

"Majesco Limited Q1 FY20 Earnings Conference Call"

August 14, 2019





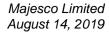
MANAGEMENT: MR. ADAM ELSTER - CHIEF EXECUTIVE OFFICER,

MAJESCO (U.S)

MR. FARID KAZANI – MANAGING DIRECTOR & GROUP

CFO, MAJESCO LIMITED

MODERATOR: Ms. Asha Gupta – Christensen IR





Moderator:

Good day ladies and gentlemen and a very warm welcome to the Majesco Limited Q1 FY20 earnings conference call. As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from Christensen IR. Thank you and over to you ma'am.

Asha Gupta:

Thank you Ali. Good evening to all of you who have logged in to this call. Welcome to Q1 FY20 results of Majesco Limited for the quarter ended 30th June 2019. Please note that we have mailed out the results, and also you can view it on our website at www.majesco.com.

To take us through the results and to answer your questions today, we have with us Mr. Adam Elster – Chief Executive Officer of Majesco U.S. and Mr. Farid Kazani – Managing Director & Group CFO of Majesco Limited.

We will start the call with brief overview of the quarter, which will be given by Mr. Adam and then this will be followed by Mr. Farid who will go into detailed financials. We will then throw open the floor to the Q&A session.

I would like to remind you that everything that is said on this call that reflects any outlook for the future or which can be construed as forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and the subsequent annual reports that you can find on the website.

With that said, I would now like to hand over the call to Mr. Adam. Over to you sir.

Adam Elster:

Thanks everyone for joining us. I am pleased with the financial results we achieved in the FY20 first quarter. It completely reinforces my excitement about our future.

Our cloud-based product operating model is the most critical component of our value proposition and it continues to resonate in the market. Our results reflect the growing acceptance of our solution as first quarter operating revenue increased 12.9% over the same period a year ago. Cloud revenues represent 37.4% of our total revenue and more than 25% of our customer base. Majesco's profitability strength continues as adjusted EBITDA increased 44.6% over the same period for FY19. I am very encouraged by the growing acceptance of Majesco's products which are resonating with current and potential customers.

We had another strong new sales quarter, and our 12-month order backlog remained at almost \$100 million. The North America business was extremely solid with wins across all customer tiers and throughout our product portfolio. We were especially encouraged because 100% of the new deals in Q1 were cloud solutions.



We are extremely focused on customer success and for us, each successful implementation continues to amplify our credibility in the market with both our customers and potential customers. In addition, the foundation of our subscription cloud revenue growth model is to land new customers, go live and drive adoption.

We had 7 wins overall this quarter with 4 new logos including one of the largest insurance brokers in the world who will deploy Majesco's full P&C suite in the cloud. We had 13 go-lives, including 4 greenfield/startup operations and our very first integration with Digital1st Insurance; two major data migrations delivered in record time and threes legacy system replacements. We also delivered an 11-week implementation for one of the world's largest reinsurers, a Forbes Global 2000 company that launched a new, on-demand agro product for the retail market with Majesco's Digital1st and policy for P&C on Majesco CloudInsurer. These are great examples of how Majesco's technology can serve as a foundation to quickly launch and test new products and leverage new distribution channels to reach untapped risk pools.

Some other highlights of our super busy first quarter.

- In April, we launched our brand, website and vision for the future of insurance.
- We broke attendance records at our annual customer conference, Convergence.
- We announced 2 product releases: P&C Core Suite version 11 and L&A Group Suite version 11.
- We announced a partnership with DataRobot to bring AI and Machine Learning to insurance.
- We hired our new CFO, Wayne Locke, for Majesco U.S.
- We hosted our annual Investor Analyst Day at the brand-new NASDAQ market site in New York highlighting the company's growth strategy, product road maps, and market opportunity. In addition, we hosted Investor Analyst Day as well in India.
- Lastly, we announced that Majesco and Capgemini became alliance partners.

With regard to the Majesco Limited governance matter, the issue is now formally resolved, and I am pleased with the outcome. We have formed a Majesco U.S. Board Finance Committee with the authority to approve security or debt-related matters in conjunction with the full U.S. Board.

I continue to see excellent alignment between our strategy and the market. I am pleased by our momentum, and I look forward to continuing my active engagement with investors and shareholders and updating you on the company's future.

Now I will turn the call over to Farid to discuss the success of our financial drivers for the quarter.



Farid Kazani:

Thank you Adam. Good evening to everyone on the call.

I am pleased to summarize the first quarter financials of fiscal 2020. This quarter's financial performance reflects consistent improvement in revenue and profitability, and we are pleased with the positive trends in the key performance metrics of the business.

Turning to specifics on the financials. First, on the revenue details.

The operating revenue for the quarter stood at Rs 259 crores, a growth of 12.9% year-on-year. The increased revenue was primarily due to the addition of new clients, footprint expansion within existing accounts, the addition of the Exaxe acquisition and the transfer of the India business. As compared to the previous quarter Q4 FY19, the revenues have grown by 0.5% in constant currency. While the Q1 FY20 revenue has seen an impact of the reduction from the IBM MetLife program linked to the project stage completion, but the same has been offset by the on-prem license revenue from an existing customer, which was accounted for the full term in this quarter as per the new accounting revenue recognition standards Ind-AS 115 similar to the ASC 606 standards under the U.S. GAAP.

The total revenue for the quarter was Rs 263.3 crores, a growth of 11.4% year-on-year.

The total cloud revenue for Q1 FY20 was Rs 96.8 crores representing 37.4% of the operating revenue as compared to Rs 82.5 crores representing 35.9% of the operating revenue during the same period last year reflecting a growth of 17.4%. The total cloud subscription revenue grew 36.7% from Rs 22.2 crores in Q1 of last year to Rs 30.3 crores in Q1 of this year. As a percentage of revenue, the cloud subscription now stands at 11.7% in Q1 FY20 as compared to 9.7% in the Q1 of last year. The total number of cloud customer has now increased and stands at 58.

The total recurring revenue, after the reclassification of license revenue as nonrecurring, stood at Rs 84.3 crores for Q1 FY20, which increased by 30% representing 32.5% of the operating revenue as compared to Rs 64.8 crores representing 28.2% of operating revenue of Q1 FY19.

From a geographic standpoint, the North America, EMEA, and APAC represented 88.3%, 6.3%, and 5.4% respectively in Q1 FY20 as compared to 88.2%, 4.2%, and 7.6% respectively for Q1 FY19.

In terms of business split, the P&C represented 77.2%, the L&A represented 22.2%, and the noninsurance at 0.6% of the Q1 FY20 as compared to 72.7%, 26.3%, and 1% respectively in the Q1 of last year.

In terms of client concentration, the top 5 clients constituted 25.8% and the top 10 constituted 39.6% for the Q1 FY20 total revenue as compared to 30.5% and 45.3% respectively for the Q1 FY19.

Turning on to the profitability and other expenses. Employee cost for Q1 FY20 was at Rs 169 crores at 65.3% of the operating revenue as compared to Rs 174.4 crores at 66.7% of the Q4



FY19. The reduction of Rs 5.4 crores in Q1 as compared to the previous quarter is largely on account of Q4 having accounted for higher year-end incentive accrued for employees, roughly 4 crores, and the balance reduction was due to the better on-site/offshore mix of the headcount in this quarter.

The product development expenses for the Q1 FY20 was higher at Rs 38 crores which is 14.7% of the operating revenue as compared to 32.7% which is 14.3% of the operating revenue in Q1 of FY19. This was in line as a percentage of revenue year-on-year as we continue to invest in R&D to enhance our cloud and digital offering.

Depreciation costs are higher in Q1 FY20 as compared to the previous quarter primarily due to the application of the new accounting standard 116 on lease accounting. The impact was roughly Rs 2 crores, which had a positive impact on the adjusted EBITDA for Q1 FY20 as compared to the Q4, i.e., the previous quarter of FY19.

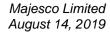
The adjusted EBITDA for the first quarter, Q1 FY20, increased to Rs 33.6 crores, that is 13% of the operating revenue as compared to the adjusted EBITDA of Rs 23.2 crores which is 10.1% of the operating revenue during the first quarter of June 30th 2018. Sequentially also in Q4 FY19, the adjusted EBITDA was higher by Rs 5.4 crores, that is approximately 220 basis points. Net profit for Q1 FY20 stood at Rs 12 crores, which was higher by 13% as compared to 10.6 crores in the previous quarter, Q4 FY19.

Turning on to the balance sheet. The balance sheet as of June 30th 2019 continues to reflect a debt-free company. The company continues to generate sufficient cash to fund operations with its total cash, cash equivalent, and short-term investment at Rs. 374.2 crores as on 30th June 2019. The June 2019 cash balance, however, was lower as compared to the March 31st 2019, primarily on account of the payout of the FY19 full year incentives to employees, approximately \$8 million.

The DSO was higher at 92 days at the end of June 30th 2019 due to a large receivable that was subsequently collected in early July 2019.

Strong bookings in the first quarter ended 30th June 2019 reflected the continued momentum in the business. As mentioned by Adam, we had 7 new wins including 4 new logos during the Q1 FY20 and all of them were cloud deals. The 12-month executable order backlog increased to Rs 681 crores or \$98.7 million which was 19.3% higher as compared to Rs 571 crores which was \$83.4 million as of June 30th 2018.

I must mention that in terms of the deals that we get, the deal structures typically starts with smaller deal sizes but tends to grow, as Adam mentioned, once you have a "land, expand, adopt, and renew" strategy. So, we have seen few of our customers that would have come 2 years or 3 years ago have now gone into the top 10 accounts.





Overall, the quarter reflected good performance across all key metrics, i.e., the revenue growth, customer acquisition, cloud-based metrics, margin expansion, order backlog, and the strong operating cash flow.

This concludes our prepared remarks. I will now pass it on to the operator to open the call for questions. Thank you very much all for joining the call, and we appreciate your continued interest in Maiesco.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. The first question is

from the line of Nitin Dharmawat from Aurum Capital.

Nitin Dharmawat: What is the revenue growth if we remove the impact of acquisition? You mentioned that there

was an acquisition as well. If we remove that acquisition, what is the revenue growth?

Adam Elster: I think about 1% of the growth numbers for the acquisition.

Nitin Dharmawat: The second question is about the deal size. You mentioned that once the account matures, it

becomes large and it comes under top 10 accounts. So, when we are signing the deal, what is the average deal size? And when it gets matured, maybe a couple of years, 2-3 years, what is the

size of that account? It is an average I am asking for, if you can share that number?

Adam Elster: Let me explain how the deals work in the subscription model and that will probably help and

then I can give you a couple of examples of how the model would work. Previously, with perpetual licenses and upfront on-premise deals, the way a licensing would work is, if I am a

company, I would buy enough of the product upfront to cover my entire environment. So, in the

example of users, if I had 100 people using a system, when I bought it initially, I would buy the

whole thing. I would buy 100 copies to cover everyone, and it would be a big upfront deal. That's the previous software model that many people are used to, many of the ERP vendors worked in

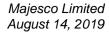
for years and years, and us including, meaning if you were going to buy a core insurance system,

you would buy enough to cover the entire environment.

basis additional copies.

The way the subscription business models works from a revenue and a booking perspective, and this is true for all cloud and SaaS companies that you have become familiar with over the last several years, is people want a subscription model that allows them to pay by the drink or grow over time. So, rather than, in my example, buying 100 copies, you would say, "I believe in the product, but I'm going to buy 10 copies, make sure people are happy with them, and then I would want to add on copies as we go." So, from a booking as opposed to buying 100 copies, you buy 10 copies, and then as you drive adoption, people will add on a monthly or quarterly or yearly

Deals that worked previously used to looking at, that would be 5 to 7 year term agreements. That would be, let's say, \$25 million-and-something in that range. The way the deals work now is they are more in the \$2.5 million range of booking, and what they do is they agree to a minimum revenue commitment. So, they say, "I'm putting in your system, and you still have to pay for





implementation." And there's a big spike of implementation revenue, but the minimum revenue commitment, it's a lower level until you get the system up and running. And then the more business, direct written premium that's put on the system, the more revenue we get. So, it is a gradual growth that is tied into the growth of those accounts.

I know I gave a bit of a long answer, but I wanted to make sure you understood the context of how the model works for us. So, the deals are smaller and they are shorter term with fixed revenue commitment and then the model works. That the more business they put on our platform, the more revenue we get over time.

Nitin Dharmawat:

I understand the cloud environment and pay-as-you-use kind of model. And of course, it is adding a lot of value. I was just looking for, within the cloud environment, when you are signing a customer and then after it is getting matured, they have the confidence in the product, then what is the average deal size, but I got your point. I understand it. My final question is about U.S. business environment, especially in the BFSI sector. What are you hearing from the customers? Are there any signs of worry or they are exuberant? What is the business environment? If you can throw some light on that, that's about it.

Adam Elster:

In the U.S., in general, the earnings numbers have been solid. I think people are confident in the market and the opportunity. Particularly in the insurance vertical for technology, there has been increased investments which is good. I think the worry in the U.S. is still some of the macroeconomic factors related to the global economy. And you follow the news like I do on a daily basis, there are ups and downs. But at a macro level, I think people feel good about the growth in the market and the opportunity and things in general.

Moderator:

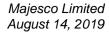
Next question is from the line of Rohit Potti from Marshmallow Capital.

Rohit Potti:

My first question is on the cloud subscription revenues. Based on what you said, I would have expected the cloud subscription revenues to generally increase quarter-on-quarter but what I see is it has declined quarter-on-quarter this time. And I think even before that, 3Q versus 4Q as well, it was pretty flat. Why would the subscription numbers come down? With more implementation coming onstream, I think it would go up, right?

Farid Kazani:

Yes. As you are aware that within the cloud revenue, both in terms of implementation and to a certain extent in the subscription part, there is an IBM-MetLife component. Now to the extent that we have got nearing to completing the project stage of the IBM MetLife deal, the implementation revenues have come down and so has the preproduction subscription because there is a small component of subscription we get before it goes live, and to that extent, that has come down. What you would see going forward is once the program goes live, we will get a minimum committed subscription from that account. So, the reason for the small shortfall that has been there in subscription revenue is primarily on account of that.





Rohit Potti:

Ok. That's helpful. The next question is on IBM itself. What next in the IBM MetLife deal? It will be completed in this quarter and you would see the premiums coming onstream on that platform. Is that the next step in that deal?

Adam Elster:

Correct. The way the model works, the first point is we get the services revenue for doing the implementation, and then for us, a lot of that work has been completed. We are now at the point where they are deciding on their go-live dates and that's something that Majesco can't announce. That is something that MetLife and IBM will announce. Once they go live, we start getting the subscription revenue, that kicks on, and MetLife starts writing business on the platform. We get our minimum revenue commitment, but to the extent they write more and more business on the platform and we get past our thresholds, we get increased revenues. So, I wouldn't expect the increased revenue in the next quarter or two. What we would like to see is them go live and we start getting the minimum revenue commitment, and then hopefully, as their business grows, the more business they put on the platform, we will get past our minimum. That's the way the business model works as far as the MetLife and the status of the project overall.

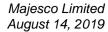
Again, it's something that as much as I think you and the other investors would love me to announce when the project is going live, I can assure you that my team and I and MetLife and IBM, we are way more focused on it going live than any investor. So, I can assure you it has everyone's attention.

Rohit Potti:

Going back to example you gave to the previous participant, Adam, you mentioned that with the model shifting from license to cloud, you see the deal size, using your example, going from 25 million to \$2.5 million as the initial implementation fee for Majesco if it is implementing the project. Using this \$2.5 million as a reference, could you give us an average minimum guarantee amount in comparison to after it is implemented? If 2.5 million is the implementation fee on average, what proportionate of it would be the minimum guaranteed amount that Majesco will accrue going forward if the premiums on the platform is not as high as you would expect?

Adam Elster:

The 2.5 is just an example. It is not an average deal size; it is an example. If I use the \$2.5 million model, the way it would work is the customer would give us roughly \$0.5 million a year over 5 years as a minimum revenue commitment, meaning that the customer says, "Hey, I have chosen Majesco. I am going to run my business on your platform. I will guarantee you – and this is the contract – \$2.5 million the next 5 years paid at 500,000 a year as a minimum revenue guarantee." Meaning if they have, I'll make it up, \$100 million book of business, no matter what, if the business is anywhere from, let us say 0 million to 20 million, I'll make it up, we still get 500,000. If they have 1 million on it, we get 500,000. If they get 19 million on it, we get 500,000. Now, when they get above the \$20 million, then they have tiers of payments. You have to pay me more money if you put, let us say between \$20 million and \$30 million of business on it. And if you go from 30 to 40 and so on up to 100, and in some cases, it is not a linear model. There is volume discount pricing, meaning we start getting more and more revenue, but the more volume they do, they get a better discount. But in some cases, the revenue on these accounts can go from \$0.5 million over the course of and in years 3, 4, and 5, that run rate depending on their business





growth, could get to \$1.5 million. So, we get the additional revenue with no additional work. Does that make sense?

Rohit Potti:

Yes, that makes sense.

Adam Elster:

As you would expect, for each contract, depending on the size of the business, the minimum revenue commitment payment for someone who is going to put \$10 million on the platform versus someone who is going to guarantee me \$100 million is bigger, right? And if you are going to go from \$100 million of direct written premium on the system to \$200 million, first you are going to tell me you are going to get out from \$100 million to \$1 billion on the platform, all of those factor into how we do discounting and how their subscription license works.

Rohit Potti:

With both L&A and P&C tie-up with IBM and with the L&A tie-up with Capgemini, I understand you are probably targeting the larger insurers, the Tier-1 and Tier-2 insurers. The startup insurers and Tier-3 & Tier-4 in comparison to Tier-1 and Tier-2, is there a major difference in the sales cycle or it is pretty much the same, taking around 1 to 2 years across customer base?

Adam Elster:

Unfortunately, I find it is still taking pretty long, still taking closer to 18 to 24 months. What we are finding in some examples where customers are starting new greenfield projects where it is taking less time because the speed of market is becoming a big factor. So, we are seeing some pressure in that, but from my perspective, I still feel like it is taking too long, but with greenfield projects, we do see a slightly shorter sales cycle.

Moderator:

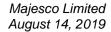
The next question is from the line of Rohit Bhat from Airavat Capital.

Rohit Bhat:

In the context of you trying to build out your SaaS business, in the last 2 quarters, you have been quite flat on subscription revenues. And surprisingly, both customer support and maintenance as well as license revenue have grown. In that context, are you able to start seeing what your volume and revenue churn is on the SaaS business? And what is that looking like?

Adam Elster:

Yes, we are feeling good about it. We do feel good about the business. From a revenue standpoint, it takes a little while to build up. The key factors in the SaaS model is, the signing of a new contract is clearly a very important milestone, to get a customer to commit, but the most important milestone in these projects is going live. So, when you hear me talk about the business in general and some of the key factors and the key performance indicators, as excited as I might be on our 4 new logos, I can assure you from a revenue perspective, I am more excited about our go-lives. Because in the example of both MetLife and the deals we are talking about, it is important for me to get the minimum revenue commitment, but I don't get that until they go live. They have a period of time where I sign a new contract and let us say I sign a new contract on April 1st of our fiscal year, if that project doesn't go live for 6 months, the revenue is very minimal from a subscription perspective until we go live. So, when you see the number of golives, that to me is a much more interesting leading indicator because once I go live, I start receiving the minimum revenue commitment. We give the example of MetLife. We have





generated considerable revenue from the services to do the implementation, considerable subscription revenue in the preproduction, but until they go live, that minimum revenue commitment on the platform does not kick in. So, we feel good about it, but as your each model of the business, you have to take into account that in many cases, while we have signed the contracts and we have started the implementation, the subscription revenue delays in appearing until we go live and then we only get the minimum revenue commitment until they put more business on the platform. So, if you were to look at some of the charts that we put together for Investor Day, you will see that we try to model examples of how that works. But we feel good. We are signing new logos. They are signing on the cloud platform during the implementation, but I recognize that for investors, it is much more enjoyable to see big pops of revenue upfront and see that month-by-month correlation, and in this model, there is a delay which I understand is harder for you to model.

Farid Kazani:

And just to kind of add on to the question that you had on the license, as you have seen last year, our license was approximately 3% of our revenue. You have seen the spike in this quarter to the extent of the details elaborated earlier that we had an upgrade from an existing account where we got the license revenue upfront, and because of the accounting change, the license for the entire tenure has got accounted in this quarter, which is why you see the license as a percentage in this quarter much higher at close to 10% but that is obviously a one time. On the other hand, the maintenance support has remained between 18.5% to 19% and that has grown in line with the implementations on the on-prem that is getting completed in the last 12 to 18 months and that gets converted into a support maintenance. That's why, these 2 line items have moved in tandem to how we've seen in the business. And the cloud is clearly linked to in terms of how we are doing the implementation for cloud customers and then encouraging customers to adopt on the platform.

Rohit Bhat:

On the SaaS business again, how much of your sales cost today are subscription-linked? Are you able to say what your customer acquisition costs are? And what the volume churn will start looking like in the future or even today?

Adam Elster:

All of the new deals are cloud deals and subscription. That is how we are selling. In some cases, we have a few customers who have asked for some language that creates some regret but all the deals are done on a subscription basis. And we are tracking every single account that we do. From a minimum revenue commit and direct written premium, we are doing a very rigorous monthly cadence of tracking all that material moving forward.

Rohit Bhat:

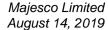
So, all sales teams today are focused on the cloud?

Adam Elster:

Yes, that's how we sell. That is the product we are selling. We are selling the CloudInsurer product, and we sell them as a subscription.

Moderator:

The next question is from the line of Apurva Kulkarni from Nine Rivers Capital.





Apurva Kulkarni:

I have two questions. One is that, with your current existing on-premise-based clients, are you asking them to migrate to cloud or are they happy staying on-premise?

Adam Elster:

We are asking all of them. To be clear, there isn't a customer we have who isn't either on an onpremise version or on an older version that we are not seriously discussing with them about
migrating to the cloud and our latest version. In many cases, they are open to it. In some cases,
they are looking at customizations they have done on the on-premise version to understand
what's the level of efforts to move to our current version, and we certainly have some customers
who want to leave it alone. So, we definitely have some group of customers who say, "We are
not interested in moving to the cloud right now. Our business is working fine. We don't want to
change." But we are actively pursuing that with many customers.

And again, when I talk about some of the go-lives this quarter, I am particularly proud of a couple to go live because we had a few, 3 I think it was this quarter, who were on both old version and on-premise that have moved to the cloud. So, as much as we were excited that 25% of our customers now are on cloud, we hope not only to add the new customers to our cloud environment, but we hope over time that more and more of our existing customers will migrate as well.

Apurva Kulkarni:

Adam, just a follow-up on that. When an on-premise customer goes on cloud with your existing offering, he would have paid you a hefty licensing fee when you got him on-premise. How easy it is for him to forego that and work on a slightly asset-light model which is a cloud model?

Adam Elster:

Each customer is a little unique. So, in many cases, these customers have built business processes and integrations around some of their on-premise system. This is not cookie cutter. This is not where every implementation is the same or works the same way. They are each unique. And to the extent that any technology vendor has done an on-premise implementation with customization, the more customizations you have done, the harder those migrations are. So, I would tell you each one is unique. For the lower-Tier-customers, it tends to be a little easier than some of the larger customers who tie many other systems in their environments through these core back-end systems.

Moderator:

We will move to the next question. The next question is from the line of Amit Agarwal from Windy Investments.

Amit Agarwal:

I would want to understand what is the breakup of the 12-month executable order book in terms of cloud and on-premise?

Farid Kazani:

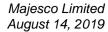
The 12 month backlog has roughly around a little over 40% on the cloud right now. The rest is in line with the other streams of revenues that we have.

Amit Agarwal:

Does the 12-month executable order book include service and maintenance revenue?

Farid Kazani:

Yes. But that also only when signed up and the number will be only for the 12th month revenue.





Amit Agarwal: Can you also throw some light on total contract won during the quarter in Q1?

Farid Kazani: We don't give that number specifically because that is something that is competitive information.

Moderator: The next question is from the line of Manan Patel from Equirus Portfolio Management.

Manan Patel: I wanted to understand if some customer wants to switch to a competitor's product after 5 years,

how likely is that customer would switch from Majesco to some other's product?

Adam Elster: Very unlikely. In general, and this is true – as true is this for Majesco, it is true for our

competitors as well – that once you put in somebody's core systems and writing your book of business on it, migrating from a legacy system to a provider system or migrating from an on-premise to a cloud or one or the other, these are pretty complex projects. As you heard on the deal terms, these decisions take anywhere from 18 to 24 months and then the implementation can take 18 months as well. That if you are going to decide to move off within 5 years, you would have to make that decision right around when you went live. That's why I would say for us and other vendors of this sort, the business is pretty sticky. And once they make a decision

that it is very rare for them to not renew after the first contractual term.

Manan Patel: On this question, after 5 years, do you have escalation clause in terms of minimum subscription

revenues or something like that?

Adam Elster: Yes, we do. But honestly, that's not where you're going to make the money. We definitely have

that. With any contract, as you can imagine, at the end of term, there is price escalation. But that is an old way of thinking. That's back to the old license model that says, "Hey, I got the money for 5 years. When it's over, I get another bucket at a higher rate." The way to make more money in these contracts is the more direct-written premium is put on this platform, we should be getting escalated revenue within the 5-year period, not just at the end. But you can assume that for all

our contracts, there are rate escalators at the end of terms.

Manan Patel: Sir, going forward, in your medium-term or long-term vision, around 5 to 7 years, what kind of

revenue mix would we likely see in terms of subscription revenues versus other streams?

Adam Elster: Right now, at a macro level, our mix of business, as many of you are aware, is roughly 70%

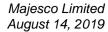
services to 30% product, and there is a mix of the product revenue. We would like to see our balance of product to services get closer to a 50:50 model and we would like to see a majority of the 50%, i.e., product, be recurring revenue. Recurring revenue would be a mix of subscription and some of the recurring maintenance. But that's long term. That's where we see the vision for

the company.

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

Dipen Shah: Congrats on a good set of numbers. I had a couple of questions. Firstly, maybe I missed the data,

but we have seen a spike in the license revenues, and as Farid explained, it is probably a onetime,





some part of it. If you can maybe let us know what's the onetime component. And reduction in the subscription revenues is largely due to the IBM contract getting over. Am I right on that?

Adam Elster:

Literally, the spike is related to the accounting regulation that where you recognize the revenue. It is a timing issue on the revenues. It's no fundamental change in our business model. And you are correct in some of the reflection of the subscription related to the IBM project. So, you have that correct.

Dipen Shah:

In terms of the subscription revenue, should we expect a further fall? Maybe if the IBM contract got over in the middle of the quarter, is there a further space for a reduction in subscription revenue because of IBM or this is the base which we should start working with?

Adam Elster:

We are hoping, as you heard earlier, to the point of which the IBM project goes live, we start incurring the minimum revenue subscription commitment. So, instances that the project goes live in the near term, we are able to recognize the revenue.

Dipen Shah:

Lastly on the margin front, how do we model the margins for the company, say, 1 or 2 years down the line, once when we reach a steady state or maybe a higher level of cloud revenues for the company, like you just mentioned we're looking at a 50% split. During that period, how should we model in the margins? Because we are already at around 40% cloud revenues, and we are in the 10% to 12% range. So, should we aim for higher margins going ahead on a stable steady state basis? If you can just give some guidance on the margins?

Adam Elster:

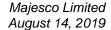
At a high level, obviously, we don't give guidance on margins. But the way I would tell you to think about it is, as we discussed, we are looking to move the business more towards the product side and more subscription revenue. That revenue, particularly the incremental revenue that comes from adoption comes at a high margin. So, to the extent over the next 3 to 5 years, our mix of business moves more towards products, and we get the growth from adoption of the subscription revenue, we believe that will drive a higher margin. In addition, when you look at the percentage of this cloud revenue at the moment, a big percentage of that is cloud services for the implementations. And as all of you are aware, the services component is whether at a macro level or even on the cloud, that comes at a lower margin than the product side. So, we believe over the next 3 to 5 years, as we think about it, we are looking to have more of our revenue come from the product, more of our revenue be subscription, and as you have seen, we have had a reduction in some of the revenue associated with on-premise. That mix and blend of both revenues has a direct correlation to where the margin will be impacted over the next 3 years.

Moderator:

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

Rahul Jain:

Can you tell me the precise amount of the onetime license that we have booked in this quarter? And why we don't think that similar incidents can come later when any other client would do the same?





Farid Kazani:

Rahul, we had close to \$2 odd million of the onetime license in this quarter, and we are not presuming that such incidents of getting on-premise license either as an upgrade or new clients coming in because if you remember last year, we did have 1 on-premise client in North America. Out of the fifteen, 14 were cloud and 1 was on-premise. So, we are not presuming that we will not have. There is a possibility that such incidents of revenues could happen in future. But since this is due to the accounting requirements, the entire amount is accounted in this quarter upfront, and therefore, it shows a positive from a license revenue perspective. It was better for us to clarify that.

Rahul Jain:

So, from an accounting perspective, are you trying to say all perpetual on-premise licenses or rather term-based licenses would now be accounted as perpetual by default?

Farid Kazani:

No, Rahul. Let me clarify. This is not a perpetual license. The way it is structured, it is still an annual license to the customer. It is invoiced on an annual basis; it is also paid by the customer on an annual basis. Let us say it is a 3-year term and you charge the customer \$100 each year, you would invoice him \$100 each year and receive the money also in that 3-year term. But because under the 606 accounting and under the 115 accounting, there is no further obligation on this particular revenue stream. The revenue recognition norms require you to kind of account that entire revenue because there is no obligation left or there's no liability left on this revenue which is why the entire \$300 will get accounted at a point in time rather than a period of time. So, it's the accounting change, not the way it gets structured, still being charged to the client, let us say, on an annual basis as he is paying the annual fee.

Rahul Jain:

But what happens to other term-based license? Why we won't do that to them as well?

Farid Kazani:

Whether it's a perpetual or annual license, as long as the contract says very clearly that there is no further obligation on this particular revenue item and there's nothing in the contract that allows the customer to ask for the money back, you have to account it in line with the 606 or the 115 accounting practice.

Rahul Jain:

That eventually means that even if we sign another term-based client, all the licenses would be upfront recognized?

Farid Kazani:

Yes. As per what I just told you in terms of the conditions that are there in the contract.

Rahul Jain:

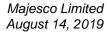
Secondly, why we have seen a significant headcount cut in the non-U. S. markets? I mean Asia and the Europe.

Farid Kazani:

Let me clarify. If you look at the numbers that we shared in the report, we had a reduction in the Asia Pacific and India by 92 which included 57 on account of separation linked to certain project completion and the balance 50 odd were transferred to other business units and delivery units. So, it's a reclass that has been done in this quarter. The separations are only 57.

Rahul Jain:

They have moved to different countries in that way?





Farid Kazani: Yes. They moved to different business units and delivery units.

Adam Elster: As you think about our headcount in general and as you think about our cost basis in general,

what you have seen in the business is that we understand that as we are pivoting the model more and more towards cloud and subscription that we still have an on-premise implementations that are wrapping up. As we wrap up these on-premise implementations, wherever they are around the world, we assess the skills of all of our employees and understand, are these individuals who

would be able to move to a new cloud implementation or these individuals will be better suited

doing product development or support work?

And as you can imagine, as we are pivoting the business, we are ensuring that we are using the right resources for the right projects and that we are nurturing and hiring the right employee but I think what you should expect to see over the coming years is that we are on an ongoing basis transforming not only our business but making ours we are developing our employees to match

transforming not only our business but making sure we are developing our employees to match our needs. And I think you will continue to see as some projects ramp down or some ramp up

that our employee base will have to adjust accordingly.

Rahul Jain: What is the services revenue as a percentage in this quarter? And what is the interest income

foregone as cash has moved to the U.S. market?

Farid Kazani: When you talk about services, you are talking about the part which is in professional services?

Rahul Jain: Yes, IT services.

Farid Kazani: For the quarter, the total professional services was 31.6%, the on-premise is 15%, the balance is

the services part. And on your second question, we moved close to \$32 million in terms of the rights issue, subscription to the Majesco U.S. shares in March of 2019. And to the extent of the amount that was paid for the Exaxe acquisition, roughly around \$7.3 million and another \$0.7 million that has got paid in 1st August of 2019, the balance amount was lying in deposits with

the bank and that is earning us roughly 2.7%.

Rahul Jain: So, the current quarter would represent the right yield for us or this should go down further?

Farid Kazani: No. I think, if you look at it to the extent of the amount that has got utilized, obviously the

quantum would have reduced but since we are generating cash flow, I think you can assume the

same number till the time we don't go down in our cash flows overall.

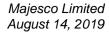
Rahul Jain: So, you mean to say, interest yield is perfect?

Farid Kazani: Yes.

Rahul Jain: Sorry, I missed the number. You said 15% of the professional is on-site and rest is the IT

services?

Farid Kazani: That is right. Yes.





Moderator: The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: Sir, my question is related to the cloud customers. We have 58 cloud customers as of now, so I

just wanted to know how many are in the implementation phase out of this 58 and how many actually have gone live. And out of the customers who have actually gone live, out of them, how much we are deriving the minimum subscription? Or is there any platform which has actually

scaled up and actually has crossed the minimum subscription level?

Farid Kazani: Amit, I don't have the specific details of the question that you asked, but just to give you a flavor,

there are quite a few of the customers that are on minimum committed revenue. However, there are some customers that have moved beyond that. So, we get roughly a little over 60% from top

10 customers in the cloud subscription.

Amit Chandra: Out of 58, how many are still in the implementation phase?

Farid Kazani: I don't have the exact number. I don't want to just throw a number at you right now. I can come

back to you.

Moderator: The next question is from the line of Arvind Mani, an individual investor. Please go ahead.

Arvind Mani: I would like to understand about the new rejig that has happened this quarter. What is typically

the upgrade path? Is it based on the customers or do we go ahead and recommend it to them

based on certain functionalities?

Adam Elster: Yes. From the upgrade path for our existing customers, reality for our customers, as with other

technology areas, many customers are running products from several years ago that have capability. But as they look at our new products, particularly version 10 and version 11 of

CloudInsurer, they see all the digital capabilities. They see the ability to utilize APIs and be more

digital and use mobility and big data. So, for many of these customers, while they like the day-to-day functionality of what they are able to do to run their business, they want the enhanced

digital capabilities. So, for them, it is balancing the fundamental nuts and bolts of running their

business with their ability to take it to a more digital environment. So, each one has its unique

challenges, but in general, they are all looking to do more with technology, more automation,

and they see the capabilities with our new product and it is really that functionality which is the

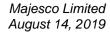
biggest driver to them wanting new upgrades.

Arvind Mani: How is the interest so far has been? Are there any early indications to the new versions?

Adam Elster: Very good. The good news is the pipeline is growing. The cloud deals is what we are focused

on. I think, as I said in some of my prepared remarks, it is really the alignment and the strategy that we have launched as a company over the last several years is absolutely in line with the market. So, whenever you look at your business and the market opportunity, I think the No.1 challenge for any company is to say, what's your strategy and is it aligned to the opportunity in

the market. And what we are seeing from analyst and in the industry is that all of the insurance





companies realize that they are probably 3 to 5 years behind financial services and other verticals in migrating to the cloud and using automation and AI and digital technology. So, they realize they need to move. And I think that is aligned very well to our portfolio of capabilities and now it is a matter of all of us recognizing this opportunity in the transformation. But I am excited because no matter what report I read from an analyst or someone in the insurance industry, they are now starting to recognize that they need to have these capabilities and our platform can afford them that

Arvind Mani: If somebody is already on cloud on, say a 3-year plan or a 5-year plan, when they move to this

new version, how does the contract get revised?

Adam Elster: You are saying, if someone moves from their on-premise to a cloud, how does the contract work?

Arvind Mani: Yes, so from say v10 and they move to v11. They are just in the third year of their 5-year contract.

So, rework on the contract for another 3 years or 5 years?

Adam Elster: Yes. If you're on Version 10 on CloudInsurer, you can upgrade to Version 11. It's a cloud

platform. It's completely seamlessly upgradable. There's no upcharge. There's no additional fee. You're able to do the upgrade. So, if you're on our Version 10 on the cloud and you move to 11, while you might pay for some services, for some configuration or some reporting from a core

platform, it's a seamless upgrade.

Moderator: Due to time constraints, we will take the last question from the line of Ganesh Shetty, an

individual investor. Please go ahead.

Ganesh Shetty: Sir, as we see, there is a lot of opportunity for services as well as the product business in the

insurance sector. Do you see substantial increase in sales and marketing expenses in the coming quarters? And also, please explain whether you are happy with your previous projection of your

revenue growth and profitability and margins? Can you please throw some light on these?

Adam Elster: The first question I understood. Can you repeat the second one? Again you broke up.

Ganesh Shetty: I just want to know whether the sales and marketing expenses are going to go up in the coming

quarters due to the vast visibility of opportunities in insurance sector.

Adam Elster: From a market opportunity, I think we are able to capture the amount of opportunity we are

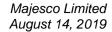
looking at right now. I don't see us making a spike of investment in go-to market. We made investments in our Q4 and our Q1 related to marketing and the brand. And you'll see more content come out every quarter relative to video content and other areas to reach the market. But

I wouldn't expect to see some giant spike in go-to-market expenses at this time.

Ganesh Shetty: Sir, I am tracking this company for quite a long time now, and the revenue growth has not been

substantial as it has been projected 3 years back. Can you see that volatility in the market can come up and our projection can go just behind our own expectation? Can you please throw some

light on this, sir?





Adam Elster:

Yes. I would tell you, and again, I realize several years back, there was a 3-year revenue projections and business plans, and I understand that, that didn't necessarily meet the goals that we had communicated, or people desired. I understand that. But that being said, as we move forward, we are building the company for long-term sustainable growth. While past business models for both Majesco and other insurance technology companies would afford the ability to do very large transactions and recognize revenue upfront, which made for a very lumpy business model. But if you did it consistently, it will be high growth. The new model for long-term sustainable growth, it will be much more predictable but won't come with the same spikes in revenue that you might be more historically used to from perpetual license models from our self, from our competitors, and other technology companies.

So, I am neither pleased nor displeased with the results from the last 3 years but as we talk about our strategy, and you hear me express the business model for the revenue moving forward, we believe to the extent we will land these customers, bring them go-live. They start building more and more business on this platform, we believe it will be very sticky. We believe as their business grows, we will grow over time. And while it won't necessarily be as lumpy as people had experienced in the past with some big spikes, we believe that over the course of the next 3 to 5 years, it will be a consistent growth and more predictable. And we think that model is beneficial not just for our customers but also for us to make sure we are making the right investments for the business moving forward.

With that said, I think that was our last question. And I really like to thank everyone for joining us this evening on the call. As I said earlier that we are very happy with the results from this quarter. And we believe that our operating model is putting us in the right position to move forward. At the same time, as I said several times on the call, we believe that our strategy is absolutely in line with the market and what our customers are asking us to do. They want more and more cloud solutions that they can pay for in a subscription model where they want more solutions and go-to market and go live faster, and they want more solutions that are upgradable with configuration versus a lot of manual custom curve our business model and we're focusaligned to that. So, I am very encouraged by the business with growing acceptance of our products. And I look forward for Farid and I continuing the discussions with all of the shareholders and investors over the course of the year. So, Farid, thank you very much, and thank you to everyone for joining our call this evening.

Farid Kazani:

Thank you very much.

Moderator:

Ladies and gentlemen, on behalf of Majesco Limited, that concludes this conference call for today. Thank you for joining us, and you may now disconnect your lines.