



Newgen Software Technologies Limited

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Date: 06th May 2026

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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 – Q4 FY’26

Dear Sir/ Ma'am,

As intimated earlier through our letter dated 24th April 2026 regarding the Conference Call of the Company, which was held on Thursday, 30th April 2026 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
Company Secretary & Head-Legal

Encl.: a/a



“Newgen Software Technologies Limited
Q4 FY '26 Earnings Conference Call”
April 30, 2026



MANAGEMENT: **MR. T.S. VARADARAJAN – WHOLE-TIME DIRECTOR –
NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. VIRENDER JEET – CHIEF EXECUTIVE OFFICER –
NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. TARUN NANDWANI – CHIEF OPERATING 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. SEEMA NAYAK – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Newgen Software Technologies Limited Q4 FY '26 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Seema Nayak from ICICI Securities Limited. Thank you, and over to you, ma'am.

Seema Nayak: Hi. Good evening, and welcome to the Q4 FY '26 Earnings Call of Newgen Software Technologies. It's my pleasure to introduce the senior management team of Newgen. We have with us today Mr. T.S. Varadarajan, Whole-Time Director; Mr. Virender Jeet, Chief Executive Officer; Mr. Tarun Nandwani, Chief Operating Officer; Mr. Arun Gupta, Chief Financial Officer; and Ms. Deepti Mehra Chugh, Head of Investor Relations.

I now hand over the call to Ms. Deepti for proceeding. Thank you, and over to you, Deepti.

Deepti Mehra Chugh: Thank you so much, Seema. Good afternoon, everyone, and welcome to the Q4 FY '26 results of the company. 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 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 of our website.

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

T.S. Varadarajan: Good afternoon, everyone, and thank you for joining us today. We are pleased to report our results for full year and quarter 4 of FY '26. In FY '26, we recorded a revenue growth of 6% Y-o-Y to reach INR1,574 crores despite the uncertain market conditions. The quality of our revenue mix continues to improve materially, driven by expansion in subscription-based revenues. Our subscription revenues grew by 24% Y-o-Y to reach INR525 crores.

Specifically, the SaaS component grew by 36% Y-o-Y. This provides us with significantly better visibility for future revenues in the form of increased deferred revenues. Our annuity revenues were at INR968 crores, comprising 62% of total revenues, which is up from 56% in the FY '25. This depicts a structurally positive transition to more predictable subscription-led revenues that improve revenue visibility.

Moving to geographic-specific highlights. Our business model continues to be well diversified across geographies, with each geography meaningfully contributing to our growth. U.S. geography continued to grow record healthy traction and witnessed revenue growth of 17% Y-o-Y for the full year.

In Q4 specifically, U.S. revenues were at INR106 crores, growing at 20% Y-o-Y. Our consistent wins during the year opened the door to broader regional adoption. APAC geography witnessed revenue growth of 14% Y-o-Y for the full year. India and EMEA continue to be the largest contributors to revenues. However, the large deal closures continue to be slower in these regions as customers take time to evaluate their technology strategies and due to the geopolitical uncertainty.

India geography, revenue growth has been muted due to low license revenues and customers holding off on making decisions, particularly on large deals. In the EMEA geography, revenue growth of performance has faced headwinds by geopolitical uncertainty in the West Asia, especially towards the end of the financial year.

This has led to delays in large deal closures. The collection from the region have also been slower on that account, which has in turn affected the overall DSO. Over the course of the year, we added a total 47 new customer logos. At the same time, we deepened relationship with the existing clients. The number of customers with billing over INR5 crores grew from 87 in FY '25 to 101 in FY '26, reflecting strong wallet share expansion.

Our key wins, particularly this quarter include: providing Retail Loan Origination Solution to a leading bank in Malaysia, the aggregate order value of RM 6.75 million; entered into an agreement with a leading insurance company in Illinois, U.S., for Policy Binding Solution with an order value of \$1.6 million; executed an agreement with a leading bank in Kuwait for Corporate Finance Origination Solution, Retail Finance Origination Solution and Customer Communication Management system.

The aggregate value of this order is US\$2.2 million; Supply installation and implementation of the NewgenONE digital transformation platform for an insurance company in the Caribbean, again, the aggregate value is \$1.5 million; building a tax compliance system for a large and reputed government organization based in UAE, the aggregate value of the agreement is AED \$5.3 million.

Coming to our products, the NewgenONE platform continue to unify content processes and communication into an orchestration layer where intelligence is embedded into how enterprises operate with the trust, governance and control built in.

Continuing with the focus on innovation, Newgen has filed 12 patents during this year and has been granted 2 patents in the same period. Overall, as of date, we have 67 patent filings and 25 patent grants. Our NewgenONE platform helps in creating AI agents that leverage customer approved data to deliver explainable and evidence-based models with full auditability.

These agents are safeguarded by the business rules and continuous monitoring to ensure reliable performance. By embedding Agentic AI directly into its low-code fabric, NewgenONE enables organizations to move beyond process execution towards autonomous, policy-safe decision-making.

During the year, we have continued with our focus on selling higher journey-led deals in banking and insurance. Especially in the insurance vertical, we have successfully added customers for our policy administration system offerings, especially in the mature markets. It gives us immense pride to share that for the second consecutive year, Newgen has been certified as a Great Place to Work.

It reflects the strength, consistency and shared values of the culture we have built together. Our global workforce numbers approximately 4,300 professionals. Throughout the year, we have worked on our employee AI upskilling program to build and scale a cohort AI skilled talent within the organization. We have also added senior leadership talent to strengthen go-to-market, corporate and innovation capability.

On profits and margin, despite uncertainties, we have maintained our operational profitability through optimization in costs. Profit after tax for FY '26 was INR301 crores, impacted by exceptional items, excluding onetime statutory impact of new Labour Codes and provision for legal claim to the extent of INR42 crores.

These -- if these exceptional items are excluded, the adjusted profit after tax would have been INR334 crores, reflecting a good growth of 6% Y-o-Y instead of negative growth as reflected in the books of account, which is incorporating exceptional items. The adjusted net margins are at 21.3%.

We are accelerating AI-led engineering, automation and operational efficiencies across our delivery and product teams. We continue to prudently invest in R&D and sales and marketing initiatives. During the year, we have invested nearly 8.5% of our revenues on R&D initiatives and around 22% of revenues on the various sales and marketing activities.

On the balance sheet front, we witnessed a robust cash flow generation with our net cash generated from operating activities for the year at INR302 crores. We have declared a dividend of INR6 per share. Q4 revenue was at INR457 crores versus INR430 crores in Q4 FY '25, which is up from 5.3% Y-o-Y. The Q4 SaaS component grew at 44% Y-o-Y, underscoring the momentum in our cloud and subscription-based revenues.

Our deal pipeline continues to remain strong. Our order bookings have scaled and deferred revenue streams have strengthened. All these are providing improved visibility into FY '27. While we remain mindful of the broad -- broader market condition, we are confident in our ability to continue delivering value to our customers and shareholders.

So thank you, and we are now open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Seema Nayak from ICICI Securities Limited.

Seema Nayak: So apart from Middle East, are you seeing any broader weakness in BFSI demand? And how is NBFC demand looking in India? And my second question is employee cost is at a multiyear low. So what exactly is driving that? And there's one more question?

Virender Jeet: Seema, thank you for asking that. So you're right. I think Middle East also, we didn't see too much of weakness, but we saw a disruption in terms of, towards the more critical quarters of -- which are very important for our business towards the end of Q4. So that was the kind of a disruption. But on the business or funnel or in terms of building cases, I don't see there is too much of disruption over a longer period of time. Still, we continue that, we see strong traction both in Saudi, Kuwait, UAE for our business.

On the India front, I think NBFCs, as we have covered a lot of public sector banks and banks, the larger segment of NBFCs, we are doing a lot of work on that segment. And that seems to be one of our growth drivers. Apart from seeing some challenges in areas of personal finance or something where there is kind of a slow movement, all other areas which are important in NBFCs, we are seeing a growth out there.

Having said that, in India, we had a very strong pipeline built over 2 years on account of large public sector deals. And we see there is still a challenge in terms of getting the larger deals out of the larger banks. But on typically, the momentum of business in terms of acquiring more logos or more deals in NBFCs, we are not seeing too much of a challenge.

The other part of your question about the employee cost, I think there are a couple of things driving that. Overall, I think there is an operational efficiency coming in as part of the scale. But also this year, if you look at most of the revenue streams which have grown are not service related. So need of hiring more aggressively was not there.

We also have started seeing the early advantages of getting AI-based engineering practices built in our system. We had an optimization of roughly around 7% in our manpower numbers for the year. And I think that trend, I think, will continue slowly for a few years. We continue to still hire aggressively from campuses because we will still need lot of people to work on -- to support the growth.

But as of now, both in terms of what you call a slower demand in the implementation revenue stream as well as what the AI advantages are bringing on to the table, are helping us optimize the employee cost. Seema does that answer your question?

Seema Nayak: Yes.

Moderator: Our next question comes from the line of Meet Virani from M&S Investments.

Meet Virani: Sir my first question on the side of large deal conversion, as we are discussed in earlier con call that, you mentioned earlier that, do you have a large deal conversion. But Q4 we have seen

strong revenue growth, almost -- so sir can you help me quantify how much of the growth was driven by conversion of earlier delay largely and whether deal closure channels have normalized or not?

Virender Jeet:

Meet, so I'm not sure I got the -- but I'll try to explain what I understood from the question is. So the large deal conversions for last 2 years, if you look at, which have helped predominantly the license sale in our part of -- if you look at multiple segments of our revenue, our licenses for previous 2 years have grown at a compounded rate of more than 30%, 40% year-on-year.

This year, since we have not been able to get the deal momentum of large deals at the same size, especially which you are on the backdrop of larger deals coming in Indian public sector or some of the larger accounts in Saudi Arabia.

Those things we are finding there is a slow take in terms of decision-making process out there. And there are multiple reasons about the decision-making process. Some are to do with the challenges there are in the economy, but some are in terms of the uncertainty around the AI or taking more time to evaluate whether what people are buying as the right value for the enterprise.

So there is overall slowdown in terms of larger deal momentum across all businesses that we are seeing broadly. I don't see -- I don't know exactly does it get completely settled. But what we have in our control is we have pivoted to getting into more midsized deals and we are trying to accelerate that.

And you'll see as part of that this year, I think our deal momentum has been good. In fact, between your new logos and existing logos, we have got substantial amount of deals. And they have added to large license, but it has not been at the same rate. So does that answer your question or you have meant something else?

Meet Virani:

Yes. I got it.

Moderator:

Our next question comes from the line of Rahul Jain from Dolat Capital.

Rahul Jain:

So I know -- so far what I could gather is that the challenge that we are seeing is mostly on the large deal sizes. But in the perspective of how we are seeing the market today in terms of deal sizes or in general spending behavior, how we plan to -- Virender, trying to meet the objective on the growth side and what should be the aspiration for us with this kind of a macro that we are in for FY '27 or maybe on a medium-term basis, what should be the growth band that we should be operating at?

Virender Jeet:

Rahul, thank you for the question. So yes, I'll just break it in a couple of things. So one is in terms of looking at market today, I think there is an element of uncertainty in the various pockets of market. We are still not very sure about how Middle East is going to behave in the first quarter and second quarter.

We are not -- we are still unsure about some of the larger deals which have got pushed out, whether they're going to be decided. Having said that, the applicability of what we have in terms

of product solutions, technology, is quite wide. We are continuously expanding new solution areas in existing verticals. We are also expanding into newer geos and new markets which we have not.

So we are slightly focusing on going wide. This year, while we had challenges in India and Middle East on the revenue front, but we still had very substantial deals coming in those markets, but they didn't match the license revenue of the last year. But overall, if you look at deals, we almost did the same number of deals out there.

In the meantime, we have also added a lot of customer bases in the newer markets. I think APAC has shown strong momentum. We have also opened markets in Australia and U.K., where more deals have come in there. Most of these deals are subscription deals, so the revenues will start figuring in future quarters.

So for us, we think we are very strongly believing with the kind of product innovation and the vertical journeys we have. We have a very, very wide market. Though you may have momentary challenges in one market, that does not change overall growth story of the company, our company.

We are very hopeful that we should be able to push back our growth very fast. In the intermediate time, you may have a region or some other regions having challenges for a moment. But overall, applicability of our products to wider market, total -- the growth of total addressable markets.

We are also thinking that the whole AI is going to give us a next generation of push for enterprise content management, our customer communication products. Our insurance systems have got early successes we have got in that area.

So we are -- if you ask, we are completely optimistic and hopeful. In this kind of an environment, projecting a number for next year may not be advisable. I think we'll just wait for 1 or 2 quarters till we are getting a much more, better insight of what's happening in the market.

Rahul Jain:

Virender ji, thanks for the color and I can understand we are in a very uncertain scenario. So it is very difficult. But we've been facing this challenge for couple of quarters. So we have been working on this aspect that where the problems are, what could be the potential mitigation step and all that. So with that things keeping in mind, is it like at least a double-digit growth is something we should be ensuring or you think it is so tough right now, to give any ballpark number would be difficult?

Virender Jeet:

So any time we do any growth, which is lesser than our historical growth, we are quite disappointed. So our plans never factor the single-digits growth or muted revenue. The other problem is, as you're rightly pointing out, last 3, 4 quarters, the way we see the problem is we had a very high license jerky revenue base in our revenue streams.

Some of that has been already rationalized. The business in control, the deferred revenue and what we call the subscription base has grown up. So inherently, the business has some amount

of compounding of growth. With even lesser challenges this year, we should be able to probably put up a growth number.

I would right now hold my horses to claim what is that number, especially, what -- depending on what has happened just in the last quarter. We were even thinking of doing much better numbers even last year. But I think the last 1 month surprised us depending on what -- in our major markets, we could not just move anything. So I think just give us one more quarter. I think by the end of the next quarter, we should be able to have a much more clear picture.

Rahul Jain: Just last bit on margin, if I could ask. Since we are of the view that the growth could be a bit tricky and we'll keep watching out on that front. So do you think this year, we could see a little bit of optimization on margin or do you think last year margin as the best indicator to see for this year?

Virender Jeet: Yes. So you're right. And I think last year, you will see that there's a lot of work which has happened on the margin front. So the growth did not sustain, but the margins were quite optimized and with a muted growth, we are able to maintain margins. So generally, we are always in the upfront investment zone. I think this year, we are already at roughly around 21% net margins. I think these are quite healthy.

I think we would like to still as a business focus on the top line and grow, while being conscious about not going overboard on spend this year so that the margins don't get any seriously impacted. So I would think our net picture at the end of the year may be similar, but it will -- entirely, so if we hit a growth which is in higher teens, we may have expansion of margin for that year. But if it is on a lower teens, we may have -- we should be maintaining similar margins.

Rahul Jain: Sure. And I would just request management to consider maybe buyback kind of an option if given that the pricing has been very attractive, generally the capital in the business requirement and the capital beyond working capital is very minimal. So a meaningful allocation there could be a good opportunity for company to reduce the equity base and help the investor to boost up the earnings?

Virender Jeet: Thank you for the suggestion. We'll surely take these all things and we'll consider.

Moderator: Our next question comes from the line of Aditi from ICICI Securities Limited.

Aditi: Congratulations on good execution. My first question is on the Middle East geography. So are we seeing any delays in new deal closures due to ongoing conflict in Middle East?

Virender Jeet: Yes, Aditi, thank you. Yes, absolutely, I think we had a serious impact last quarter. And we hope -- what has happened is all turmoil, after sometimes the business starts, like in COVID, people work around that. So we are seeing already that happening. Some amount of decision moving - - movement is going to progress. Some amount of travel has still opened up, though there are still lot of challenges.

So there is an improvement. If it does not deteriorate, we should be able to solve some of those problems in Q1 and Q2. But if it deteriorates further, then it's very uncertain to say what happens right now.

Aditi: Can you give a color on how the order book has shaped up, growth in order book for FY '26?

Virender Jeet: See, our overall order book at the end of the year compared to last year has grown by around 13%.

Aditi: Okay. And out of this, some part must have already been converted to revenue?

Virender Jeet: Yes, yes. So we are comparing apple to apple. So last year also, some part would have been converted to revenue. This is the residual at the end of the day. Whatever we booked for the whole year vis-a-vis whatever we booked for this whole year, last year.

Aditi: Okay. Got it. And my last question is on, we have seen a healthy growth momentum in APAC and U.S. Do you expect that momentum to continue based on the -- based on how your pipeline is shaping up?

Virender Jeet: Yes. I think we are optimistic about it. And though I think APAC is a smaller territory, so it has -- it switches between high-growth periods and lesser growth periods. U.S., the growth is based on some amount of a lot of subscription deals acquired over multiple years. So there's not too much of jerkiness. But yes, I think both the geos have performed well for us in this uncertain time. We think that next year, most of the geos should perform for us.

Aditi: Okay. And what is working well for us in the U.S?

Virender Jeet: I think what we are seeing in the U.S., there are 2 areas which we invested in. One is typically going to the larger accounts over the last 2, 3 years. So insurance has opened well in that space for us, and we are doing a lot of journey-led cases in insurance. Also, we got some very good wins in our ECM-led banking cases.

These are 2 things which have shown more positive results. And I think also some of that has translated in the revenue in the last 2 quarters, which we were even -- we were previously booked. And if we continue to book strong this year, we should be able to maintain the growth momentum.

Moderator: Our next question comes from the line of Swechha Jain from ANS Wealth.

Swechha Jain: Sir, my first question was around the annuity revenue. Would you be able to give the breakup between SaaS, ATS, AMC and support revenue for FY '26? You said 62%, but if you could break that down for me?

Virender Jeet: Okay. I won't have that it's going to be too difficult mathematic. But I think Deepti can -- Deepti would send the data to you.

- Deepti Mehra Chugh:** Yes, yes.
- Virender Jeet:** She has got the details. [Inaudible 0:28:25]. Just hold on, I think she's going to let you know.
- Swechha Jain:** And also, sir, in Q4, what I understand, this was 58% in Q4 FY '26. And in Q3, this was 62%. So this has come off a little bit this quarter. So just wanted some sense on you -- how do you see this annuity revenue moving ahead in next 3, 4 quarters? Do you think this can again come up like -- just your guidance over the annuity revenue, how do you see this going ahead?
- Deepti Mehra Chugh:** So Swechha, usually, we tell investors to look at the annual numbers rather than look at the quarterly numbers [inaudible 0:29:26]. So the annuity was 62% of overall revenues compared to 56% last year because there are licenses in certain quarters which could lead to lowering the percentages of annuity. So I request that if you look at the overall annual number, that will be more meaningful. And out of the overall 62%, about 12% is SaaS, 21% is ADS AMC, and about 28% is support.
- Swechha Jain:** Okay. Understood. And also with respect to the India growth, we've degrown in past 2 quarters. So how do you see this growth coming back? By when do we see this growth kind of -- or maybe the degrowth stabilizing in India? And how do we see the Indian market for us, sir?
- Virender Jeet:** Shweta, I think one of the -- if you look at overall, the reason for degrowth is the sharp fall in the large license revenue. So in India we have more like more than 20%, 30% fall in the license revenue. And if you look at all other streams are growing.
- Organically, for this year, we're on a much smaller base of license revenue compared to last year. So in fact, just maintaining the performance of last year will still reflect in the growth this year. So we do have that India should -- I think the worst in India is over in terms of numbers, and we should be able to bring in a growth year this year.
- Swechha Jain:** Okay. Understood, sir. Sir, and just one bookkeeping question. Sir, our trade receivables have increased compared to last year. So just wanted some sense from you, how do we see this?
- Virender Jeet:** Yes. So we have this problem in 2 dimensions. One is typically our ability to collect in EMEA over the last 1-month has drastically affected the EMEA trade receivables that. But also we have some challenges in APAC, which are more operational. I think they should get stabilized. Again, I think this year, we'll take an aggressive target to reduce the trade receivables aggressively and try to come back to the normal.
- Swechha Jain:** Okay. But do we see any provisioning coming on account of these in coming quarters or like we are okay with it?
- Virender Jeet:** No, I think this is automatically factored in the ECL norms on that. But trade receivables will not have any direct correlation with provisioning. Provisioning will be built as per the ECL norms on that. Right now, whatever has been is only a delay in payments. There is nothing to have payments at risk. Yes.

Basically, I think when we are talking about ECL, basically, it is an estimated credit loss model, basically based on last 12 quarters collection trend. So accordingly, we provide as per the accounting standard, and we are continuously doing that. So that risk is kind of taken care in the books as far as provisioning is concerned.

Swechha Jain:

Okay. And sir, just one last question. It's more to do with the industry and then maybe even to us. With the whole AI thing is what I understand as the companies shift from effort-based billing to the outcome-based billing, that's where the shift is going to happen. And in interim period, there will be impact somewhere in the revenues, in the margins and where the company -- the shift will happen.

The margin somewhere will stabilize, say, over a certain period of time, say, 8 or 12 quarters. So that's where the industry will shift, the company will shift. How do we see that happening for us with the whole AI thing? And how does that shift happen for us? And where do we see us as the company? And just wanted some sense from you around this.

Virender Jeet:

Yes, I think the challenge is -- I think the conversation right now is going on two fronts. One is about what is happening to the service industry and service pricing models. How are they changing? Our business is still decoupled from that. There is a solution and product. There are already multiple models of product pricing already factored in, right from consumption to usage to any other model which is linked to the business.

So there is going to be an evolution and also on product pricing. So that's another challenge in terms of will it be more in -- because when AI becomes central to the use cases, then AI-based consumption has to be factored in the product-based pricing. This is which all product companies are grappling with right now. We are also coming with more models working along with customers, which are the more acceptable pricing which is more transparent to them.

So our challenges will be more lying in the product pricing model, which are different than service pricing models. But your point is well taken, and I think already a lot of work is happening along with. So what we work on is generally as we are operating out of multiple countries. And I think customers also tend to define what are the most suitable pricing models in those jewels for those segments and verticals.

So slightly, we have a tendency to lag on pricing so that -- first is to solve the customer's problem, then also to work out the right pricing models with them so that it can be used out there. So I don't have a really a great technical answer for that, but I think I would go with my customers and work out a pricing model which will suit both us as well as the customers.

Swechha Jain:

Right. Okay, sir. Thank you. Thank you so much. I appreciate it.

Virender Jeet:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Dixit Doshi with Whitestone Financial Advisors Private Limited. Please go ahead.

- Dixit Doshi:** Yes. Thanks for the opportunity. So, couple of questions. I'm slightly new to the company. So one of the basic question I wanted to understand was, so we have -- in annuity revenue, we have a SaaS, ATS, AMC and support. So where do you record this subscription revenue in these 3 segments?
- Virender Jeet:** Yes. So Dixit, it is part of the SaaS where we recognize the subscription. So as you rightly saying that some of the customers take the whole SaaS service, which we are providing as part of almost consumption and some only realize the license part of SaaS is typically subscription-based licensing. So today, SaaS has both subscription-based licensing and the cloud revenue.
- Dixit Doshi:** Okay. And some of the subscription revenue also recorded in any other segment?
- Virender Jeet:** Yes, so one -- which is the ATS is typically the annuity fee on the license. It is a subscription base, but we call it typically ATS, the industry calls it ATS. So we call it ATS, which is typically having the same margin profile as license because there is no service attached to it, but -- and the support is typically more about extended ATSs where people are deployed for the customer, and that's how this figure is annuity.
- Dixit Doshi:** Okay. And so just correct me if I'm wrong. So basically, what -- in the previous -- let's say, when we do a license deal, so when we sold the license, the revenue is in the sale of product. And during the implementation, it is in the implementation segment. And then it is linked, and then over the years, we'll get the AMC and support charges. And if somebody is not taking the license and going for a cloud or a SaaS revenue, then everything comes to the SaaS revenue. Is it right?
- Virender Jeet:** Perfect. You explained it better than I could.
- Dixit Doshi:** Okay. So AMC support and implementation is basically linked with the growth in the onetime license and so, let's say, over last 1-year, our sale of license revenue slightly slowed down. So do you expect the AMC support and implementation also to slow down over medium term?
- Virender Jeet:** So, Dixit, the issue is sale of license has got a subsequent sales of implementation. So more deals we do, more implementation we do. So there is a direct correlation between both sale of license or sale of subscription to implementation. But ATS has a more compounding effect, which is a multiyear effect. So ATS is not only about what you did that year, you also did last to last year. And so either way, it does not slow down, it grows. It can grow at a more accelerated pace or lesser pace because it's always compounded. It does not...
- Dixit Doshi:** Yes, yes.
- Virender Jeet:** Your observation about the 2 factors, which is about the implementation partially linked to license because if you don't make more deals, you won't have more implementation. But the ATS is bit decoupled. And similarly, support also is to do more -- with more customers go live, they end up consuming higher ATS and support. So I would call more direct correlation is with implementation and much lesser correlation with ATS.
- Dixit Doshi:** Okay. And ATS, AMC and support is usually for how much tenure?

Virender Jeet: So generally, lifetime -- for ATS is kind of an insurance over the license because in enterprises, you don't use unsupported versions.

Dixit Doshi: Okay, yes.

Virender Jeet: But support varies. It can start small and grow bigger or sometimes also it could have a fluctuation of lesser continuation or more -- adding more people.

Dixit Doshi: Okay. Got it. And second question is, so usually in our previous calls, we have mentioned that due to the closure of deals, typically, our Q3 and Q4 more particularly is seasonally better in terms of revenue. But let's say, in future over next 2, 3 years, when your SaaS revenue and AMC revenues become the more bigger part of the revenue, does this seasonality will come down or even those segments have a seasonality?

Virender Jeet: So see, naturally, it should come down irrespective of what we do because as the annuity keeps on compounding, the seasonality falls. The last 3 years, we -- it has still come down, but has not come down at the pace we expected because a lot of last 3-year growth was based on the license growth -- sale of license growth. So the compounding which happened in terms of annuities and downstream revenues were not at the same pace as the license group.

So if the license growth is muted compared to subscription growth, then this will happen faster. Otherwise, it will happen at a slower rate. Either way, it's happening because we have now reached a 62% kind of annuities. It can reach all the way up to 75%, 80% of the annual revenues.

Dixit Doshi: Okay. Okay. And one last question. So I do understand IT is slightly less, but there are a lot of talks about the Claude Mythos and it's mainly for the banks, and we do a large business with the banks. So if you can help us understand whether it will -- it can impact us or it can benefit us because it's -- we -- we'll have to check the vulnerabilities of all our softwares and all, so if you can just help us understand something over there?

Virender Jeet: See the impact of Mythos in terms of vulnerabilities and when it's going to be available to the rest of the world for really solving those vulnerabilities, is a different question. But what's happening, clearly, there is a huge interest across all our existing customer implementations to invest more aggressively in securing the systems. All these initiatives right now are not being talked in the business language in terms of orders. This is more about supporting each other and making sure that things don't go wrong.

But you are right, I do anticipate that downstream, it will accelerate the process of upgrading systems. It will accelerate the process of modernizing applications so that the risks do eliminate, which should impact in terms of our downstream revenues coming from accounts. But right now, it is more about in a firefighting mode, helping our customers and making sure that the maximum number of risks are eliminated.

Dixit Doshi: Okay. Understood. Thank you. That's it from my side.

Virender Jeet: Thank you.

- Moderator:** Thank you. The next question comes from Meet Virani with M&S Investments. Please go ahead.
- Meet Virani:** All right. So, coming back. Sir, am I audible?
- Virender Jeet:** Yes, Meet, you are audible.
- Meet Virani:** Sir, as you have -- all right. So the company has a strong cash generation. And how are you planning to use this for business expansion, especially in areas like SaaS, AI audio market, sir? Can you elaborate on it?
- Virender Jeet:** So, Meet, I think the purpose of the company so far is to make sure that we are able to accelerate growth. So all the cash expansion or whatever is need, typically will help us either organically grow or inorganically grow. So the whole aim right now is to make sure that the growth acceleration happens out there.
- Meet Virani:** All right. So sir, any plan we have for inorganic growth apart from our business?
- Virender Jeet:** Yes. So we are looking at multiple options and typically to make sure that our go-to-market can be accelerated in mature markets and also in certain areas of product complementary technologies in various areas. I think -- but nothing is right in the stage, which is more final and concrete. And once if we have things like that, we'll surely come and communicate back.
- Meet Virani:** All right, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Jalaj from Prescient. Please go ahead.
- Jalaj:** Sir, am I audible?
- Virender Jeet:** Yes. Go ahead.
- Jalaj:** Thanks for the opportunity. Sir, I had a few sets of questions. So my first question was with regards to the license. As we see the discussions with the clients and the pipeline and the order book, should we believe that we have reached to a trough in terms of the bottom in terms of the license revenue and incrementally, we should have growth from here? Or we still believe that because the Middle East and the demand in India is still to pick up or the newer NBFCs and banks have to come up with new deals, so it will take longer time?
- Virender Jeet:** So what I will say, what is going to happen is that if the business starts behaving better in India and Middle East, we have use -- we can agree that we have reached the bottom of the license, and we should be able to do better. But if the business momentum or growth starts coming more from more mature markets, then we'll still sell more licenses, but they may be in the form of subscription or SaaS-based revenues. So it depends on what geos start performing.
- But overall, if you look at addition of the SaaS and license, in all years, we'll end up growing. That's the whole idea because we always end up making more deals than what we did last year. So some of the composition of those deals change and they may not reflect in the same year. So

I'm hoping this year also looking at both what we sell in license and what we sell as subscription licenses, we should be able to do better than any previous year.

Jalaj: Got it. But as we see the discussions with clients, has there been any sensible change in the momentum or discussions as we stand today, if you were to compare it a quarter back or 2 quarters back?

Virender Jeet: Not much. I wouldn't say like that. See -- I think the industries we are working in are always very hungry for modernization or transformation of their businesses. It's only that when the -- what you call when the -- core work about taking decisions about those deals, those we think that is getting more impacted. The conversations are always in the market. The interest is always in the market.

Sometimes just that final go ahead takes more time or there's more challenge within the enterprise to go ahead with that time. So those are more challenges. I don't see any difference in the client conversation happening as of today about changing priorities or reducing their spend on IT or something.

Jalaj: Got it, got it. That explains it. And sir, my second question was with regards to the margins and specifically on the people cost. So we see that on a year-on-year basis, the people costs have been flattish. So is it largely explained by the productivity, AI-related productivity or partially as you alluded to, the lower license leading to a lower implementation headcount or implementation requirement? Is that being driven by that? And maybe a headcount comparison on Y-o-Y would be -- would help us to substantiate that?

Virender Jeet: Yes. So we have roughly around 6% reduction in headcount Y-on-Y. And that's an organic reduction, while we have, in all our years added around 400 campus people. Even this year, we are going ahead with adding 300 to 400 campus people. But most, as I rightly said, we have a - - there is a transformation happening in the engineering processes and there are benefits about AI, which are coming and creeping into the system. That should help us to keep on improving margins and delivering faster.

So you will see some amount of efficiency on that front also coming in this year. And we have invested very aggressively on the AI. Today, almost around 80% of all our people have access to all kind of technologies and AI agents so that they can work on that. And the whole process of engineering is getting transformed slowly. And I do think those benefits will keep on continuing for a few more years as the full transformation and full advantage of that transformation comes.

Jalaj: Got it. Got it. And sir, my last and quick question would be the client discussions which you are having for, let's say a relatively mature client in banking, because of AI disruption as such, are the decision-making getting delayed per se because they are not themselves sure of the -- what sort of architecture would it be, because every now and then new models are coming and some of the new introduction is happening. So is it partially or you are seeing the discussions getting postponed because of that?

Virender Jeet: So what is happening that -- see, we deal still a lot with businesses across all places in our customer segments. Businesses are still focused on their business outcomes, and they are expecting AI as one of the enablers to provide better value in that. So all the use cases which we are selling today have a strong component of AI helping the customer in achieving their business goals.

The problems we are talking about, cases which have started in isolation, AI projects and AI POCs, which have been completed over 2 years, but don't know what next to do on that. Those are some of the things which are creating disruptions about such AI-led cases.

But typically, if you look at core business cases about modernization, digital lending, account origination, tax systems, the problem is not about the AI out there. The problem is how can you use AI to provide better advantage, better behavior in those systems. So those are still being considered and AI evaluations are becoming important part and integral part of evaluating those systems.

Jalaj: Understood, understood. Thank you and best of luck.

Virender Jeet: Thank you.

Moderator: Thank you. The next question comes from Rajakumar Vaidyanathan from RK Investments. Please go ahead.

Rajakumar Vaidyanathan: Yes, good evening. Can you hear me?

Moderator: Yes, we can hear you, sir. But may I request that you use your handset, sir. Your audio is slightly muffled, sir.

Rajakumar Vaidyanathan: Yes, can you hear me now?

Moderator: Yes sir, this is better. Thank you.

Rajakumar Vaidyanathan: Yes. Thanks for the opportunity. Sir, the first question is on the license model. As we know that the Gen AI agents are now kind of performing some discrete business continuously in many of the businesses. So I just want to know, are we -- Newgen is moving out from [inaudible 0:50:27] license to the agentic work unit pricing model?

Virender Jeet: Yes. I think this is what -- there is a discourse happening globally that all SaaS companies are facing a challenge and all software licenses have to have a consumption-based pricing. We are working as -- I think if you were in the call previously, we spoke in detail about this. So what's happening in enterprises, we are keeping our pricing models close to the business outcomes which we deliver.

And now what's happening, a lot of -- there is an agentic or what you call the token cost coming to all business use cases, and we are trying to price that as part of that. This we are working in closely with customers to evolve what is the right pricing model. So it's not -- so we assume that

the company determines pricing model. It's also the buyer who is buying them, it should be transparent to them.

So right now, this is a conversation going on. I think you will get better answers about this maybe in 6, 7, 8 months down the line when more and more transformation would have happened. Till that time, we are working with our clients to come up with the most right pricing, which is AI agents plus tokens plus our business value and then how we package it together.

Rajakumar Vaidyanathan: Okay. So but as of now, it's a headwind for us? No?

Virender Jeet: No, no. I think we are -- pricing is the least amount of headwind. I think the headwinds are around more about decision-making, what's happening in markets about economic turmoil. So those are -- pricing is not.

Rajakumar Vaidyanathan: Okay. Got it. Yes. So the next question is a housekeeping question. So I see your deferred revenue has gone up from almost INR220 crores to almost INR300 crores this quarter. So what is driving that? Because generally, deferred revenue will be subscription or AMC revenue. So that should be backed up by license as well, right? So we are not seeing any spike in license?

Virender Jeet: No. So, exactly. So basically, the more of a spike which has come in has come in the revenue streams, which are slightly in terms of back ended. They are not realized upfront. So any orders which have come as part of subscription license sale add to the deferred revenue. Any large ATS renewal contracts which have come in of licenses sold over previous years have added to the deferred revenue.

So which gives us a better insight going into the next year. So all deferred revenue is not an outcome of a license revenue. So deferred revenues are also coming part of renewal agreements in ATSs and of sale of subscription or cloud-based licenses.

Rajakumar Vaidyanathan: Okay. But there is a substantial jump. So what is causing the jump? That is the question sir.

Virender Jeet: It is the growth in business, in -- growth in business in Australia, growth in business in U.K. and U.S. because out there, the growth is also reflected in the deferred -- more of growth in deferred revenue.

Rajakumar Vaidyanathan: Okay, okay. Got it.

Rajakumar Vaidyanathan: Like India and Middle East contribute -- India and Middle East are predominantly license-based businesses, so they don't contribute to the deferred revenue, but all other markets contribute to the deferred revenue.

Rajakumar Vaidyanathan: Okay, okay. Got it. And just continuing on that agentic model. So just want to know what kind of moat Newgen has because now with all these open source AI agents, they can build -- the companies can build their own basic workforce, right? So what do you think is the moat Newgen has in the new AI world?

Virender Jeet: I think you can go to our website also, you'll get. So what basically, if you look at what -- at the core what Newgen does is we have got broadly 3 platforms, but predominantly 2 are the most relevant ones. We are an enterprise store for content. So one, we are looking at the whole interest in AI and using enterprise knowledge along with agents and LLMs.

You need a very strong records management, content management governance process and also an extension of this content management into getting the RAGs implemented, getting knowledge graphs implemented. So this is our product out there, which really helps customers to go and implement LLMs.

The second part of our product is we have to do the journey -- journey orchestration. So we are today orchestrating between current core systems, business services and enterprise workflows. So what's happening with Agentic, Agentic is helping customer to automate further flows or automatic human activities.

So we are still looking at ourselves as an orchestration platform, which orchestrates between systems of records, agents, nonhuman entities and existing business processes. So a lot of -- a lot of industry, which is we are dealing with are regulated industries. So you can't let an agent loose to reject a loan or approve a loan.

So you still need traceability, you need in terms of transparency and decision-making. You need to still tie up with the core system. You need to talk to hundreds of government services. So we are the ones who do that, even for the digital journeys.

So we are excited. We are coming with the product road map about really where a customer does not have to really go out, right, from agent builders to orchestration of agentic workflow, whether it's deterministic or nondeterministic. We are having products for that.

Rajakumar Vaidyanathan: Okay. So in short, this AI is not a kind of a headwind for Newgen, right?

Virender Jeet: No, no. I think this is -- I think a lot has been talked about that AI is the only tool now with the industry group. That's not a challenge. We are looking at AI as an opportunity to accelerate growth.

Rajakumar Vaidyanathan: Okay. Got it, sir. Thank you so much. All the best.

Virender Jeet: Thank you.

Moderator: Thank you. Ladies and gentlemen, our last question for today comes from the line of Sumukh from Korman Capital. Please go ahead.

Sumukh: Hi, team. Am I audible?

Virender Jeet: Yes, Sumukh. Please go ahead.

- Sumukh:** Yes. So I'm not sure if this question is already answered. But my question is, sir, did you see any revenue deflationary impact from AI, like clients asking you to pass on the productivity that you're getting from AI? And also like what part of your business is coming from the discretionary IT spends, if you want to categorize it that way? So I'm just trying to understand like if the budgets tighten, right at the client end, so what part of your revenue is at risk from that point of view?
- Virender Jeet:** Yes. I think what's going to happen since globally, enterprises have to invest aggressively in AI. So some amount of budget has to come from run the business or business as usual. So there is going to be some pressure across the globe in terms of optimizing some services which are running as is. So we are still into a product solution base. So our streams like license sale, subscription sale, ATS, is a very little impact.
- Similarly, implementations are negotiated for a short period of time, they have impact. So our streams, like what are typically renewals in support for ATS. Since we are not really into large projects, like we don't have hundreds of people working anywhere, we have very tactical teams to solve critical business problems. So we may see some amount of pressure coming in those areas. But as of now, we are not estimating more than 2%, 3% impact on these two revenue streams for this year in that area.
- Sumukh:** Okay. So these streams contribute how much to your revenue, sir? And where do you see...
- Virender Jeet:** These two streams contribute roughly around 40% of our revenue.
- Sumukh:** So we have 40% -- sorry, 2%, 3%, deflation is on this 40%. Is that correct?
- Virender Jeet:** Yes. I think yes. It's difficult to estimate, but this is what we are factoring right now depending on what conversation going on. But at the end of the day here, you may see that these streams have grown further because we are still selling to newer customers doing new projects.
- Sumukh:** Okay. And so where don't you see AI impact at all in your service?
- Virender Jeet:** No, I think AI impact is in all areas of businesses. But I'm saying some impacts are positive. Some impacts are about change of how we are doing job and some impacts are optimization of costs, which in some areas which were sold at cost X, maybe on a -- now a delta reduced cost of that X. But selectively, we look at it as a net positive for the company.
- Sumukh:** Okay, sir. Got it. And -- Yes, that's all my questions. Thank you.
- Virender Jeet:** Thank you very much.
- Moderator:** Thank you. That was the last question for today. I now hand the conference over to Ms. Deepti, Head of Investor Relations, for closing comments.
- Deepti Mehra Chugh:** Thank you so much for your participation, everyone. For any further queries, you can connect with me or go to the website of the company. Thank you.

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