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Date: 23rd January 2025

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Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017) Scrip Code – 540900	Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017)

Sub.: Outcome Transcript – Conference Call – Q3 FY'25

Dear Sir/Ma'am

As intimated earlier through our letter dated 14th January 2025 regarding the Conference Call of the Company, which was held on Monday, 20th January 2025 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.

This is for your kind information and record.

Thanking you.

For Newgen Software Technologies Limited

AMAN MOURYA
Digitally signed by AMAN MOURYA
Date: 2025.01.23 14:56:06 +05'30'

Aman Mourya
Company Secretary & Head-Legal

Encl.: a/a

"Newgen Software Technologies Limited

Q3 FY '25 Analyst Conference Call"

January 20, 2025

MANAGEMENT: MR. DIWAKAR NIGAM – CHAIRMAN AND MANAGING DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. T.S. VARADARAJAN – 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: MS. ADITI PATIL – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 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 Ms. Aditi Patil from ICICI Securities. Thank you, and over to you, ma'am.

Aditi Patil: Thank you, Alaric. Good evening, and welcome to the Q3 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 Ms. Deepti for further proceedings. Thank you, and over to you, Deepti.

Deepti Mehra Chugh: Hi. Good afternoon, everyone, and wish you all a very Happy New Year. 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 the future performance. The company does not undertake to make any announcements 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 further details, you may please refer to the Investor Relations section on our website.

I would now hand over to Mr. Varadarajan for presentation of the results, which will be followed by a Q&A. Thanks.

T. S. Varadarajan: Good evening, everyone, and thank you for joining us today for review of our Q3 FY '25 performance. Wishing you all a very, very Happy New Year. Coming to the results, we have had another consistent quarter with overall deal velocity across different markets. Revenue for the quarter reached INR381 crores, representing an 18% Y-o-Y growth. In terms of geographies, the highest growth was witnessed in APAC region at 44% Y-o-Y. EMEA grew by 19% Y-o-Y, while revenue growth in India region was 10%. U.S. region revenues grew by 13% Y-o-Y.

We saw a substantial increase in license sales during the quarter, witnessing a growth of 70% Y-o-Y, followed by implementation revenues. Annuity revenues were at INR208 crores. While deal velocity has been very good, our projects now have longer execution cycle due to the level of complexity we are handling. This has led to the implementation cycle moving beyond one year for some of our larger projects.

While banking and financial services continue to be our core vertical, we saw increasing traction in the government segment in the quarter. We closed many significant deals during the quarter. We have won an order from RBI for implementation and maintenance of the Regulatory Application Management System with an aggregate contract value of INR32 crores. Our expertise in data science and AI embedded in our core products have contributed to our success in the RBI bid, and we plan to work with other financial institutions as well.

In India, we also entered into an agreement with Aye Finance Limited for loan origination solution for an aggregated commercial value of INR24 crores. In Saudi Arabia, we entered into an agreement for $2.3 million with a large power generation and transmission company. We are also providing Knowledge and Records Management System to a customer in Singapore with a total contract value of SGD1.7 million.

In U.S., we are working with a banking client for digital account opening, retail loans, ECM and collection upgrade for a total contract value of $1.8 million. In India, we received a contract for Newgen Remittance system for a value of INR20.8 crores. In EMEA, Newgen has entered into contract for providing digital lending and onboarding platform for retail products with a total value of $2 million. We are also providing credit automation services to a leading banking and financial services company in Africa with an aggregate value of $1.6 million.

In total, we have added 15 new logos in Q3. Over the nine months period, we have added 36 new logos. Newgen's core strength lies in its low-code platform, which automates various business applications and customer journeys. In banking and financial services segment, we are extensively working across multiple transformation areas, including lending, payments, deposits, collection, early warning system, co-lending, trade financing, lead generation, supply chain finance and many more.

We have recently launched our AI-enabled captive finance solution to transform lending and leasing operations. We are also working extensively in the insurance and health care market and have started winning new deals in this segment, especially in the mature markets. Our aim is to offer solutions in payers, provider, pharmacy, and life sciences areas of health care under one ecosystem. We continue to receive accolades and analyst recognition.

During the quarter, we were recognized as a niche player in the Gartner Magic Quadrant for Enterprise Low-Code Application Platforms of 2024. This is fifth time in a row. We are also recognized in Forrester's The Low-Code Platforms for Professional Developers Landscape. During the quarter, Newgen has also been recognized as a leader in the IDC MarketScape Report for Intelligent Customer Communications Management and Automated Document Generation and Customer Communication Management.

We are happy to share that as a significant step towards being regarded as a trusted and employee-friendly organization, we have been certified as a Great Place to Work in India in

December. It is a matter of great pride and satisfaction that as we grow and scale our business, we are also enhancing our employee experience and workplace culture.

In terms of our long-term roadmap, we continue to focus on new deal wins and strengthening and expanding relationships with our existing customer base. We are investing heavily in terms of building our internal capabilities on our product and solutions, along with new technology areas like AI, Gen AI and machine learning. AI use is transforming from a tool of automation to a partner in intelligent decision-making through strong contextual insights.

We are revamping and stabilizing our sales team, especially in the mature market, refining our brand and product positioning to enable us to scale to the next level. During the quarter, we received a tremendous traction on our annual customer event in Mumbai, EkAM 2024. As businesses increasingly embrace digital transformation, we are ensuring that we are well positioned to support them with the right skills, expertise and product innovations. We also continue to invest in and develop our global workforce and improve operational efficiency.

Coming on profits and margins, we witnessed a strong growth in profits and expanded margins. Profit after tax was at INR89 crores for the quarter, witnessing a growth of 30% Y-o-Y. For the nine months period, our revenues were INR1,057 crores, witnessing a growth of 22%. Profit after tax was INR207 crores, witnessing a growth of 41%. Our investment in building capabilities across the organization for the next level is reflected in our R&D and sales and marketing expenses. R&D expenses were 9% of revenues and sales and marketing expenses were at 22%.

On the balance sheet front, our net trade receivables were at INR463 crores as of 31st December, which resulted in net DSO of 118 days. We are excited for the new opportunities that 2025 will bring, and we remain committed to executing with focus and determination. The momentum we are building as an organization across markets, combined with our strategic investments in innovation will help us in enhancing value for our customers and differentiating ourselves in a competitive landscape.

Thank you very much, and we are now open for Q&A.

Moderator: The first question is from the line of Ruchi Mukhija from ICICI Securities.

Ruchi Mukhija: Very congratulations on a good execution. My question is regarding your India and USA business. In India, we've been hearing banking deposit growth has been weak. So does that change demand narrative for you in India? And in contrast, for USA, your larger peers have been indicating that the discretionary demand is picking up. So do you see that translating into any uptick in business momentum in USA?

Virender Jeet: Thank you for your questions. You're right. I think what happened in India, I think there was a wave of lending, which started in terms of modernizing the platforms, and it is still continuing. The issue in deposit growth predominantly has been more on the -- typically, not the Tier 1 accounts, because I think they are more into -- their lending is more secure. So while we see there is a bit of slowdown in the overall momentum of digital lending projects, but on the other hand, the new generation NBFCs, they are right now in the position to go and invest in the market to gain market share. I think if you see in this quarter also, we have gained at least two, three orders across places around in that segment.

So broadly, I think there may be a disruption for a quarter or so, but I don't see that to be a long-term disruption. The only difference I see for our business is while last few quarters or more, like last six, seven quarters, the order sizes from large accounts were substantial, the Tier 2 accounts will have smaller orders, but the numbers will be much larger, which should compensate for that.

As for the U.S., we do see -- we are hopeful that the U.S. banking space is picking up, and I think the larger players have a very different business than ours. But we are hopeful that this quarter and next quarter, we should start winning some banking deals in U.S. And we have cultivated and nurtured these deals. I think they are ripe. I think there is a slightly positive environment momentum and we should be able to succeed in those. Ruchi, does that answer your question?

Ruchi Mukhija: Yes.

Moderator: The next question is from the line of Aditi Patil from ICICI Securities.

Aditi Patil: My first question is on the strong license sales which we had this quarter. So was this mainly led by APAC and EMEA geography? And how were the license sales in India?

Virender Jeet: Okay. Aditi, thank you for the question. Aditi, the license sales has been broad-based. In fact, I think all regions have contributed. And the license growth numbers Q-on-Q have been significant in all. So you will also see what has happened in terms of the large deal wins have been substantial this quarter. And the license growth for the year also has been healthy, almost at a 40%, while this quarter was slightly better because on account of some larger deals coming out of India, in fact, and some more coming out of APAC and Middle East.

I think the orders like what we have got in terms of records management in APAC is substantial. Similarly, what we have got in Saudi Arabia is an entry into utilities and energy segment, it's a significant order. But the largest of that was coming from India is the payments. It's on Tier 1 account. One of the new areas we have got into a Tier 1 accounts, which were more substantial than these two.

And then around $1.5 million, there were multiple orders, both in Middle East, U.S. and India. So I would say it is still a broad-based license growth. What has slightly muted down the growth rate in India compared to last quarter is about the longer execution cycle. Because while we are able to get the leading revenue of the license and account wins, the long tail of the subsequent follow-up revenue, we are not able to convert at the speed we were converting before, because, as I said, the previous quarter's orders were very large in size and their implementation cycles are slightly running beyond one year. So the ATSs and the subsequent support revenue streams are not kicking in at the same speed. Aditi, does that answer your question?

Aditi Patil: Yes. And has this also -- the longer execution cycle, has that also led to decline in your implementation revenue?

Virender Jeet: It has impact on all downstream. See, our deal win is about license win. So license win eventually -- the follow-up revenues are implementation, then followed with ATS and support. So the implementation cycle is delayed, you have a problem with realization, a lot of implementation revenue, but also the bigger problem is your annuity models don't kick in immediately.

So some amount of challenge on large deals we have on that front, while on the other hand we have substantially increased our new win ratios and deal momentum. But then on a very large base, they cannot compensate too much in the same quarter on that. You're absolutely right, the implementation cycles do determine the follow-up revenue cycles.

Aditi Patil: Okay. Got it. And can you let us know the deal bookings growth for nine months FY '25? And you gave out some of the large significant deals, but can you provide more color on the traction you're seeing in health insurance and government vertical?

Virender Jeet: Yes. So I think I'll come to the deals first. You see, I think we have been deliberately trying to focus on insurance. So insurance, you would have seen up to the nine-month period, we had substantial some early win deals. We had deals in Saudi, we had some deals coming out of India. And also, we have a very good funnel now, which we think that in this quarter, we are expecting at least two to three insurance deals getting closed and some of them being led by the U.S.

Government, you've already seen the results. I think the accounts like RBI or what we got in Singapore on records management or in utilities, they're all predominantly government license deals on low-code BPM. And they don't have the same large implementation cycles. There are typically smaller implementation cycles of three to six months where they should get translated into revenue. So government is working well. Insurance is working. Banking is still strong for us. So, overall, if you look at the deals, on the booking side, I think we are almost at a similar number on a nine-month basis compared to last year.

The difference is that the previous bookings were slightly more multiyear and larger accounts, which will get switched. The unexecuted order book of them in last quarter is still pending to be executed, while the newer bookings are more short-term orders typically to be executed in six to nine months. So I expect the translation of revenue of this booking to be faster than the older booking.

Aditi Patil: Okay. Got it. But from here on, like past two years have been a strong growth in banking sector, especially in India and EMEA. So should we see that growth moderating to some extent in next year? At least we are seeing that in bookings, which is like flattish on nine months basis.

Virender Jeet: Yes, you are right. So see, what happens is, still for our kind of a business, still smaller, I think we keep on shuttling between which are the firing verticals and firing territories. But broadly, you would have seen the financial services, combination of banking and insurance always continues to lead. And similarly, India and Middle East continue to perform on that. I don't see any broad-based change is going to happen in that. So we may have a quarter of slower banking or two quarters of slow banking, but we think still the banking insurance will recover faster than any other segment.

Similarly, if we're still seeing that India and Middle East potential are the largest potential for us, until we crack the U.S. puzzle. So I don't see this making any change in a longer-term phenomenon. But yes, on a near term, we can see some impact on the numbers. The banking growth is not at 20% growth this quarter. Similarly, insurance and government growth are much bigger, but their bases are very small. Like right now, the government growth may be more than 100%, but the base number out there is pretty small.

Deepti Mehra Chugh: And I think, Aditi, you can look at the annual numbers again for us even in terms of bookings or other aspect that makes more sense. So I think we should wait a bit for that as well.

Moderator: The next question is from the line of Abhishek Shah from Ambit Limited.

Abhishek Shah: Congrats on another strong quarter. So just to get some more understanding on the slower growth that we've seen in India and the U.S. Specifically on India, you mentioned that they are longer cycle orders, so the implementation timeline is longer. But you've also said that the newer orders you've received this financial year are actually short-cycled. So can we expect that in the quarters going forward, growth EBITDA should accelerate again?

Virender Jeet: So Abhishek, as I broadly said, so see, we still are a company where a single order changes completely the quarter numbers. So I would still say, broadly, the business should be looked at in annual terms. Having said that, as I earlier said, I continue to believe that both in India and Middle East continue to be our growth drivers. And in that, financial services, banking and insurance will be the primary growth drivers for us. I don't think that changes.

What could change is that we may pivot from digital lending to more collections or origination-based systems. We may get into more supply chain-related areas, new areas may emerge or some segments may slow down for a moment. But if you look at slightly in a larger time, may be on an annual basis, you will see they will continue to outperform.

We don't see any broad reduction on our growth prospects. We think that we can continue maintaining a healthy above 20% growth for a long period of time. So now the issue is, for some quarters, a territory or a segment or a vertical could have a slightly different number, because we missed a deal or got a couple of deals more. But I think in the broad base, it will not have any difference.

Abhishek Shah: Okay. And any color on the margins for this quarter, because they were significantly higher than we've seen in the past for similar December number. So any color on that?

Virender Jeet: Yes. So Abhishek, what happens, as we said that we always invest for growth. But for the same year, any growth which is above 17%, 18%, 19%, we'll keep on expanding margins. So our budgeted costs are somewhere between 18% to 19% or 20%. And since we are still at nine-month cumulative growth at roughly around 22%, 23%, so margin expansion is bound to happen.

Also, slightly, quarters are getting more non-lobby, in terms of lopsidedness has reduced. So you are seeing that the profit growth in Q1, Q2 has been significant. So they've been above -- and for the nine-month period, we are almost at a 40% profit growth, which means the margins would expand. But the Q4 is a larger quarter, and we still expect Q4 margins to slightly be better and maintain a growth rate. And that means for this year, we may have slightly better margins than we planned earlier.

Moderator: The next question is from the line of Mr. Ashish Chopra from Goldman Sachs Asset Management.

Ashish Chopra: Jeet, a couple of questions on the trends that you were highlighting. Firstly, on the fact you're mentioning that the execution cycle of the orders you're now winning is maybe slightly shorter in terms of tenure, but there are implementation cycles of previously won orders, which are much larger. So the downstream support and AMC revenue is also kind of getting delayed. But then should that not reflect in your executable order book? So while your nine months order inflow is the same, but could you throw some color on how the executable order book as a consequence of this is changing maybe right now versus where it was this time last year?

Virender Jeet: Yes. So I think, Ashish, you are absolutely right. So what I'm saying, when we say execution cycle, there are three parts of downstream revenue. One is about the unexecuted order book of the same implementation value. So typically, if the implementation value is 100, I have only implemented 40, so 60 is the unexecuted order book. So that gets added, and I think Deepti can provide you that number exactly what that is. But since that has not completed, my next two orders of support and AMC have not got initiated. So that does not reflect even in the order book.

So for our business, generally, the follow-up revenues are almost guaranteed, because the software needs to, but they are not contracted in the beginning, they have to be contracted every year. So some of the booking value does not reflect in the numbers, because the implementation cycles have not finished. But for the unexecuted order number, we can provide you that number.

Ashish Chopra: Yes, that will really help. That's very clear. And also on the insurance segment, so I think you called out that as an area of focus earlier during the year, and now you've shared some highlights of wins and the wins you expect next quarter. So it seems to be progressing quite encouragingly, just in line with your plans. But just a couple of questions, if you could help us with, in terms of, first, what are the segments within insurance? What's the kind of product or solution that you're selling there versus the likes of digital lending and supply chain trade finance and banking? And secondly, how do the order sizes here compare, let's say, from a mature insurer versus a mature bank when you win an order there?

Virender Jeet: Yes. So I think this is quite interesting. So we have enough focus and we are thinking that insurance will pave a very strong way for logo acquisition for us. So there are two things. What we are selling in insurance is exactly the journey we are selling in banking, but it's more around claims and underwriting, both in life and non-life. That's on the typical general insurance and life insurance, but also we are playing in the segment of health payers and payers which is in U.S. So this is a segment of insurance.

In our early funnel, we have seen that insurance does not have the appetite to pay multimillion deals in the first entry point. But the encouraging thing is we are finding that opportunity pool in insurance is very broad-based. Like we have found very strong traction on the ECM and CCM front in where we've won. So we think this business will be built with multiple deals happening in quick succession and then pivoting towards a larger deal.

So right now, we are slightly also not that encouraged about the deal sizes in insurance. But what it is opening up, it's opening up a large amount of accounts, Tier 1 accounts in insurance for us. So I would say that insurance may -- the curve may be slightly slow. We may have logo acquisitions at faster speed, but the revenue is slightly slower, but the downstream revenue can be pretty large.

Ashish Chopra: Understood. That's helpful. And just one last question from my side on the margins. So while you explained that it is the operating leverage of the quarterly seasonality because of which we saw the expansion. But I guess the quantum of expansion this quarter was much higher, I think, 540 basis points Q-on-Q. And I was just wondering if that is because of the fact that in terms of your revenue split, the product license revenues has grown quite sharply. And as that normalizes, let's say, in the fourth quarter, despite it being the highest quarter in terms of revenue, should we be cognizant about that maybe pulling the margins back in case the mix is not as high in product licenses as we saw in this quarter?

Virender Jeet: You're right. But the phenomenon in every quarter is that there's going to be a large bulky license revenue in every quarter, which pushes up the margin. The only thing is what the base revenue determines how the rest of the costs are balanced. So I think from a long-term outlook, we always continue that our endeavour is to maintain around 20% of net margin and 23%. And some quarters, it can be more in some years as a total.

So since we are already sitting on close to that number, we're sitting on 19.6% and 22.6%, broadly. So I personally feel that this will still expand maybe 0.5 basis points or 1% more by the year. So we will reach there close to 20% and 23% what we had initially planned, if we continue to maintain our top line moment. But if there is a slight weakness in top line, then the margins will be muted or may remain at the same level or slightly shrunk.

Moderator: The next question is from the line of Akshat Khemani from Carnelian Asset Management.

Mihir: Mihir this side. I think I largely wanted to understand, when we see the license revenue, license revenue has done well over the last 2 quarters...

Virender Jeet: Mihir, I am sorry, we can hardly hear you.

Mihir: Is it better now?

Virender Jeet: Yes.

Mihir: So basically, when we see the license business, license business over the last two quarters, I mean, up 25% and 30%. So I wanted to understand what is leading to higher license revenue? Is there some requirement of on-prem business being there? That was the first question.

Virender Jeet: So Mihir, I think the license is fundamental to any business. Any sale we do is based on a license sale. So what is fundamental is that we continue to have good win momentum in the market. And as we were previously, for last two, three years, pivoting slightly to larger deals, especially on the license side as well, that is where the growth is coming from.

And this quarter, as I said, the growth is quite broad-based. It's across all territories, across multiple segments. So we do expect that the license growth momentum will continue. It's not that this is a one-time phenomenon. We should be able to. And if you look at all three quarters, you will see significant license numbers coming in all three quarters.

Mihir: Okay, sure. So this is because large banks are adopting it and they are I think more for license-based approach rather than subscription-based approach. Is that understanding correct?

Virender Jeet: This is perpetual license sale. When we are saying license-based, it's predominantly cases we are still operating on the perpetual license model, and that's why they're upfront realized and they are larger numbers. And their subscription or annuity is just around 18% to 22%.

Mihir: Understood. Sure. Broadly wanted to get a sense, with a good license, this will follow for a better AMC and a better implementation going ahead, right?

Virender Jeet: I'm absolutely sorry. If you can just slow down a bit, I can get slightly more what you're saying, because I can't get what you're saying.

Mihir: Sure. So basically, I mean, the higher license revenue, this will be followed by a better AMC and a better implementation revenue, right, coming quarters?

Virender Jeet: So better AMC for sure, because it's a percentage of license. So implementation depends on the size of the project. So I think some of the current projects don't have such large implementations there, which is good for us, because as soon as the implementation finishes, our other streams of revenue kick in, the ATS and the support things. But you're absolutely right, the better license will follow on the better downstream revenue of ATS.

Mihir: Sure. Understood. And my third question was just on the India business. India business, you highlighted there is some weakness in the near term on the domestic banking side. I mean, what is leading to this weakness, which is getting compensated by NBFCs? Some color on that will be helpful.

Virender Jeet: So Mihir, I think what I said last time. So we don't see weakness in the general market, but we see there is a change in the dynamics of the accounts we are acquiring. Last two years, Tier 1 accounts in the market went with their DLP programs. And their order and deal sizes were substantially larger, even their implementation and licenses. Now predominantly, there are some of those accounts we are still pursuing. And some of them, we are also mining by selling other solutions. But larger DLP market is shifting to the Tier 2 accounts NBFCs and the new generation companies, like some of the ones we have already won. Their deal sizes are significantly lower, but their numbers are more. So we think that we should be able to compensate over a period of time by doing better deal velocity on that.

And then some of these NBFCs we think they should end up becoming larger accounts, either buying multiple products or eventually finally finding some ambition to become a bank or a larger financial institution. So that's how they will become. And if you look at the older phase of companies -- of NBFCs when the previous license eight, nine years back was given, now some of them are big banks right now. And that's the roadmap. So we are hopeful about the overall banking market and the lending market in India. But the point I was making, there's a difference between the type of accounts we acquired two years back vis-à-vis what we are acquiring now.

Moderator: The next question is from the line of Ashish Thavkar from JM MF

Ashish Thavkar: Sir, if you could talk about AI. So what's the development there? So we had this Marvin with intelligent document processing and all those initiatives. How are they panning out when we talk to our customers?

Virender Jeet: So Ashish, it's a very good question and important one. So most of our sales today, AI is very central to that sale. So most of the use cases have to be either complemented or they have been centered around AI. So some of the recent deals, whether they are in the part of AI-enabled digital lending or what we got from the Central Bank, the RBI, they are completely AI-centered deals. So we are both on the ML, which is our Number Theory platform, and the generating AI models like Marvin and Harper, these are becoming central to make these sales.

But as I say, generally, we end up always selling our platform, which is our NewgenONE and the ECM platform together, where the AI gets bundled as part of the deal. So it's an enabling technology. So we are very hopeful that in more and more markets like in segments like insurance, segments like document approvals in central banks, or even in banking, I think AI will become central part and the investment we have done through the Number Theory as well as the products and platforms what we are coming out from there is going to play a very important role in that. So I think fundamentally, it's very central to what we do now.

Ashish Thavkar: Yes. And in terms of bench strength that we have on the AI side, are we good enough with the investments or there's more to come?

Virender Jeet: No. I think we don't have any bench. So for sure, we are a product company, so we are always short of good talent and resources. We have a team of roughly around 50 people right now dedicated for AI, who are creating our products and helping our customers on that. I think this team will expand organically over a period of time, and we are continuously looking at augmenting good talent out there.

This is not a game of really numbers, because we are not going to really go and provide 100 people of AI servicing to our customers. That's not our market. We still want to build products and sell those products. But I do think over next two, three years, there will be an incremental or an organic expansion of this team.

Ashish Thavkar: Great. And just two questions on the number front. So you said we have short-cycle deals, which we will start executing in the next six months. So typically, obviously, fourth quarter is the largest for us and 1Q is seasonally the weakest. But could things be different this time around, since there are a lot of short-cycle deal execution? That is the first part. Second part, and in your overall journey of targeting $500 million revenues in the next four years, so does that stay intact? And any update on M&A would be helpful.

Virender Jeet: Yes. So I think on the Q4, broadly, what happens is, Q4 is going to be a function of orders which we have already booked, and the new deals, we can do on license front. So broadly, a lot of this business, which we have booked up to Q3, has to be executed in Q4. And then also a lot of license, we are still dependent on a large number of license deals to happen in Q4 to meet our goal. So it's not different than any other quarter or any other Q4 for that matter.

And whatever in terms of I communicated about execution or charter cycles, they will have very small incremental effect. They will not have a drastic effect in terms of either having a higher number or a lower number. On the larger plan of our revenue, as I said, Gen AI is very central, and we look at them in a combination to solve the customers' problems. And wherever we are operating, whether it's a segment or a territory, technology is an enabler to solve the use cases. At the end of the day, we are solving use cases. And I said this is going to be very central to all those things. And we continue to aggressively look at better talent in that and keep on investing in the use cases.

Recently, we have also built a lot of AI-enabled accelerators for many of the insurance segments and banking ones. And we keep on enhancing that. But I don't think you can think what is an incremental value AI provides to the company. We think of it as a comprehensive bucket. AI is centered for all use cases. I don't think you can exist as a software company if you are not leveraging AI in all aspects.

Ashish Thavkar: Sir, like referring to your $500 million vision that you have in your business, how important is the mature markets to fire up now? And is there a shift in timelines, like is it a three to four-year or a four to five-year kind of a vision you have?

Virender Jeet: So you're absolutely right. Broadly, the larger addressable markets are the mature markets. That's where 80% -- 70% of the market remains. India, Middle East keeps us engaged and keeps us surprised, because the growth rates are phenomenal out there and a lot of companies are coming and looking at this market as a potential. But we clearly believe still the mature market is the number one important strategy for us to fire to reach our $500 million. And we do think that our next three, four years are the timeframes where we think should be able to do things, so that we can be closer to that goal.

Moderator: The next question is from the line of Rahul from Dolat Capital.

Rahul: My question is related to implementation. I know it's being talked around. What I want to specifically understand is that what could be the challenges as a business we might see as we scale up and there are diversity of deal and market and vertical. So is that a challenge which we might see over time on how well the implementation piece grow? And this is where bulk of the execution capabilities are getting tested, because other pieces are more like once you make a sale, a lot of things happen on its own. But implementation is something which is time-consuming and energy-consuming kind of an exercise.

Virender Jeet: So Rahul, I think you're absolutely right. What happens is the proof of pudding sometimes only unfolds in implementation. Before that, license is a commitment and finally, the implementation is when the customer gets value. See, some of the business challenges which we keep on highlighting about is to understand that what we are implementing for a customer is typically very transformative in how they're going to run their business. So if you're talking of a bank, you are saying that most of the lending, you are saying 100% of their lending is going to happen on this platform.

So now they are also leveraging the new digital ecosystem. They are leveraging the new digital architecture. They are leveraging the AI and other systems. So customer is also evolving these solutions along with us. So some of these things are not like that, hey, there is a scope and let's go and implement. There's a lot of learning, relearning and discovery along with the customer, which makes these solutions also very sticky and provide enormous value, on which we can build our business. But in the early cycle, this is always like that. And we have seen this multiple times, whenever you are trying to do transformative solutions.

And one of the things is since these solutions are very stitched with a lot of integration ecosystems, so the learning from one country to another country also changes. So the integration ecosystem changes. But as soon as you have stabilized first three, four, you are able to scale and build the business faster. So while I think it will continue to remain in challenge typically whenever you are trying to do transformative products and solutions, but it is a challenge for our kind of companies, which we have continuously surmounted and done multiple times.

But every new phase of growth, higher acceleration of deal velocity can lead to some amount of delays or some amount of, in terms of, longer cycles of implementation. But I don't think this is something which can hold us back. This is just a function of really maturing something for six, nine months, 12 months and then scaling on that.

Rahul: Right. So I got that point. What I'm trying to also understand on top of it is that how we ensure that this scales up, because given the diversity of the geography and vertical in terms of hiring of the talent, our talent across markets are that fungible to ensure that once they are done with one implementation and move to another, there is not any time lapse to that? And what we could do to avoid a situation like what we saw this time and what we are trying to do to mitigate that?

Virender Jeet: No, actually this problem of talent is going to be always there as you're scaling fast and especially in execution side, which are very execution centric. So what we have so far learned, at least from teams that easily -- the knowledge gets passed on from one implementation to another, one account to another. Also 60%, 70%, there is an overlap across geos also about what we are trying to do in that. And I think luckily also there has been a huge amount of talent stability and availability of talent in market for the last two, three years.

But how do we solve it that this does not become a bottleneck in future is entirely just about internal operation issue of internally maturing our systems. I don't think this is such a big challenge. What has happened right now is our estimation of going live for larger projects, typically in public sector on Tier 1 enterprises in India, that has run out of control. Since this is the first time we are doing, and all of them started almost parallelly. They didn't start one after another. So if they have started one after another, then there would have been a lot of learning, which could have been incorporated.

So last two years, I think we would have started more than 20, 25 digital lending projects all parallelly together. So some of the learnings from one another has not been caught on so actively. But I think now if we are going to take a project today, I think we can easily deliver it in eight, nine months with the whole comprehensive things. I think we are very sure about that. But what we have already opened on the table, we need to close that.

Rahul: Sure. And just last bit. From a client's perspective, does that change? Is there any part of SLA which leads to this kind of a conflict in terms of any delay of execution, or they are indifferent, or they are also cause of a reason for this to happen?

Virender Jeet: See, it is joined. So finally, there is no project plan which is not in sync with the client. And I think whatever you are selling to the clients are extremely critical for their business. So they want to go live as soon. So any delay does hurt them and does hurt us, both of us. But I think we are in sync with the client. But the -- see, one of the things is the value we deliver at the end of the day is so transformative. So we should be able to build substantial business over that. And that's what the customer also realizes and we also realize. So a delay of one or two quarters should not affect our business model broadly at all.

Moderator: The next question is from the line of Chirag Kachhadiya from Ashika Equity.

Chirag Kachhadiya: Congrats on good performance. Sir, I just wanted to know as on nine months FY '25, the deals which we have signed, the growth rate is similar to like last year or it is relatively lower compared to last year?

Virender Jeet: See, the number of deals we have signed is very similar on that. A number of deals which have got license components are much higher, so 40% growth on licenses, which should translate into downstream better revenues for us. That's how it is. Total booking values are very similar, because as I said, the previous year bookings were multiyear bookings and larger account bookings, larger service delivery part of it. This time, bookings are more license-based bookings and shorter execution cycles.

Chirag Kachhadiya: Okay. So whatever we signed, can I assume that the revenue will flow in FY '26 or in first half of FY '27?

Virender Jeet: Yes. I think we should assume that 90% will flow in FY '26.

Moderator: The next question is from the line of Vinay, an individual investor.

Vinay: Just two questions. One is, when I see your H1 growth rate, it was around 24% plus, and your nine months growth rate is 22% plus. So any particular reason why this growth rate has dropped over this quarter?

Virender Jeet: So Vinay, yes, so basically, the growth rate, there is a small amount of drop in growth rate in terms of because the revenue realization from India business has been slightly lower than previous years, while other markets have continued to do what they have done, and we explained in this call about the problem we had in India on the execution side. But we don't see any challenges on the deal win side or the deal win velocity side.

So some amount of -- and one thing is also you should understand, at the end of the day, we always expect this company to deliver 20% or higher growth rate. But I think since it's a business, so there are going to be fluctuations, and we're still at a business of roughly around INR1,000 crores, INR1,500 crores, in that range. A single deal changes a lot of percentages in every quarter. So that's why we advise that this business should be looked at more at an annual basis.

Vinay: The reason why I have asked this question is because you mentioned that the deal sizes are now getting a little longer in terms of execution. So longer execution would necessarily entail bigger team sizes, right? So if I look at your -- how many employees do we have? And what is your kind of hiring for the quarter?

Virender Jeet: See, we are roughly around 4,500 employees as of now. And since this year, our hiring targets, we have taken much lesser numbers, because we have previously hired. Because the deals which we are talking about are longer, have been all from previous two years. And so the resource ramp-up has happened drastically over the last two years. So we are already sitting on a lot of capacity to execute these and the teams are already in place.

We still rely on a lot of manpower to come on campuses. So we continue to go to campuses to get good quality talent, and we'll continue to hire from campuses this year, both in Jan and then in March. So I think the people does not seem to be as important issue as it was in COVID and post-COVID immediately after that.

Vinay: Okay. The last question is on what percentage of your revenues in this quarter is coming from existing clients? Or you can give us nine months, whichever...

Virender Jeet: Yes. If you look at it, around 80%, 85% comes from existing clients. Because even a lot of new license deals are from existing clients, because they're about mining of those records. But broadly, it should be in that 80%, 85%, but you can write to Deepti, and she can send you exactly the numbers.

Vinay: Okay. And lastly, whenever the licenses are signed in a particular quarter, when you get a new logo or new licenses revenue, it gets booked in the same quarter or it gets postponed to the next one?

Virender Jeet: So most of the times since it's perpetual and as soon as the licenses are delivered to the customer and customer acceptance is taken, they get realized in the same quarter. But if it's about subscription or linked licenses to payment, then they get realized proportionate to the term of the license.

Vinay: Okay. So we can't just extrapolate logo additions this year or this deal sizes into the license revenue?

Virender Jeet: Yes, you can't extrapolate the license revenue and multiply it by 4, no, that you can't do. That's the jerky part of the business.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Deepti Chugh from Newgen Software Technologies for the closing comments.

Deepti Mehra Chugh: Thank you, everyone, for joining us today. For further questions, you can connect to me or you can go to our website, and we've shared all the details there. Thank you.

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