



“Majesco Limited Q4 FY18 Earnings Conference Call”

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MAJESCO LIMITED
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MODERATOR: **MS. ASHA GUPTA – CHRISTENSEN INVESTOR
RELATIONS**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Majesco Limited Q4 FY '18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Asha Gupta from Christensen IR. Thank you and over to you, Madam.

Asha Gupta: Thanks, Janis. Good Evening to all of you. Welcome for joining to Q4 and full year FY18 results ended March 31, 2018, of Majesco Limited. Please note that the results are being mailed to you and you can also view it on our website, www.majesco.com.

To take us through the results and answer to your questions today, we have with us Mr. Ketan Mehta, Non-Executive Director of Majesco Limited and Founder & CEO of Majesco US, and Mr. Farid Kazani, Managing Director of Majesco Limited. We will start the call with a brief overview of the quarter and full year which will be given by Mr. Mehta and then that will be followed by Mr. Farid who will dive into the detailed financials view. We will then follow this with 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 reviewed in conjunction with the risk and uncertainties that we face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus filed with SEBI and in the subsequent annual report that you can find on the website.

With that said, I would now like to hand over the call to Mr. Ketan Mehta. Over to you, Sir.

Ketan Mehta: Thank you, Asha. Good Evening everyone and welcome to Majesco's Fiscal 2018 fourth quarter and full-year conference call.

We are pleased with our record fourth-quarter results and the accelerating business momentum we are experiencing throughout different parts of our business. We had record revenue of Rs 216.7 crore, which increased 5% over the previous quarter, adjusted EBITDA margin of 9.4% which is 298 basis points improvement over the previous quarter and a record 12 month order backlog of \$92.6 million which is 41% higher than a backlog a year ago. I am also pleased to see that we achieved a net profit of Rs 10 crore in Q4 FY18.

We made good progress transitioning our business model from on-premise to cloud during the year. As you know, in such a transition we sacrifice initial implementation revenue in favor of profitable long-term recurring revenue of cloud subscription. Majesco experienced a 25% decline in on-premise revenue during the fiscal year. However, we successfully grew the cloud revenue by 51% during the year to offset this decline in on-premise revenue. Cloud revenue now represents over 31.3% of fourth-quarter revenue compared to 18.9% in the same period last year, which is a significant shift in our business model. Our cloud subscription revenue is scaling as

a result of clients putting more business on our platform. Cloud subscription revenue increased by 54.5% and represent 8.9% of total revenue compared to 6.6% in the same quarter last year. As a result of growth in cloud, we saw total revenue continually improved throughout the year. Revenues went from Rs. 183 crore in Q1 to Rs. 199 crore in Q2 to 207 crore in Q3 and finally Rs. 216 crore in Q4. This is a growth of 8%, 4% and 5% in Q2, Q3, Q4, respectively. As a result of cloud transition, we also improved total recurring revenue base by 53% in Q4 FY18 compared to the same quarter last year which now makes up 28.2% of Majesco revenue in Q4. As a result of this improvement in revenue and increasing cloud portion in our portfolio, we experienced increase in profitability. Our adjusted EBITDA margin improved from negative 0.7% in Q1 to 3.4% in Q2, 6.4% in Q3 and 9.4% in Q4. Overall, this is 601 basis points improvement in EBITDA margin over the same period last year. With this financial overview, let us look at what is driving the demand.

Over the course of past year, I have talked about disruption taking place in the insurance industry, which is creating significant opportunities for Majesco. Insurance industry is behind retail, travel, hospitality and music for digital disruption. The opportunity is so compelling that over \$19 billion of institutional and strategic investment went for on over 1500 new Insure Tech start-up companies. In recent research, McKinsey found that companies which spend upper quartile of technology investments grew twice as fast and are 6% more profitable compared to their peers. The insurance industry is in the early stages of what we call Digital Insurance 2.0 that is underpinned to meet new customer experience as well as new products and services to meet the unique needs. As a result of these changes, we see reduction in large multi-year transformational initiative in favor of agile innovation initiatives driven by new product introduction, improving customer experience and creating new business models. For these initiative, insurers are focusing on speed to value and looking for solutions which will enable them to pay as they grow. Cloud platform solutions are ideally suited to address these needs and Majesco has a strong competitive position in this fast-growing segment of the business. To serve the growing needs of insurance carriers, over the past year we enhanced all our platform solutions including a major release of Majesco P&C Suite, Majesco Life & Annuity, and Group Suite. These releases are focused on optimizing our solutions for the cloud and delivering speed to value to our customers. Over last couple of quarters, we have created number of proof points of delivering speed to value and enablement of growth and innovation for our clients like QBE, American Family, Homesite and others using Majesco platform.

I am very excited with the recent announcement of our cloud only Digital 1st platform solution. There are a number of unique capabilities of our Digital 1st platform. Digital 1st is a micro services based platform which enables carriers to consume capabilities on demand and at a much faster pace. For example, we expect to roll out a personalized customer engagement application in matter of weeks as opposed to months it typically takes for a traditional portal. The platform also includes Eco Exchange, which is an app store like marketplace allowing an easy integration with broader industry ecosystem including some innovative capabilities of InsurTech companies. We see a growing interest from our partner community to build Apps for Eco Exchange and we are excited about its potential.

Our joint IBM and Majesco team is executing on MetLife program we previously announced. In addition, our IBM partnership continues to gain momentum with a growing pipeline and we are actively pursuing several opportunities to tier-1 and tier-2 insurance carriers in both Life & Annuity and P&C markets. During the fourth quarter, Majesco had a total of 4 new customer wins representing growth in North America. Specifically, two InsurTech start-ups selected Majesco's platform solution including Majesco's P&C Suite and Majesco's cloud insurer, a tier-1 insurer selected Majesco's P&C billing for their greenfield operation and a tier-2 insurer selected Majesco's P&C Suite and Majesco CloudInsurer. In addition, we had a tier-1 insurer extend our existing relationship and select Majesco's ADM Services for three-year period. Finally and most importantly, we had 3 Go-live events during the quarter. This includes two Majesco billing customers and one which was a tier-1 insurer and one customer that went live with agent portal.

Our fourth-quarter results validate our strategy and demonstrate Majesco's leading position to support growth and innovation initiative of the insurance carrier, an area which we expect continued investment by the carriers. I am excited to support our customer transition to Digital Insurance 2.0 and the opportunities to grow our business in fiscal 2019 and beyond.

Let me now turn the call over to Farid to discuss the financial drivers for the quarter and a full year.

Farid Kazani:

Thank you, Ketan and good evening to everyone on the call. I echo Ketan's sentiment that we have ended the year extremely strong as compared to the start of the year. And management has taken significant steps to achieve this turnaround.

Let me enumerate the key highlights from the overall Quarter- 4 and full year performance. This has been the third quarter of consistent improved financial performance and business growth momentum. The operating revenue for the fourth quarter ended March 31, 2018, was Rs. 216.7 crore reflecting an increase of 14.3% YoY and 4.5% sequentially. In constant currency, the growth was 3.6%. The operating revenue for the full year ended March 31, 2018, was Rs. 806 crore reflecting a marginal growth of 0.9% in constant currency, but in terms of profile it improved significantly towards the cloud-based model. In terms of total revenue for Q4FY18, we ended up at Rs. 221.6 crore, reflecting a growth of 15.7% YoY and 6.1% QoQ basis. For the full year 2018, the total revenue was Rs 817 crore as compared to Rs 835.8 crore in FY17 reflecting a degrowth of 2.3% in rupee terms.

During the quarter, our adjusted EBITDA stood at Rs 20.4 crore which is 9.4% of the operating revenue as compared to Rs 6.4 crore which was 3.4% of the operating revenue in the Q4 of the last fiscal year indicating an improvement of 601 basis points year-on-year while sequentially this quarter showed an improvement of 298 basis points. For the full year 2018, the adjusted EBITDA was Rs 39.2 crore, the margin stood at 4.9% as compared to 4.9% in the last year. This year's EBITDA reflects a significant turnaround in profitability over the four quarters specially as we started the year with a weak Q1 where the EBITDA stood at negative 0.7%. The consistent growth in revenue and improved profitability out of all the initiatives that we have taken has

resulted in a net profit for the fourth quarter at Rs 10.1 crore and for the full year, we achieved a net profit at Rs 2.8 crore.

Total revenue from cloud-based customers was Rs 67.9 crore, which is 31.3% of the operating revenue for the fourth quarter ended March 31, 2018, as compared to Rs 63.8 crore which was 30.8% of the operating revenue in the quarter ended December 31, 2017, reflecting a growth of 6.4% on QoQ and up 90% as compared to the Rs 35.8 crore, which was 18.9% of the operating revenue in the corresponding quarter of 31st March 2017. For the full year 2018, the total revenue from cloud-based customers was Rs 239.9 crore, which was 29.8% of the operating revenue as compared to Rs 159.1 crore, which was 19.3% of the operating revenue in FY 2017 reflecting a growth of 50.7% on a year-on-year basis. This helped more than offset the drop in the on-premise services revenue, which degrew 25% in the year FY 2018. The total recurring revenue was Rs 61.1 crore, which was 28.2% of the operating revenues for this quarter as compared to Rs 39.9 crore which was 21% of the operating revenue in the Q4 of last fiscal. For the full year 2018, the total recurring revenue was at Rs 215.4 crore representing 26.7% of the operating revenue as compared to Rs 196.7 crore representing 23.8% of the operating revenue for the previous fiscal 2017. The cloud subscription revenue was Rs 19.4 crore, which was 8.9% of the operating revenue as compared to Rs 12.5 crore which was 6.6% of the operating revenue in Q4 of last fiscal reflecting a growth of 54.5%. For the full year 2018, the cloud subscription revenue was Rs 72.5 crore which is 9% of the operating revenue as compared to Rs 46.5 crore which was 5.6% of the operating revenue reflecting a growth of 55.8% on a year-on-year basis.

The 12-month backlog stood at Rs 606.5 crore, which was \$92.6 million as of March 31, 2018 as compared to Rs 587.3 crore, which was \$91.9 million at the end of Q3 FY18 reflecting an increase of 3.3% in QoQ in rupee terms and 0.7% in dollar terms. The backlog grew 41% as compared to \$65.7 million last year. Further, the composition of the cloud revenue was 42.2% in the 12-month backlog ended March 31, 2018 as compared to 29.2% for the period ended March 31, 2017. The year saw good traction from both new client wins and existing clients. The total contract value of new and existing client wins during fiscal 2018 totalled Rs 1,436.1 crore, which was \$220.3 million for FY 2018. The new deal wins were registered across all regions at 9 coming from North America, 3 from the India & Asia Pacific region and 1 from UK. Notably, 7 of the 9 IP deals in North America were cloud deals. We added four new clients during this quarter. The total active client is now 175 and the total number of cloud customers now stands at 37 at the end of March 31, 2018. In terms of client concentration, the top 5 constituted 32% of revenue and the top 10 constituted 44.9% of the revenue for Q4 FY 2018. For the full year, the top 5 and top 10 constituted 28% and 42%, respectively.

We continue to make the investments in our product development. The product development expenditure remained flat during the quarter at Rs 30 crore, which is 13.8% of the operating revenue. However, the investment of products were realigned with development of new products within the Group Life, P&C claims and PAS and our Digital forays. For the full year ended March 31, 2018, the product expenses stood at Rs 112.6 which is 14% of the operating revenue. Quickly turning onto the balance sheet, the total debt as on March 31, 2018, was Rs 91.9 crore as compared to Rs 72.2 crore as of March 31, 2017, whereas the cash and cash equivalents was

Rs 398.6 crore at the end of March 2018 as compared to Rs 175.7 crore at the end of March 31, 2017.

To conclude, the fiscal 2018 has been a year of transformation ending significantly stronger with good visibility of growth and profitability in the coming year. This concludes our prepared remarks, I will now pass it onto the operator to please open the call for questions, and thank you very much for your continued interest in Majesco.

Moderator: Thank you. Ladies and gentleman, we will now begin with the question and answer session. We take the first question from the line of Harit Shah from Reliance Securities. Please go ahead.

Harit Shah: I just had a query regarding the P&C segment, of course we had some headwinds in this segment for the last almost couple of years now, growth in the last 1 to 1.5 years has obviously been led by the L&A segment for reasons that are reasonably clear now, so I just want to get a sense of what is the outlook in this segment for the next one or two years or even that the segment accounts for some more than 70% of Majesco's revenue, so some sort of clarity on that would be appreciated?

Ketan Mehta: I think the P&C segment clearly represents the transition to cloud which I mentioned before where we had a significant traditional on-premise business in P&C segment, which continue to decline. On the other hand, if you see the new deal flow, majority of our new deal flow came in the P&C segment as well, but this new deals did not have the initial high revenue so the net of that we saw a declining trend in P&C, but we are at a stage where we are now seeing the reversal of this trend and the cloud revenue of some of the deals we signed before has started ramping up. So, I continue to feel good about the pipeline and the opportunities to close the new deals in P&C, but as I mentioned we see these deal sizes are small, the most carrier start with a smaller initiative and then scale up and grow. So, we have clients at different stages, some of them who started sometime ago are now in a position to scale, some new ones are starting relatively small.

Harit Shah: Given this trend as you rightly said, initially these sizes are going small, so is it likely that we may see some sort of growth in FY19 in the P&C segment, L&A of course is ramping up very nicely, but at least as far as the P&C segment is concerned is that a possibility or you may see flattish revenues in this year as well?

Farid Kazani: One of the lead indicators that we have given is the cloud composition in the backlog and last year it was 29%, now it has come to almost around 42% to 43% which effectively means that this cloud backlog will kind of revenue in the next year effectively large part of that cloud revenue comes from P&C.

Harit Shah: Can you just give the data in terms of the percentage of order backlog that is part of P&C?

Farid Kazani: We do not give the breakup specially in P&C and L&A, what we have done this time is in the backlog, we have given a cloud composition and that has now gone up to almost around 43% as compared to 29% in the last year.

- Moderator:** Thank you. We take the next question from the line of Rahul Jain from Emkay Global. Please go ahead.
- Rahul Jain:** Two questions, firstly, we saw good momentum in the L&A side of the business, but we do not see new additions on client side in this business, so is it to do specifically for the larger deals that we are executing in this segment or any other color you can give on that specific deal?
- Ketan Mehta:** We do have pipeline of opportunities in the L&A segment after we signed up and as we are executing MetLife deal. Our profile in the industry has significantly gone up and we are seeing a pretty good pipeline. In general, the number of deals or activity in Life & Annuity is not as robust as what we see in the P&C side, but we see a growing pipeline for L&A as well.
- Farid Kazani:** Rahul just to add, the deal flows have happened in the UK and Asia Pac are largely on the Life side.
- Rahul Jain:** What I wanted to also understand here is the current revenue growth run rate from a QoQ or YoY perspective in this particular quarter, is it driven by this one deal or there are more legs to it?
- Farid Kazani:** There are more legs to it and if you see there has been clearly an increase both in the UK and Asia Pac in terms of the revenue which is largely coming from Life, so it is not just the MetLife, but MetLife has been the large contributor, the others have grown.
- Rahul Jain:** Secondly, on this new deal or the total backlog data that you gave, there is significant jump in the data from a total order book perspective, which you said is around \$ 220 million. If I see the QoQ run rate is barely moving during the quarter I mean marked by 2%-3% and similarly the 12 month book has also not gone up significantly, so does that mean the order that we would have won during this particular quarter has a strong, much larger staggered revenue which is beyond FY19?
- Farid Kazani:** You are right, Rahul, what we won in terms of deal flows are pretty good size cloud deals, which have revenue that will flow beyond the 12 months, so what got added in the 12 month was a very small quantum, but there is a back ended revenue in that \$220 million that has come in.
- Rahul Jain:** So can we conclude that this is around \$55-60 odd million of new business that we have added in the quarter?
- Farid Kazani:** Yes, you will be able to derive it based on data point that I have given in the previous calls.
- Rahul Jain:** Secondly, if these deals are very small on the recognition upfront as long as four to five quarters, does that mean these deals are more committed from a long-term deal value of this particular project wherein because there are lower premium process, so those revenues from a 12 month basis would not be significant, but as they add more lines of business and more premium, that is how the deal would shape up from a recognition perspective?

- Farid Kazani:** Yes, these are long-term deals anywhere between five to seven years.
- Rahul Jain:** If we have to apply some kind of a basic thumb rule, so how these let us say \$ 100 deal get spent from a six to seven years perspective?
- Farid Kazani:** It will vary, Rahul, there is no strict formula for every dollar how it is spread, it is different for each deal.
- Rahul Jain:** Yes, I completely understand, or you can say which is the best scale year from a recognition perspective on a thumb rule basis of seven-year deal?
- Farid Kazani:** One of the deals that we have won is actually which is a specialty infra one of our existing clients actually and that will bring in pretty I would say not even, but I think beyond the first year, it will be more or less even kind of revenues in that business, so as I mentioned again, there is no thumb rule, it is different for different deals.
- Ketan Mehta:** Let me add to that is the way typically we see the trajectory going is that, the first year the book of business we put on the platform is relatively small. On second and third year, it reaches the peak and then it flattens out if we reach the full volume of the business of that client by third year.
- Rahul Jain:** Ketan, you alluded on the qualitative factors that you have seen after this MetLife transaction, so if you could share what are those incremental thing that has come in our favor post we going for the implementation of this deal?
- Ketan Mehta:** Basically, what I see is that within Life & Annuity the group and the voluntary product is a very strong segment where we see increased interest in the investments by the insurance carrier and MetLife is clearly one of the top carriers in that segment and what MetLife is essentially doing is a complete digital platform to process and grow their small market business which is less than 100 employees. Now, most carriers recognize that this segment of the market is the fastest growing segment and it has the huge growth potential, but a digital platform and straight-through processing are very important capabilities to really address the needs of that market and MetLife certainly has taken a lead, but there are other carriers who are interested in looking at a similar opportunities to grow and take advantage of this group market, and over a period of time Majesco has developed a very strong and comprehensive platform to address the voluntary benefit market, which allows at individual employee level selection of the products and services which they need. So, we find increased interest and investment in this segment of the market and we have number of pipeline opportunities in this segment.
- Moderator:** Thank you. We take the next question from the line of Chirag Patel from Patel Investments. Please go ahead.
- Chirag Patel:** Your one of the subsidiary is facing one claim of USD 10 million from one of the client, which subsidiary it is?

Farid Kazani: It is the Majesco's software solution actually in the US.

Chirag Patel: Regarding what the claim is?

Ketan Mehta: This claim was for the policy administration implementation where the clients saw some performance issues on our delivery, subsequent to that and this client is not only using policy administration, but billing system. Now, billing is working fine and it is in production with the client and subsequent to that, we are engaged with the client and we have delivered new products which we believe would significantly improve the performance. Client has promised to test this in this following quarter and if the performance meets their needs, we expect to have a resolution to this claims soon.

Chirag Patel: You expect the resolution will come by the next quarter or for the next six months?

Farid Kazani: They will plan to test it between July to August, so I think it will be only post that.

Chirag Patel: July to August in FY19?

Farid Kazani: Yes.

Chirag Patel: You also mentioned that this entire claim is being covered by insurance, is it 100% amount or lump sum?

Farid Kazani: We have adequate insurance cover to take care of this claim and more so from our books of accounts perspective, the entire outstanding that was to be received from the client has been 100% provided for, so there is no further impact to P&L unless we see something which is different post August.

Chirag Patel: Okay, and from the cloud revenue point of view, what kind of growth you are expecting for the next year, deal traction as well in absolute terms?

Farid Kazani: The pipeline opportunities are very strong, Ketan did mention about that. We do not guide to any revenue growth for next year, but the data point that we have given is the cloud composition in the backlog, so that will give an idea of how the cloud revenue will grow next year.

Chirag Patel: One more question, in your one of the last con call, you mentioned that for the US-based subsidiary, which is listed on NASDAQ or, like you started covering the stock from an analyst point of view, is it at what stage right now, are more analysts covering that stock or not?

Farid Kazani: US obviously as you would know it is a different market and the analysts coverage have a different kinds of terms. Because it is a very micro with not much too much trading and liquidity, it is really very difficult to get the analysts to cover because it does not work to their advantage while Maxim has been covering us, we do not have very much active coverage at this point of time in the US.

- Chirag Patel:** In recent last six months, you own very good client deals from Indian market, so from next two to three years point of view, are you targeting Indian market like right now you are doing a good number of traction in US market, so focus is shifting for Indian markets?
- Farid Kazani:** India as a proportion constitutes just around 2%, or over 2% of our revenue, but if you look at the market itself is a very promising market, there is lot of activity happening, you would be reading a lot about the consolidation, about the kind of spends that are happening, the money that are there for investment in the Indian market. So, , it remains an important market and we believe that we will grow pretty well, in terms of percentage, but in proportion to the overall revenue, obviously it is not going to make a significant dent when you look at it since it is just a little over 2% of our revenue.
- Chirag Patel:** In global market, your client concentration is more shifting at higher weightages then more from American markets and even UK portion is slightly down this time, so are you thinking global market also or just concentrating one particular country and North America?
- Farid Kazani:** In fact the four focus market for us has been US as significant part of the business comes from there almost around close to 87% to 88%, UK has had impact in terms of certain projects that got completed, so UK is still a market that we believe will grow and there is a good deal pipeline building over there. Asia Pac remains a very, very promising market because there is a lot of deals of momentum across various Asia Pac countries and I already mentioned about India, so we will keep the focus on these four countries. There is potential to go to other countries and it will depend upon how we get into those countries. Just for information, this year we opened up Singapore in the Asia Pac market and we believe that there could be a potential to open up another one or two markets in the Asia-Pacific region, beyond that I do not think we would like to get to too many at this stage.
- Ketan Mehta:** Our approach is to go to the international markets with the existing clients. For example, we had done a program with MetLife in Mexico and then we are likely to get an extension of that program in other South American countries. Similarly, we signed up a policy admin system for a very large international carrier in UK for group platform and they are looking at extending that platform in other European countries. So, we find number of opportunities to work with our existing clients to go to the adjacent countries.
- Moderator:** Thank you. We take the next question from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** I just wanted to know that as we said that there was 25% drop in the legacy revenue, so as you said that the legacy part is predominantly in the P&C vertical, so the drag in the P&C, legacy part of the P&C is more severe, so I just want to understand that how much of the existing revenue of the 174 clients that you have, how many are on pure legacy portion and like last also you mentioned that we have seen some stability on the legacy revenue, but in the numbers it does not seems that way, so for FY19, how do we see the legacy part of the business, has it stabilized or you can see further traction?

- Farid Kazani:** Amit, the good part is that there has been some stabilization. If you look at the drop, the drop in the on-premise revenue has just been a little over 1% in this quarter, so this points to the fact that the kind of drop has been now lower, but yes there are some projects that will also get completed in the next year, however, the bulk part of the impact has already happened in this year which was 25% degrowth. Keep in mind that the on-premise business still remains predominant in the UK and the Asia Pac regions where we are going to see growth, so overall net-net I do not see too much of impact except for the projects that will get completed in P&C in North America, otherwise, it should be stable. Further, the cloud business and the growth in the cloud revenue especially subscription should more than offset any drop in the P&C and we should see a growth in the P&C actually in the coming year.
- Amit Chandra:** In terms of the number of clients, can you give the idea that out of 174, how many are on pure legacy?
- Farid Kazani:** I do not have that data point with me Amit right now, so I will have to get back to you.
- Moderator:** Thank you. We take the next question from the line of Ritesh Thakar from KR Choksey. Please go ahead.
- Ritesh Thakar:** Sir, could you please clarify on the employee expenditure part which has increased significantly during the quarter despite our headcount remains flat, is it because of ESOP or even though despite if we see the R&D expenditure have declined, so could you please apply more color on that like why has that increased?
- Farid Kazani:** Obviously, there has been a marginal increase on account of the ESOP expenses which has been in this quarter as compared to the previous quarter. Secondly, based on the overall performance that we had in the year, basis on which we would provide for the incentives, so that has also been added in this quarter.
- Ritesh Thakar:** Sir, Ketan Sir has mentioned that, you have come up with a new platform that is Digital 1st, so how is it going to benefit the insurance carrier in both P&C and L&A, any color on that?
- Ketan Mehta:** I think Digital 1st platform is essentially, there are multiple components to the platform. The core Digital 1st platform is a platform to build insurance application very quickly, so it is a micro-services based architecture which means you can unbundle the services or select small pieces of services and put it up very quickly as opposed to a monolithic application. If for example you want to build a new type of insurance products like on-demand insurance or payment or insurance for right sharing insurance, which typically and Uber type of drivers will take, it is really very Digital 1st platform is an ideal for those types of innovative insurance products. Secondly, if you want to build a customer engagement personalized journey-based customer experience engagement than this platform allows that and facilitates those types of personalized experience journey builder, which is much faster than what it takes to build a traditional portal and you can actually personalize for different types of personas of your clients. In addition, the platform also has an eco-exchange component, which is like a marketplace for insurance

applications, think of that is almost like an App Store in your iPhone where it is easy to at one go one can integrate various insured tech capabilities and eco-exchange will not only connect with the Majesco platform, but it is open architecture and it will connect to other platforms as well, so these are some of the possible used cases of the Digital 1st platform.

Ritesh Thakar: Sir, one more question on IBM MetLife deal, there is a significant jump in L&A revenues which contributed in last quarter it was 23% and during this quarter it is 27%, so is it coming from the IBM MetLife deal and what is the contribution from the deal during this quarter?

Farid Kazani: I did reply to this question earlier to the question that came in, there has been a good contribution on that MetLife deal, but there has been growth in the L&A business in the APAC and the UK region that also contributed to this 27%. The IBM as a contributor is almost around approximately 9% of our revenues for this quarter.

Ritesh Thakar: Sir, one more last question on the QIP fund which we raised previously 2.3 billion, so how are we going to apply this, do we have any strong contender in our hand like any start-up or Greenfield, are we going to acquire it, which area in the US region or in the UK, do we have any clarity on that?

Ketan Mehta: As a part of our acquisition strategy, we are looking at different types of auctions. Again, in US we are looking at enhancing our capabilities for our cloud platform, some of the areas we are looking at includes predictive analytics and AI integration to our platforms. In addition, we are also looking at international market opportunities as well where we can further strengthen our position, so we have a pipeline of opportunities which we are currently evaluating in terms of acquisitions.

Moderator: Thank you. We take the next question from the line of Madhu Babu from Prabhudas Lilladhar. Please go ahead.

Madhu Babu: Sir, this year has been kind year of transition from on-prem to cloud, so can we say that next year will be a pivot in terms of growth that we can see material improvement in the top line growth of the overall portfolio?

Farid Kazani: That would be the expectation based on a leading indicators where backlog itself has grown by almost 40% as compared to last year.

Madhu Babu: Second, Sir, this IBM deal, how was it helping us in terms of a reference client and client base, the MetLife deal and have we had any good senior level conversations for the new client wins?

Ketan Mehta: Certainly, it is one of the largest cloud deals in the industry, so it has a huge reference value in the industry, so it is helping in many different ways and we do have a growing pipeline with IBM team as well post this deal with other carrier opportunities, so it has significantly boosted our IBM partnership energy as well.

- Madhu Babu:** When we talk about new markets like Europe and APAC which is still a small part of our revenues, how is the sale cycle because we are hardly present there, I mean what could be the cost of sales, when you want to expand rapidly over those areas, what is the gestation period for the sales?
- Farid Kazani:** UK region obviously takes some time, what we are seeing is that the closure period is anywhere between 12 to 14 months to close a deal in the UK. Needless to say that we are looking at other smaller deals where there could be a possible for us to get the deal through and faster. Comparatively in the US we are seeing that the time to close has been reducing. In fact, in the US, we are seeing now we are able to close deals a little faster than what we were in the last year.
- Madhu Babu:** Acquisition would be even to expand on a geographical front, the M&A which we would be looking at?
- Farid Kazani:** Yes, but only in the adjacent market, where we see the opportunity and where we see a potential.
- Madhu Babu:** On the Property and Casualty, predominantly
- Farid Kazani:** It could be in both, but typically it should be a potentially good market for growth and where we can obviously sell some of our enterprise and digital forays in that market across those customers.
- Moderator:** Thank you. We take the next question from the line of Harit Shah from Reliance Securities. Please go ahead.
- Harit Shah:** You had mentioned about the acquisition opportunities and the discussion, so any particular deal has gone, is it when you had once levels at all or as of now we are still very much in the format of stages of any potential acquisition that we can go ahead with the funds that we have raised, any color on that right now?
- Farid Kazani:** Harit, I cannot give any timing for acquisition, you know how difficult it is to kind of even suggest the timing for this, each of the targets that we are looking at and obviously we are looking at multiple, it will take time, I mean I cannot determine the time at this stage.
- Harit Shah:** Sir, my question was essentially have you been able to get any advanced discussions with any potential target or that is not?
- Farid Kazani:** I will not be able to comment on that.
- Moderator:** Thank you. We take the next question from the line of Viral Bhansali, an Individual Investor. Please go ahead.
- Viral Bhansali:** Sir, my question is regarding your US subsidiary which as it is not very thinly traded on the exchanges, are you thinking on the lines of these things that the company by any case any chance,

I asked this question is because when I go through majority of brokerage reports, they accord a holding company discount to Majesco when valuing our company, so if you delist that company that would effectively eliminate the holding company discount of Majesco, are we thinking on those lines?

Farid Kazani: We understand that the dual listing has certain pluses and minuses and at some stage we will have to get a resolution to this. At this point of time, we have not come out with any suggestions to either delist or do anything else on that aspect, but we take your point, I know that having a listing which is a dual listing in the US where the reference price may not be the right price and then the analyst are giving a holding company discount.. At some stage, we will have to get a resolution for this.

Viral Bhansali: My second question, Sir, is regarding bookkeeping, are we expensing out all R&D expenditure or are we capitalizing some of these?

Farid Kazani: 100% of the product expenses are completely expensed out in the P&L, we do not capitalize anything.

Moderator: Thank you. That was a last question, no further questions from the participants. I would like to now hand the floor over to the management for their closing comments.

Ketan Mehta: Thank you very much to all the participants for their continued interest and being on this call, and appreciate your feedback and we look forward to interacting with you in the next quarter. Have a good day.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Majesco Limited, we conclude today's conference. Thank you for all joining us and you may now disconnect your lines.