



“Majesco Limited Q2 FY16 Earnings Conference Call”

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MODERATOR: **MR. DIWAKAR PINGLE – CHRISTENSEN IR**

Moderator: Ladies and gentlemen, good day and welcome to the Majesco Limited Q2 FY16 Earnings Conference Call. As a remainder, 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, sir.

Diwakar Pingle: Thanks, Margreth. Welcome everyone and thank you for joining us for the Q2 FY16 earnings call for Majesco Limited. Please note that the results have been mailed and you can also view it on our website at Majesco.com. To take us results and to answer your questions today we have Mr. Ketan Mehta – Non-Executive Director of Majesco Limited and Founder & CEO of Majesco US and Mr. Farid Kazani – Managing Director, Majesco Limited.

We will start the call with a brief overview of the quarter gone past. Mr. Ketan Mehta will be giving you a brief highlight of how the quarter went. Mr. Farid Kazani will kind of dwell into the financials and then we will go into the Q&A.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can construed as a forward-looking statement must be viewed in conjunction with the uncertainty and the risk that we face. The uncertainties and risk are included but not limited what we have mentioned and which can be find on our website. With that said, I will now hand over the call to Mr. Ketan Mehta. Over to you, sir.

Ketan Mehta: Thank you, Diwakar and good evening all of you. And welcome to Majesco's second quarter conference call. Before I talk about the updates on this quarter I just want to reiterate the three key strategic things which we highlighted when we launch the three year journey for the Majesco after the demerger and those three things were: the first that Insurance Industry is in the mid's of very rapidly evolving business cycle where technology driven business transforming is becoming very critical. Second, the Majesco's product and services offerings are very well positioned to take advantage of changes in the industry and third, we lay down our three year business strategy where we discuss that we will make an aggressive investment in the first year to really prepare Majesco as a platform for ambitious growth. And as a result of our business strategy we said that we should be measured by the deal momentum and order book in the year one and revenue growth in the year two and profitability in the year three. And I would like to explain the update for the quarter in the context of these three strategic things.

So let me just first start with the Insurance Industry. We had an opportunity to host over 200 odd participants in Majesco's Annual and Customer Conference few weeks ago and it was very well attended by our customers, business partners, industry and others as well as some perspective customers. And I am actually thrilled by the feedback given by the customers, this is the first time we had a combine customer base from Majesco as well as the earlier Cover-All and Agile business unit joining our customer conference and at the end of the conference I am more convinced than before that the transformation needs and drivers in insurance industry are real.

In fact it is high in the agenda for majority of the insurance carrier at sea level. So overall in terms of the industry opportunities I am more a bit optimistic about what is taking place.

Now second let me talk about the momentum in which our business is getting. I am feeling very good about the overall momentum of Majesco's business we did talk about the fact that we had three new deals in addition to the six new deals we talked about last quarter. So overall 9 new deals we announced in the first two quarters of the Majesco. So I am very pleased with the deal momentum which is taking place. I am especially excited about the QBE deals which we announced few weeks ago. As we mentioned in our Press Release that the QBE is one of the top 20 insurer carriers in the world and they have selected Majesco's platform for their strategic initiative to transform the North America specialty business. And they would use not only Majesco's overall policy and billing platform but also the Majesco business analytics as a part of their transformation initiatives. And they would really be deploying everything on the cloud and I will touch upon that as the cloud is working out to be the fastest growing part of our business.

In addition, I am also pleased about one other opportunity which we closed this quarter which is a large very large insurance broker used the Majesco portfolio of solutions to launch new lines of business in 50 states. The exciting part about it is that they have and really would launch their business in less than 60 days after they selected Majesco and this touches upon the key driver for the many insurance carriers which is speed to market. And so from that perspective this creates a great study. There are very few examples in the industry where someone has taken a new platform and launched their new business initiatives in less than sixty days. So a great case study from that deal as well. We closed that deal last quarter and the client even went in production and went in leveraging our platform.

As I mentioned the Cloud continues to be the fastest growing part of our business driven by increasingly insurance company's comfort to move to cloud so we find that there is shift and ` Majesco really has a fair amount of maturity and head start over many of our competitors whereas we have been doing Cloud business over ten years with over 27 customers already on our cloud platform.

Now lastly let me just touch upon our investment themes. As we said we will continue to make strong investments in the Majesco solution so both in the areas of R&D as well as our sales and marketing capabilities to really take advantage of our growth opportunities out there. So we increased our investments almost by 53% in this six month in these areas compare to last year and as a result of this increased investments we announced the number of important milestones and let me give some examples.

So during the last quarter we launched Majesco Business Analytics Software Solution which is out of the box BI and analytics solution that reveals the actionable insights across the insurance value chain for business users. As well as it has some pre-built measures with a flexibility of configuration and drill down, etc.

I am also pleased to report that our new products are getting recognized in the industry, Gartner recently recognized Majesco's claim as the visionary in the Gartner's recently published Magic Quadrant report for the MCE Claims Management Module. So we have ambitious product roadmap which will launch the additional new products in the coming quarter.

I would also touch upon the fact that we have signed a MoU with and announced a partnership with the Deloitte Consulting LLP. We have been working with Deloitte and we have formalized our partnership where they are making investments on our platforms to support our growth areas as well. So overall I am satisfied with the fact that we have strategy which is working and the execution and the momentum in the market in the first two quarters. So with that I will pass this on to Farid to make his comments before we open it up for Q&A. Over to you, Farid.

Farid Kazani:

Yes, thank you Ketan and good evening to all the participants on the call. Ketan, did touch upon a lot of exiting activities that got carried during the quarter and we feel upbeat in terms of the opportunities that we see in front of us and in effect this quarter clearly reflects the investments that we have made in the business both in the R&D and sales and marketing with the clear mandate to see that convert into growth for us in the coming years.

So let me turn on to the financial for the quarter. On the revenue we have seen the operating revenue of Rs 187.4 crores as compared to Rs 150.2 crores in the previous quarter reflecting a growth of 24.8% in rupee terms and 21.5% growth in constant currency. For the six months we have seen the operating revenue at Rs 337.6 crores which is also in effect since Majesco Limited was not there last year so we do not have comparative numbers. But on a pro forma basis it is approximately 30.5% organic growth in the business over the six months period.

In terms of the profitability for the quarter we have ended up with an EBITDA of Rs 1.33 crores which is 0.7% of the operating income as compared to Rs 8.5 crores which was 5.7% of the operating income in the previous quarter. On a six monthly basis we stand at Rs 9.88 crores which is 2.9% of the operating income. The drop in the EBITDA margins from the previous quarter is because of the investments that we have made in this quarter we have increased our product development expenditure to almost 15% as compared to 13%. We have also increased our sales marketing expenses which from the financials you do not see the break-up but that can get really reflected and can be seen in our US financials that we declared in the last week. So we have upped our sales and marketing efforts again by 1% as compared to the previous quarter. The other increase is related to the salary increase that got kicked in this quarter which started from July that is another 1% impact on account of salary and there were expenses that were related to travel and other activities and in terms of building some resources in line with the visibility of the business.

The net loss for the quarter is Rs 0.6 crores as compared to a net profit in the previous quarter of Rs 1.5 crores. And at a six months basis we stand at a net profit of Rs 0.94 crores. The product development expenditure for the six months period is at 14% of total income which is approximately Rs 48.4 crores for the six months.

Ketan did mention that in the six months we have had good account wins when actually seven in the last quarter and three in this quarter and our active clients including India clients now stand at 155. Our backlog which is a 12 month executable backlog was at close to Rs 360 crores as compared as Rs 401 crores in the previous quarter. The drop is primarily on account of some right shifting of order books that we do expect to close in this quarter and including an account like QBE which Ketan did mention which is really exiting deal on the Cloud and there typically it is a long-term deal which means the order book gets spread over a long-term period and you have a much lesser 12 month backlog in that order book. But clearly it being long-term business it gives us a good predictability going forward.

On an employee headcount we have increased our headcount and we have ended up with 2,164 employees out of which 1,623 are based in India and the rest in US and other geographies. The headcount was 2,095 in the previous quarter.

Cash and cash equivalent has improved pretty well in this quarter. We stand at Rs 122 crore on the consolidated Majesco level as compared to Rs 102.5 crores in the previous quarter and that has been on good work done on the collection side where receivables have actually come down. We have also utilized some repayment of the debt, so the debt has come down from Rs 73.64 crores in Q1 FY16 to Rs 64.1 crores in Q2 FY16.

From a geographic standpoint as Cover-All got added in this quarter, the North America geography has now increased its percentage of revenue. As against 85% in the previous quarter the North American geography stands at 88% in Q2 FY16. UK now is at 8% and the other regions at 4%.

From a line of business perspective we have seen the P&C growing strong, it is now 77% of our business and Life & Annuity close to 19.7% and we still have some bit of the non-insurance business at 3% in this quarter. At a break-up of the business by offering, the license revenue was around 5.2%, the professional and implementation services was at 64%, the cloud is around 14.4% and support is at 16%. So overall in terms of our business we do feel upbeat. Ketan, did mention that the total investment was 53% and we do believe that that will convert into a strong build-up of our business going forward. This is as far as the numbers for the quarter concern. I would now open the floor to questions, so operator over to you.

Moderator:

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Harit Shah from HDFC Securities. Please go ahead.

Harit Shah:

Just one query, can you just give some detail on this that you had mentioned about this right shifting of orders because of which the order book has reduced. So if you could just give some detail understanding of this specific issue?

Ketan Mehta:

Sure. As we said our core business is core solutions for the insurer carrier which is made up of policy & billing and billing it is typically a long sales cycle because it is a very strategic decision for the client, it involve 12 months to 18 month of sales cycles before the clients make the

decision. So I think one of the things which we have seen this quarter is that many of these decisions which closed got shifted as a part of their decision making process. That is one of the things which has resulted into lower backlog. But the other point which I think Farid touched upon is important which is we see increasing amount of our deals coming through Cloud side of the business where the 12 month impact on the backlog is not as high because these are multi-year, over five years types of deals so it has a longer predictability and impact on the first 12 months execution is negligible.

Harit Shah: Okay. So you are basically saying that some decisions got delayed not necessary that you had lost any orders on anything of that sort, right?

Ketan Mehta: That is correct.

Harit Shah: Sure. And as far as your details regarding the average if you could give detail on the average size of the orders in your cloud business versus the traditional non-Cloud business any kind of color on that right now?

Farid Kazani: Ketan, did you get the question?

Ketan Mehta: I got, do you want to take that?

Farid Kazani: Yes, so let me give you a representative example for billing in mid-market segment, okay. Typically that size will be between \$3 million to \$5 million and that would be executable in terms of on-premise with the client over a three year period, okay. But typically if you look at on Cloud it would be a longer term contract with the clients to be anywhere between five years to ten years on an average it is seven years and on a long-term basis since this is a subscription model we will tend to get higher revenue on a longer-term basis. The other impact is while in a three year contract which would be on implementation that would be on premise you would have some license fee which will be higher as percentage and therefore you will see margins obviously link to the license fee that comes in. In the Cloud format typically you will have some bit of implementation's fee but you will see the margins getting more even out over the longer-term period. So to in-short to answer on a longer-term basis it is much-much better and once you create stickiness with the client you can actually look at building further business from the client going forward and the subscription is actually linked to the premiums that get build by the clients. So the business for the clients grow it also helps R&Ds to grow.

Moderator: Thank you. Our next question is from the line of Amar Maurya from India Nivesh. Please go ahead.

Amar Maurya: Farid, I have first question that is primarily what is the salary hike we had given in this quarter?

Farid Kazani: Salary hike, we structured it very different from the normal IT services obviously we have incentivize people to be part of this entire Majesco story. So on the offshore our average salary increase in this year was approximately 10% and onsite it is approximately 4%. First part of the salary increase that gets kicked-in July has happened is for the operations scheme and the second

part of the salary that gets kicked-in actually in October is for the corporate and other support staff.

Amar Maurya: Okay. So what would be the margin impact in the next quarter again?

Farid Kazani: It will be less than a percent where as it was almost...

Amar Maurya: Major thing is taken care.

Farid Kazani: Yes, so major thing is taken care of as almost close to 1.5% in this quarter because significant part is related to operation salary.

Amar Maurya: Okay. And my second question is our marketing expenditure has gone up. So what I should assume is marketing as well as R&D both? What I should assume is that percentage likely to remain for the coming few quarters like this?

Farid Kazani: So I think Amar, percentage would depend upon how the revenue builds-up quarter-on-quarter. I would say this level of spend right now which has happened in this quarter is also likely to be maintain the next two quarters at least.

Amar Maurya: For marketing spend as well as R&D both, right?

Farid Kazani: Marketing we will do some activities. There are some activities lined up and we are also adding some more sales guys in the team so, the sales and marketing maybe a little higher in absolute terms. So therefore percentage will actually depend on what the revenue comes in the next quarter.

Amar Maurya: Okay. And lastly Farid, if you would like to answer like I assume a major chunk of our employee basis in India, right I believe this is one advantage which we carry vis-à-vis the competitor. So do you believe this is that the advantage which you carry?

Farid Kazani: See there are plus and minuses of this, okay. And it's clearly a mix and match of having solution architects onsite who can actually support the client and rest offshore who can deliver the product effectively. We have a good leverage in having people in offshore and that is why when you look at comparison with our competitors the percentage of product development is much lower as compared to the others and we are getting much more productivity or efficiency out of that. But if we had the entire product development teams sitting in the US while we would had lesser number of people offshore, our cost would have been significantly higher. So you have to decide whether you want to leverage the offshore model effectively.

Amar Maurya: Okay. And Farid, one last what is our maintenance revenue today because professional services include maintenance revenue?

Farid Kazani: No, professional services that is pure implementation but you look at support is today 16% and there will be some part of it in the Cloud also.

- Amar Maurya:** Okay. But then if I see your license I believe license is very less today and given that as you have said that billing is basically we are aligned with most of the clients in billing, right. Now post this the kind of reorganization which we are getting probably from the analyst. So are you seeing the traction that your policy and claims had been asked by the existing client that you know that I want to see I want to test it or something like that. I mean just wanted to understand that flavor because in billing we are really doing well. We have quite good ranking into that but policy and claims are the two things where do not have much significant in terms of the client base.
- Ketan Mehta:** So, good question and let me give you a good color. You are right we had considered a market dealer in the billing area. However, over the last almost two years our policy admins is picking up. Majority of our new deals there are also suite deals which includes policy, billing and claims. In the new deals, the QBE deal is primarily a policy deal and a billing component as well. The other deal which I talked about which was implemented went live in less than 60 days also was policy deals. Similarly, we announced a distribution deal with the Westfield in the last quarter so that was on our new solution on distribution management. So if I look at the diversity of the new deals which includes suite deals quite a few distribution deals, business analytics deals I think we are now no longer very dependent on only on the billing solution but with especially the recent acquisitions our wider solution portfolio is very well recognized.
- Amar Maurya:** Okay. So now we are saying that now we are having policy in our kitty, distribution is in our kitty, business analytics, claim and billing all right?
- Ketan Mehta:** So our lines of offerings had increased.
- Amar Maurya:** So what I want to understand here is that all these models are now available on Cloud as well as on the subscription model?
- Ketan Mehta:** That is correct. All our solutions are available on Cloud and we find that increasing amount of traction on those.
- Amar Maurya:** And I believe we are the first to be on the cloud.
- Ketan Mehta:** Yes, we have been on the cloud for over 10 years and we have over 27 customers on Cloud so, we have fair amount of maturity in our cloud business.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir my first question relates to your three plan that we have build-up about \$200 million to \$225 million revenue target by FY18. Is that entirely based on organic or is there any inorganic thing that also might come over the next three years that you might have built up in your revenue projections?

- Ketan Mehta:** Yes, these projections are a combination of organic and inorganic so, we will certainly continue to do few synergistic acquisitions which suits our strategy but I would expect that the majority of the growth should will come out of the organic but will continue to supplement with the acquisitions wherever it is affect. The projections are based on the combination.
- Deepak Poddar:** Combination but majority would be organic, that is what it is, right?
- Farid Kazani:** The majority will be organic and I think based on the base of clients today that we have we do feel optimistic of having opportunities on cross-sell with these clients. So organic is definitely going to be the way forward and as Ketan did mention there will be certain inorganic only linked to synergistic acquisition building some capabilities you can as far as portfolio.
- Deepak Poddar:** Understood and the second thing I wanted to ask is that we have mentioned 44% to 46% as a gross margin target by FY18. But as I see currently only we are kind of last quarter where we were at about 47% and this quarter we are at about 44% gross margin. So over the next years is there any upside to gross margin that we can see because we currently are at the level which we are targeting in FY18?
- Farid Kazani:** No, really speaking I think there are a lot of opportunities for us to improve margins and the team has planned various actions around it. So one is to improve the overall revenue streams and business mix and build higher license revenue as we get new deals. Second is there are cost opportunities in terms of improving productivity and efficiency within our system to improve the margin. So, on a long-term three year basis we said we can get to a gross margin between 45% to 46%
- Deepak Poddar:** Obviously, there is a possibility. And my last thing that I was wanting to know was something on your like consolidation part, do we consolidate entire 10% of Majesco US in Majesco India or is there only 70%?
- Farid Kazani:** No, we consolidate the entire 100% into Majesco Limited as a consolidated entity, so the entire US business gets consolidated and we show the minority interest of 30% that is held by Mastek UK and erstwhile Cover All shareholder.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.
- Mohit Jain:** Two questions and one request actually. First is on revenue volatility when should we expect this to subside as far as quarterly fluctuations from the growth rate are concerned? And second is for Farid, in terms of EBITDA margins because you guided for FY18 directionally we are like still far as far as EBITDA margin is concerned so what kind of outlook should we or what kind of expectation should we have here in terms of FY16 and FY17?
- Farid Kazani:** So Mohit would like to make a submission out here. There will be some quarterly volatilities in both the revenues and the margins, and I would request that you look at our nos on year-to-date and annual basis to see how we are building the top-line and also improving the margins. So I do not want to guide very specific in terms of next quarter or the quarter after that. But clearly

if you look at our initial plan that we had said that we will invest in this year. We will spend on product development and sales and marketing spends and some are yet to happen and will happen in the next two quarters at least. And this is going to help us in terms of closing the year with a much stronger order backlog. We do believe that we have a good leverage factor with revenue upside and build profitability and in year three is when we will see the upswing in terms of profitability and we will see leverage of the other expenses that help to get us to EBIDTA of 12% to 14%. So if you are asking us today whether we are on track I think we have good visibility to kind of our revenue and we have good traction to improve the margins to that level.

Mohit Jain: Okay. I was referring to the volatility because what is happens for example if you look at last three quarters you are like (-4), (+5), and (-1) sort of number.

Farid Kazani: As I said it happens and in this year we would not like to put any expenses on hold just to keep an uptrend on profitability. The spends that happened in Q2 was planned in Q2 and the spends that are planned for Q3 will happen in Q3. So Mohit, again my submission is do not look at quarter-on-quarter. Look at our year-on-year and keep track our built up on the top-line and bottom-line.

Mohit Jain: Understood and I guess you are on track 15% - 20% sort of revenue growth number that you were talking about.

Farid Kazani: Your guess.

Mohit Jain: Okay. Last thing is a request actually you could do the US call also at a convenient time because what happens is you declare results there one week before almost and then this happens here after a week to the gap which happens.

Farid Kazani: So I will take your request, we have options either to do after the market close or before the market opens up, okay. So I will take your request to the board let me see what happens.

Moderator: Thank you. The next question is from the line of Pratik Gandhi from Geecee Investments. Please go ahead.

Pratik Gandhi: Farid, one question on your revenue organic revenue in the current quarter and even in the first-half seems to be slightly lower than what your internal expectation was so, how do we see that for the full year?

Farid Kazani: So actually if you see the six month organic growth that is 13.5% and if we trend on the same basis in the next two quarters you will have a good feel of how we will end up the year on an organic basis. So right now we are trending at \$29 million in this quarter and if you add the next two quarters and then compare with the \$106 million in the previous year you will get some growth which I think will be closer to what we have done in the six months.

Pratik Gandhi: Okay. And on the similar lines how do see performance of your acquisitions with respect to your expectation?

- Farid Kazani:** I will just give my view and then Ketan can add accordingly. Agile got integrated in the previous quarter not in this quarter so Agile is tracking pretty well, okay. And they have an earn-out model and my guess is that they should be close to be getting their earn-out. So overall I think Agile is working fine they are bringing good traction, good support to Majesco's business also because its and integral part of Majesco as the Insurance Consulting Division. Cover-All got integrated at the start of the quarter so I think we have done a lot of actions around integrating Cover-All. We have integrated the sales team, we have integrated the product team, we have integrated the support functions and we also got our entire staff in the US under the Cover-All facility in Morristown in New Jersey to ensure that the integration becomes much easy. There is some more work around the integration that will happen. Ketan, you would like to add anything?
- Ketan Mehta:** I think in my perspective I think the integrations have gone extremely well and I am very pleased with how they have gone. In terms of Agile Consulting we are actually discovering more values in synergies even in our regular implementation program than what we expected and the clients clearly will see the value of us bringing the consulting capabilities in the ongoing transformation program. Especially at Cover-All based on their product rates we have launched the Majesco Business Analytics which already started winning few deals. As well as if you look at some of the new deals which we have taken up in the last two quarters some of them leveraged the Cover-All solution. So overall I feel that the synergies have been working very well. If I refer to QBE type of a deal it also shows an integrated offering from Majesco's solutions as well as Cover-All solutions. So technological integration has also happened well so very pleased with the integration so far.
- Pratik Gandhi:** Okay. And I guess last question is on your license revenue in the current quarter and even in the order book, if I look at both vis-à-vis three months back there is drop and I think we are behind this our expectation so the comment on that would be helpful.
- Farid Kazani:** Again quarterly volatility Ketan alluded to that that there has been some deals which should have got closed in the previous quarter that did not.
- Pratik Gandhi:** No, I got that one but I guess if I look at I guess one or two quarter back we were at \$63 million order booking versus now we at sub-50 so just want to check. Is it fair to assume that I guess in the next quarter we will be much better compare to what we locked in the current quarter because of the right shifting of the order book?
- Farid Kazani:** Expectations is to do better, yes.
- Pratik Gandhi:** Sure. And what about the licenses sale I think which is quite below our expectation?
- Farid Kazani:** Yes, license again you know one of the account license revenue that we were getting that got completed so again the drop has been primarily because of that. So, as we build new clients into the next quarter we will see the license revenue also shape up. Yes, but it all depends on what deal structure we will be able to close. If it is a Cloud deal typically it will be different way. If

we are closing a significant size deals where you get on-premise deal and you get a higher license revenue it will be a complete different percentage.

Pratik Gandhi: So is it fair to assume that as your license revenue increases your margin trajectory will also improve?

Farid Kazani: Definitely, license does add to an improved margin scenario.

Pratik Gandhi: And lastly, I guess are you seeing some improvement at least in terms of the average size of the deal compare to what we use to clock six months back?

Ketan Mehta: Yes, especially because we have now some of this suite deals which combines a fair amount of Majesco solutions I do see that the average deal size are getting bigger. One is because of the larger components for the solutions which are part of the deals and second many of them are multiyear deals, so the deal size is larger now.

Moderator: Thank you. Our next question is from the line of Karan Thakkar from Dalal & Broacha. Please go ahead.

Karan Thakkar: My question was on the Cloud based model so, we spoke about the link between the subscription and the revenues of the client is that correct?

Farid Kazani: Yes.

Karan Thakkar: So how, can you explain me how does the linkage work and I am sure there must be some floor rates to it so can you just explain me the model how it work?

Ketan Mehta: Yes, so in any of these Cloud deals we certainly have what you call a minimum because that is what will take us to put the infrastructure or platform in place and the growth will depend on the policies of which client puts on our platform. So the typical Cloud deal would have one-time setup fee from minimum Cloud processing charges and then the growth depending on the premium which is put on the platform.

Karan Thakkar: Okay. And how does this premium workout? Is there any fixed percentage or it is a floating variable or how does that client say perform better than the previous year then what is the amount that we get benefited by?

Ketan Mehta: Yes. So it is based on the number of the premium volume which is processed on our platform. It will be slabs and then certain percentages applicable to those slabs

Karan Thakkar: What are the typical percentages?

Farid Kazani: I do not think, we would like to disclose that for competitive reasons, please.

Karan Thakkar: Okay. And on this Cloud based model, what are our biggest competitors? Can you name a few?

- Ketan Mehta:** So we have all our current competitors which primarily including Guidewire, Accenture, Duck Creek and many others. They all offer the Cloud platform based solutions.
- Karan Thakkar:** So are we competitive with them on the price front or is it the product quality?
- Ketan Mehta:** I think it is a combination of both. It is price or call it the solution suite as well as the maturity of the Cloud business, all of those...
- Karan Thakkar:** Okay. And their primary initial cost for the client for setting up a Cloud based model and a standard model, is that substantially different?
- Farid Kazani:** Yes. In Cloud-based business that what we call the initial setup fee or an implementation is likely to be lower than the traditional license and implementation fee because one of the reasons for the Cloud-based business is primarily driven out of speed-to-market drivers.
- Karan Thakkar:** Okay. And how lower is it, what is the difference between the primary startup fees?
- Farid Kazani:** Again, it depend upon client and the size of the account and the requirements of the client to get on the cloud for various modules. So it just vary I mean, I cannot give you a fix that it will be a 50% lower or 30% lower, it will just vary depending upon the efforts that is required that would have been on-premise and how mature the client is to do a deal on-premise vis-à-vis in terms of its requirements that he would want on cloud.
- Moderator:** Thank you. The next question is from the line of Rajiv Rastogi. He is an Individual Investor. Please go ahead.
- Rajiv Rastogi:** My question is what are the competitive advantages of our product over our competitors like Accenture and Guidewire? So I mean do you have any unique advantage over their products? And there improvements that we need to do to compete effectively with them?
- Ketan Mehta:** So there are many things which clear all in terms of having the competitive advantage, some of them are a solution based of a track record in the types of business which customer is doing, so that we can have reference it from similar types of customers. The exact solution fits to what the client especially need. In addition, it is clearly the total cost of ownership implementation model how would that work as well as the confidence which clients will have in terms of a long-term relationship. So all of those things play a role because keep in mind that these are all strategic decisions for the client and generally they make this core platform decision once in 10 years. So they really look at a long-term relationship and they also look at our ability to constantly invest on making the solutions current to their changing needs not only what it is today but also what is likely to happen in the future so overall company focus, vision, and investment capabilities also play a very important role.
- Rajiv Rastogi:** So what I gather is there is no particular difference between various solutions in the market. Is the capability behind them, the solutions which overall one provides, which determine the win?

- Ketan Mehta:** It is clearly the combination of solution, the corporate vision, investment, plan, relationship mind set all of those things play a role.
- Rajiv Rastogi:** But do we have any unique selling proposition for our product especially in P&C space?
- Ketan Mehta:** Absolutely.
- Rajiv Rastogi:** What is that USP?
- Ketan Mehta:** When it comes down to products, there are many features and functions and benefits which are important like for example, our billing is considered one of the best in the industry rating by analysts with very large number of installed base and sectors for clients and all of those things play...
- Rajiv Rastogi:** Great. Sir and do we expect, how do we expect to bridge the gap between the leaders are in the leaders Guidewire, right over the next few years and what is the thinking that we have? How are you going to kind of bridge the gap between leaders? How are you going to increase the market share?
- Ketan Mehta:** So ultimately we will increase our market share based on how well we execute, how well we service customers, how well our customers are satisfied and are willing to reference for us. So we will do multiple things, one is to continue to invest in or solutions so that they remain leading and future-pro. We will have to focus on our implementations to make sure that we can take our customers into production fast and we make them successful. So it is not just one thing that give us an advantage if that was a case, many people would have done it. It is constantly executing on so many different parameters which gives the advantage in the market.
- Rajiv Rastogi:** Are we planning to add more incrimination partner other than Deloitte?
- Ketan Mehta:** No. Right now, we are working with Deloitte and IBM and we will continue to build depth with both of them but on a specific needs basis we may add some more implementation partners as well.
- Moderator:** Thank you. The next question is a follow-up from the line of Amar Maurya from India Nivesh. Please go ahead.
- Amar Maurya:** I just wanted to know like since you had mentioned billing invariably is a \$3.5 million packet size which is divided into a three years if it is a traditional deal, so what is like policy?
- Farid Kazani:** Again this is, I did talk about representative mid-market client, okay. So if billing is around \$3 million to \$5 million, policy could be any of between \$7 million to \$10 million.
- Amar Maurya:** So policy between \$7 million to \$10 million?
- Farid Kazani:** Yes.

- Amar Maurya:** And how about this claims?
- Farid Kazani:** Claims would be almost similar to the billing.
- Amar Maurya:** \$3 million to \$5 million. And business analytics distribution?
- Farid Kazani:** That is depending upon what functionality and depending upon the size of company. I would not be able to give you an exact amount of that.
- Amar Maurya:** Okay. And when you say that Farid post three years basically your license revenue reducers or it goes away, so meaning that client leaves you or your license revenue is only for three years and post that you will just get the maintenance revenue?
- Farid Kazani:** Typically what happens is the license revenue gets amortized over the implementation project period, okay. When the implementation project period gets over, the accounting of the license revenue also gets over. Thereafter the client will be on maintenance with AMC that follows after that.
- Amar Maurya:** Okay. So what would be the quantum of that AMC over a period of time?
- Farid Kazani:** AMC is typically 20% of the license revenues.
- Amar Maurya:** 20% on license revenues is the AMC that is annually, right?
- Farid Kazani:** Yes.
- Moderator:** Thank you. Ladies and gentlemen, that was our last question. I would now like to hand the floor over to the management for closing comments.
- Farid Kazani:** Okay. Thank you very much for participating on this call and as Ketan and I did mention that well we are excited with the growth opportunities in our business. We clearly need to make those investments that help build our capabilities and are able to even deliver our product road map on time based on client's expectation. We have a quite a bit of investments that are lined up in the next 6 months to 12 months. So this is clearly to improve our presence in the market, our visibility, and our brand presence, our client partner strategy and also to improve our cross-sale and up-sale capability. So we will keep you updated in our next call of these developments. And feel free to write back to me or to Diwakar for any questions that you have. I appreciate all the interest that you have shown in Majesco. On behalf of the management, thank you very much.
- Moderator:** Thank you. On behalf of Majesco Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.