mean that it is tied to one deal.

So, the deal we are talking about insurance is a large deal, but that is not what we are referring to. We're referring to a broader funnel, which we are building across markets like India, Middle East, APAC and US in insurance. And also, our initiatives of government, especially in markets like Singapore, Saudi, Kuwait and some amount of -- also in India, which we are hopeful that the market will recover.

So, we are talking these as a broader strategies to really build sizable businesses in these areas. And what we are excited about is the funnel, which we have started to build in these cases and some of the early interest and early wins we have got on that. We closed the deal of insurance this time in Middle East. We closed a deal of insurance in India of that. So, these are 2 good deals and they are sizable deals.

Similarly, we closed the deal of government, one in the Middle East, and we expect next quarter also to have some more strong momentum on this. Thus, we expect this to be a kind of a growth driver going forward.

Mohit: Okay. Also does that INR25 crores deal which you have bagged with some large insurance companies, is this from the Middle Eastern region or it is from India?

Virender Jeet: So, this deal is from India. This is from India market. A part of this revenue has come in as license, but the subsequent part will be executed over the next 18 months.

Mohit: So, it's an 18 months project?

Virender Jeet: Yes.

Mohit: Okay. And my second question is that in the Middle East sector -- in the Middle East market, you said that you want to grow and you are seeing some good footprint there. So, wanted to know that which area or which region are you specifically targeting? And in which domain do you want to grow your footprint?

Virender Jeet: Mohit, we are already in Middle East in a large way. It also -- it almost gives us 37% of business. We are almost established in all countries, so there's no new region. It is the same region, so -- but the business -- predominant business, which we do is from countries like UAE, Saudi, then some amount of business from Oman. And then, lately, we're also looking at Qatar and Kuwait as the market.

Beyond that also, Africa countries like Nigeria, Ghana, they have been strong countries for us. And Kenya. Kenya, we have got at least 6 of the top 10 banks. So, we are looking at that in the same market, but we are also looking at more use cases in this banking as well as getting more revenue in insurance and other segments.

Mohit: Okay. Thank you so much sir and all the best.

Moderator: Thank you. The next question is from the line of Mohit Motwani from Tara Capital Partners India. Please go ahead.

Mohit Motwani: Hi. Thank you for the opportunity. I'm fairly new to the business. I have two questions from my end. One is on your US mature -- on the mature market side, you said the US is relatively showing some weakness. So just wanted to understand if this weakness has been experienced on the industry-wide across all other -- of your peers as well or is it -- and is it because of the tough macros?

And that is the first question. And then secondly, some of the IT service companies have spoken about some green shoots and recovery around the BFSI space. Now is it that the spending on software products comes on the lower packing order for these banking companies in these US markets or how does it work there? If you can shed some color around this?

Virender Jeet: So Mohit, thank you. So, first of all, Mohit, our peers operate slightly in a wider and a very different business and we are still in a product business focused on typically transformative products. We are typically -- while our peers look at the larger business and their business is more mapped directly to the industry. Having said that, there are two things. One as we have pivoted to larger accounts then our peer accounts and our accounts tend to be same, so their behaviour tends to be same.

So, they have the same problems. If they're not spending, then they're not spending also on new initiatives. So I hope that there is a correlation on that, but today also at the size we are and the kind of challenges we take for ourselves in terms of growth rate, we still think that we are decoupled from a larger problem in an industry we need to first make sure that we establish ourselves, get our first 5, 10 large banks and then replicate from that.

And then we can look at -- once the accounts are very large, then we can look at whether we are connected, so I don't really -- I'm not the right person to answer that because we don't operate in the industry of our peers. We are still a very niche product company solving problems, very specific problems to our customers on that. So green shoots of BFSI, again, I have the same opinion. We have been always with customers' interest in the product kind of which we propose has been always there.

What we have found challenges in our ability to close in terms of the conclusion of those deals happening, that's taken really a large time. So, I'm sure if the market and the economy overall recovers, if some amount of diligence cycles become fast, then we should be able to see better results. But beyond that I really don't have that much of insight into what's happening broadly in the market.

Mohit Motwani: Sure. And one more last question. So today, your revenues are largely linked to banking side of things. Do you expect that this mix will change in the coming years and your insurance and other verticals will gain up in proportion to the overall revenues in the coming years?

Virender Jeet: Yes, we hope. See, we have drawn an internal plan to kind of build the insurance and government business to a largest number. But having said that, we still think that banking will keep on being the largest segment. Whether it's 75% or it becomes 60% of the market, that will depend on how fast we can scale the other businesses along with that. But the idea is exactly to at least have a substantial dollar value coming from insurance as well as government.

Mohit Motwani: Sure. Thank you for answering my questions. Thank you.

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

Rahul Jain: Thanks for the opportunity. Just trying to understand that what are the initiatives we are taking to ensure that our pipeline continue to enhance given that we grew by 25% ballpark and the size of it? Also in terms of scaling up the deal sizes, what are the initiatives we are taking because as we become a slightly larger organization than what we were a couple of years ago, we need to increase the size of the deal to ensure that with a similar win rates, we end up growing much larger entity. So, any initiatives on these fronts that you could talk about?

Virender Jeet: Rahul, thanks for your question. So predominantly, Rahul, what it is -- so for us, the way it has worked in the past is exactly what we are doing in the future. As we are deeper into the verticals, we end up creating more new solutions and making our offerings very wider, especially if you look at banking or insurance, we have more products to offer.

So, what amount of our deals -- we see the products which we have created, whether it's capital finance, digital learning platforms, trade finance, these itself tend to be larger deal sizes. And then we have opportunity to not only go and upsell it in our accounts, but also go and address -- sell the same things into new logos. So, one way of increasing our funnel or deal size or what you call the overall coverage is to create more offerings in the same verticals...

The second thing which is predominantly driven over by investment in sales and marketing, which is a substantial investment is to go wider in the market and so -- because still globally, there are more than 50,000 banks, we are hardly in any number, so there's a huge market to be captured. So, we do both from geo expansion. We look at more -- many -- better penetration. In that cases, we are doubling down on initiatives, which are really helpful to do lead generation in that.

The two larger things which give returns on every company today is digital. So, our digital budgets keep on growing and our digital plans in terms of enhancing how can we get more of inbound through digital channels. And second is typically being in front of the customer, that is our ability to be in analyst quadrants, all the events, industry coverages. That is what we are doubling on. We are increasing our budgets in marketing our go-to-market activities so that we are having the larger funnel.

So, one is the broader coverage of the market as well. The second is typically deeper penetration into each of those accounts by having more solution offerings. These things have really worked for us over the last 5, 7 years, and that's what we keep on doing.

Rahul Jain: So yes, one interesting point that you mentioned is that mining the same account by scaling up more offerings within the same customer base. So, have we seen several such inferences where people might have started with a smaller deal, but then we have sold them loan origination or trade supply or bigger products compared to the process offering that we initially used to sell a couple of years back. I'm sure there are good case study, but are there meaningful upsell that would have happened? Anything that you could share on that front?

Virender Jeet: So, Rahul, exactly like that's core of our business. So, if you look at our growth targets of next year, we almost rely on 50% of that growth coming from upsell to our existing accounts. And that historically, if you look at also today, number of deals, which we come up -- when we talk of new logos, we may have anywhere between 10 to 13, 15 logos a quarter. But then if you look at deals, we may have more than 25 deals in a quarter, and those other 12 deals are in the existing accounts.

And those existing accounts deals are of sizable deals. And I think if you look at even the disclosures, which come in terms of materiality, they're equally spread, both in new deals as well as existing deals. So, there's a good evidence and history. And in fact, this is a core of our business, our ability to go and upsell. We remember accounts, which started with the kind of an annual revenue of INR1 crores, a large bank, now going up to annual revenue of INR20 crores, INR25 crores. And this has what happened in one account, this has happened in at least tens of accounts for us.

Rahul Jain: Yes, Jeet. I completely understand what you said and we appreciate that. What I was specifically referring to some of your larger offerings that have become more recent, for example, like trade supply or loan origination bigger -- I mean to say, cases where the deals were much bigger relative to your historical benchmark?

Virender Jeet: Yes. I think 80% of the large deal both for trade or digital lending have come to existing account, 20% have come to new logos.

Rahul Jain: Right. And there are more win rates even after going live because that is what would be the key metrics, whether they -- are they moving from one module to more, something like that?

Virender Jeet: Exactly. So, I think that's -- because if they become still, they're not going to buy the next product from us. So, every 2 to 3 years, you have another very large deal happening. But even between the 2 to 3 years, there are other components being sold, whether they are horizonal product components or other smaller solution components.

Rahul Jain: I appreciate it. Thanks. That’s it from my side.

Moderator: Thank you. The next question is from the line of Deekshant B from DB Wealth. Please go ahead.

Deekshant B: Congratulations on great numbers, sir. So, my first question is basically, since we are so much catered to the banking side of the business and we have helped them grow in a lot of ways, that's why they keep giving us good -- bigger deals. Can you just highlight one or two particular products that help our clients grow, that's why they are coming back to us. The idea of asking this question is for -- we can understand that what makes them keep coming back to us and growing this so that we can make this cycle bigger and bigger as the time goes by?

Virender Jeet: Okay. So yes, Deekshant. So just one way to explain is to understand what we sell. Predominantly, what we sell to the enterprise is a system which is called -- our product is called NewgenONE or iBPS and OmniDocs. This sits between core banking, where all other systems and all other people and interfaces.

So, what happens in any digital transformation project which they take that is broadly implemented on this platform, for most of the use cases. So, once you implement the use case, the way that they are buying this is, they're buying this platform to make sure that they don't have too many software's and too many vendors.

So, if you are able to make a successful case, it became natural to go and implement another case from the same platform. Because finally, it's typically a low-code way of doing it. It's loosely coupled, it's built for change rather than going and buying point solutions. So, our story and journey for all these 15 years has been that once you have become -- you've implemented a product, which the bank's users or insurance users are using.

Whenever there's a next opportunity to transform the journey or transform the journey in another area of business, they end up leveraging the same platform. So, we end up getting an ability to go and upsell more licenses because of usage as well as customer ends up using the same infrastructure and leverage the same knowledge base, which is around the system for other processes.

So, the examples would be, if you look at 10 years back, we were selling something like around systems of centralization or what we call a BPM or workflow systems. From that we pivoted to lot of systems where we sold about what we call digital onboarding. These days, it's our end-to-end digital retail or trade or service request management or collection systems, so these are examples. So, most of our marquee clients you will at least have three or four of such solutions rather than one.

Deekshant B: So, if I'm understanding you right, is this -- so basically, we are selling them a better efficiency for their team rather than helping them gain their sales directly. So, it's indirectly because their efficiency is slowing, their team is able to make more sales by increased efficiency. Is that the idea?

Virender Jeet: Yes. So basically, we are directly putting systems. So basically, we end up selling where the customer is implementing systems for growth and the growth is driven out of two things. I think 10 years back, it was driven around centralization, which is about efficiency, what we call turnaround time. Nowadays, it is our build around engagement straight through, low-touch, no-touch.

Can you reach customer, can you solve a loan in half a day, can you open account immediately? So again, it needs an orchestration. So, to open an account instantly, you need to reach the customer, you need to orchestrate the journey, you need to integrate with all the digital stack. You need to implement complex workflows and corporate rule engines through a single platform. So, in -- so this is exactly what we do.

Deekshant B: Okay. My last question is on our general cycle on our profitability and growth cycle, so on the accounts we see, sir, the second half of the financial year, we have more sales and earnings realizations. Is that correct or is it -- am I looking at it the other way?

Virender Jeet: I think this business is slightly back-ended towards Q3 and Q4 where larger license deals end up happening. It's a history of every software license product company which has perpetual license. So roughly around -- our distribution today is roughly between somewhere 42% to 44% in H1 and between the corresponding remaining in the H2 part of that. So, we do expect that even this year, it's going to be slightly back-ended on that. And -- but as the company becomes a little bigger, I think, this whole SKU is slightly shifting and reducing slowly.

Deekshant B: Got it. Can I ask a follow-up question, please?

Virender Jeet: Please go ahead.

Deekshant B: So, the growth that we are expecting and that we are so much focussing on. You said that the new labels that we are -- we don't focus on new labels as much rather than we focus on making our existing business grow. In the next 3 years, is the goal remaining the same that we are going to focus more on existing labels or is it going to be much more that we will now focus on getting new customers or is it in tandem, both things are going to go side-by-side?

Virender Jeet: Yes, Deekshant I think, probably you got me wrong on that. I think what I said, the potential is large in existing account and we have an ability to grow, but our predominant effort in sales and marketing is for new logo acquisition. I think we measure our success by our ability to win new logos. And because that is where our larger -- because once you win a logo, all other stories unfold.

You are able to sell, you are able to upsell, cross-sell, but if you don't end up selling to new logos, you will not be able to grow beyond a particular point. You can grow for short term. So, our whole focus is predominantly, you can say 70% is on new logo acquisition and 30% is on mining.

Deekshant B: Thank you so much sir. Best of luck to the team.

Moderator: Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Congratulation on a good set of numbers. I have a couple of questions. So, a few years back we were guiding that we have an intention to reach around USD0.5 billion kind of revenue in the next couple of years. Is that still intact? And by what are we aspire to be there on the milestone which we've spoken earlier?

And second, the number of logo addition, which we are providing every quarter in the presentation, how many of them are active and giving business on a regular basis at aggregate level whichever logo we have disclosed so far in the presentation? And third, what average engagement size are we looking whenever we empanel any logo with us and even from the current empanelled logos and from potential one? Yes, that's all from my side?

Virender Jeet: Chirag, thanks. So, our ability to reach USD500 million depends on our ability to execute. The business has got enough potential, the market segment and the addressable space for us is quite large and we have seen peer companies in other markets, especially in geo markets, in geos like US have reached revenues of 500 million a USD1 billion and they have started almost either slightly earlier than us or slightly later than us.

So, the market potential is there. We have drawn aggressive plans for ourselves. We have aligned the strategy for that and we are aggressively investing on that. As the results start unfolding, as the areas start giving us returns, you will see that the revenue mix and we hope that our growth rates start accelerating from even the current growth rates out there, but pinpointing exactly a date and year is something, which is -- it's an aspirational plan.

We have to translate that aspirational plan for execution, but we have not completely translated into a target in a number of years. So, I think you will -- if you track the story, I'm sure that in the next 3, 4 years, you will see that we are not very far from there. On the logo retention, the number of new logos is or whatever number of logos are the logos, which giving this business. That's how we count it. And we don't count anything else who does not give us business. Our retention rates are pretty high for all businesses which are sizable size.

So, anybody who's giving us a recurring business of INR50 lakh, we almost will have 95% to 98% retention. So, on the smaller logos or what you call partners which we are pivoting up is a higher churn rate. But roughly, I think today we may have somewhere between 520 to 540 clients which are typically you will see they will keep on growing by 20, 30 clients every year as we are now pivoting to more larger deals.

Our engagement size of -- preference of engagement size is broadly to understand that we generate at least an annuity of 100,000 to 200,000. So that means any deal between 500,000 to 700,000 to start with going up to 2 million is the sweet spot where we do business today, but then there are deals, which are sometimes smaller than that or predominantly larger than that, so that's where we are. I hope that answers your question.

Chirag Kachhadiya: Just one follow-up if I can. So, going forward the health care practice, what percentage are we looking to have in overall pie, similar to the portion that we have at BFSI right now or is the second order will remain on the healthcare side rather the BFSI?

Virender Jeet: So, we are predominantly looking at three verticals. One is banking and the other is insurance and healthcare also we look at health insurance market. It is not healthcare as a segment. So, when we say health care, it's about payers and payers and predominantly in the US. This market is more active out there. So, these markets we expect to get us multimillion-dollar businesses, but still we think the banking is going to be predominantly large numbers. They may struggle to reach a size of banking, unless we really hit a jackpot about some industry and we replicate very fast.

But I hope that insurance and including insurance health and government should be sizable and material businesses for us. And we do expect in the next 3 to 4 years, they come very close to banking, maybe they become -- both together become equal the size of banking.

Chirag Kachhadiya: Thank you so much. All the very best.

Virender Jeet: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of our question-and-answer session. I would now like to hand the conference over to Ms. Deepti Mehra Chugh, Head of Investor Relations for closing comments.

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

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