



“Majesco Q2 FY19 Earnings Conference Call”

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MAJESCO LTD. AND FOUNDER & CHAIRMAN,
MAJESCO (U.S.)
MR. ADAM ELSTER – CEO, MAJESCO (U.S.)
MR. FARID KAZANI – MANAGING DIRECTOR,
MAJESCO LTD.**

MODERATOR: MR. DIWAKAR PINGLE, CHRISTENSEN IR

Moderator: Ladies and gentlemen, good day and welcome to the Majesco Earnings Q2 FY19 Conference Call. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you.

Diwakar Pingle: Thanks, Lizann. Good evening to all of you who have logged into this call. Welcome to the Q2 FY19 results of Majesco Limited for the quarter ended 30th September, 2018. 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 answer your questions today, we have Mr. Ketan Mehta – Non-Executive Director of Majesco Limited and Founder & Chairman of Majesco (U.S.); Mr. Adam Elster – Chief Executive Officer, Majesco (U.S.); and Farid Kazani – Managing Director of Majesco Limited.

We will start the call with a brief overview of the quarter, following which we will go deep into the financials and then we will go to the Q&A session. Ketan will do the introduction initially, followed by Adam and then Farid will take over the financials.

I would like to remind you that anything 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 report that you can find on the website.

With that said, I now hand over the call to Ketan. Over to you, Ketan.

Ketan Mehta: Thank you, Diwakar. Good evening to all and welcome to this very important Majesco's Fiscal 2018 - 19 Second Quarter Conference Call. This is a critical call because we are introducing a new CEO – Adam Elster. Really exciting time for Majesco.

For several quarters I have been contemplating my retirement from the operational duties after my career expanding over 38 years. And along with the board, I have been actually looking for my successor. Some of the things which are very critical for us is an ability to take Majesco's business to the next level, build on the momentum, which we have created, scale and grow the cloud business, especially more critical is to have a cultural match with Majesco's business and the people.

I am very excited to get Adam on board as CEO, who joined us from 1st October, and I have taken a role as the Chairman of the Board for Majesco US. And I will continue to be as a Non-Executive Director for Majesco Limited here.

Adam has an impressive career at CA Technologies, a \$4.5 billion revenue Fortune 500 organization. Most recently, Adam served as President, Global Field Operations. At CA, Adam led high performing teams in all aspects of business, including sales, services, support and operations and he supported many of the world's largest companies through their digital transformation journeys. Adam has a proven track record of scaling businesses and significantly growing cloud business. I am proud to have Adam join our Majesco team and I am confident that he will build upon our momentum of five consecutive growth of top-line and bottom-line.

With that introduction, let me welcome Adam on behalf of everybody and the Board of Majesco. Welcome Adam to Majesco, and pass it on to Adam. Adam?

Adam Elster:

Thanks, Ketan and thanks everyone for joining the call this evening. I really appreciate it.

I am very excited to be part of the Majesco team. But before we get started, I wanted to take this opportunity to recognize Ketan, and thank him for his leadership over the last 40 years. There are not that many technology companies that can talk about that kind of tenure. And he, along with the other founders have done a great job growing Majesco. I deeply respect that and want to publicly thank him for giving me both the responsibility and the opportunity to drive the next phase of our evolution.

Over the last four weeks, I have spent time with employees, partners, analysts and customers across all of our global operations. And in every meeting, interaction and conversation, it reinforced my excitement about Majesco, the opportunity ahead of us and our ability to execute.

I am extremely encouraged about the future and the results that we achieved this quarter reinforced that view. While I plan on continuing to listen and learn, I thought you would like to hear some of my initial thoughts on why I joined Majesco.

Majesco has a very compelling market opportunity and it is one of the main reasons I came to the company. Over the past several years, the company has been an early thought leader about the change and disruption in the insurance market. These disruptions and trends are real, and they are ushering in a new era of insurance that we call Digital Insurance 2.0 that is focused on new and innovative business models, products, services and channels as well as new approaches to customer engagement. This new era demands agility, speed and innovation, which is dramatically different from legacy insurance practices.

We believe that for insurers to shift to a new digital era of insurance, a new technology architecture is required, one that transforms modern core systems into platforms to leverage broad ecosystems and technology innovations, including micro services, APIs, cloud computing, artificial intelligence and new data sources. New core insurance solutions built with this new technology architecture meet the reality and requirements of today's business environment that is characterized by constant disruption, heavy competition and growing

market demands. That is why we have invested early in our core cloud and digital platforms around this new architecture.

Next generation technology allows insurers to create customer focused products and services in a matter of weeks or months, instead of years. We are now just beginning to see this happen with some of our customers from large incumbent insurers, Greenfield and InsurTech start-ups, who are implementing in weeks or a few months.

At the recent 2018 InsurTech Connect Conference in Vegas, there were over 6,000 industry leaders from around the world. We had two of our clients, both InsurTech start-ups participate in a panel discussing their journey and talking about the rapid implementation of their new digital business models and products which occurred in weeks and days.

We are very pleased to announce that Gartner had recently positioned Majesco as a leader in the October 2018 Magic Quadrant for P&C Core Platforms. Majesco is recognized as a leader for its completeness of vision and ability to execute.

Last quarter we launched Majesco Digital1st Insurance platform, an innovative next-generation digital and micro services based platform. Digital1st is exciting. If you have not taken a look at it, I urge you to go to our website and check it out. As with our market leadership around digital transformation, Majesco has developed this solution based on market and customer feedback. And as a result, there is strong interest among carriers and a growing pipeline of new customers. I am very encouraged by the growing acceptance of Majesco's products, which are resonating with current and potential customers.

Now look, the greatest asset of any technology company is its people and I am very proud to lead such a talented team. I have met Majesco employees across the organization, and I am extremely impressed with the passion and customer focused culture throughout our organization. When you add their industry domain and technical knowledge, it is a winning combination. In every customer conversation, I get tremendous positive feedback on the team before we even discuss their project or business together. And to me, that is absolutely the ultimate compliment.

Look our culture, our customer first culture is built on trust. Majesco's customers' have trusted the company to provide them with core insurance platform software to run their business. We are dedicated to providing our customers not only with leading products and solutions, but also exceeding their expectations in implementing and by delivering superior service with our deep industry domain and technical skills. The combination of providing customers with leading product and services differentiates Majesco from the competition and creates strong and lasting bonds with our customers.

We had a number of key wins across the market in Q2. In North America, a Tier 1 insurer that is active in the InsurTech space was working with several start-ups and developing new cutting

edge products. They selected Majesco P&C Core Suite, Cloud Insurer and our Digital Insurance and Analytics platform, along with Majesco Digital1st for their go-forward platform.

Two additional insurers in Puerto Rico were added to our cloud services offerings developed mainly for the region. We now have 8 insurers on the cloud in Puerto Rico.

Even more important in some of the wins, we had numerous customers go live with our solutions. This included a mid market insurer that went live with Majesco Policy for P&C and our Enterprise Data Warehouse, an InsurTech start up, that in 10 weeks implemented and expanded Majesco billing for P&C and Majesco claims for P&C. And these are just to mention a few. But each successful implementation enhances our credibility in the market, with our customers and our potential new customers, while demonstrating our important value proposition, which is speed to value.

Now on Partners, Majesco's partnerships play an important role to drive our growth strategy and support our platform solutions. One of the most strategic partnerships is with IBM. The MetLife Program, which I know many of you are aware of, represents the Life and Annuity and Group segment through IBM represents one of the largest cloud deals and our joint IBM and Majesco teams are focused on successful implementation of this cloud based solution. I am pleased to report that we have recently expanded to the P&C segment with IBM during September, and we commenced work with IBM on a Tier 1 insurer. Overall, our IBM partnership continues to gain momentum with a growing pipeline, and we are actively pursuing several opportunities with both Tier 1 and Tier 2 insurance carriers in Life Annuity and Group as well as P&C markets globally.

As I turn to Q2, as you can see, Majesco's cloud based operating model has become a critical component of our value proposition and I am encouraged by our recent success. Majesco's fiscal 2019 second quarter results reflect growing acceptance of our solutions as second quarter's revenue increased 21.8% over the same period a year ago. Cloud revenues increased by almost 55% compared to fiscal 2018 second quarter and now overall cloud revenue represents over 38% of our business compared to 30% from the same period last year. Majesco's profitability has strengthened as well due to our overall revenue growth, which is being driven by the higher margin cloud sales.

Last week I met with a Fortune 500 customer. The meeting included their CEO, their CFO, their COO, their CIO and the Head of Operations. During the meeting, the customer talked a lot about where they are today and where they want to be in the future. And they told me that their strategy is focused on this. Optimizing their technology investments and establishing a new platform for their overall digital experience that will enable them to adapt to new market demands and capture new market opportunity through an agile, speed-to-value business model. When the customer then turned to me and asked me what our strategy was? I said, "you just said it". That was the ultimate validation of our strategy. When a customer's strategy and our strategy are aligned, you know that we are listening to the market and that we are on the right

track. Some things will take time and plenty of hard work, but the alignment to our vision and what we stand for is very, very real.

Majesco has a compelling opportunity and I am excited to be part of the leadership. Our second quarter results reflect the growing momentum across Majesco and alignment to market trends in the insurance industry. I am pleased with the progress we are making and believe that fiscal 2019 is shaping up to be a strong year for the company. I look forward to engaging with investors and shareholders in the coming months and updating you on the company's future.

And with that, let me turn the call over to Farid to discuss the financial drivers for the quarter.

Farid Kazani:

Thank you, Adam and good evening to everyone. First of all, wishing all the attendees a very Happy Dhanteras and a prosperous Diwali.

I would first like to thank Ketan Mehta, the Co-Founder of Majesco for his contribution in building Majesco's business and the brand. And the support and guidance he has given me in performing my role during this journey. On behalf of all the employees of Majesco, a big thank you to you, Ketan.

Secondly, I would like to welcome Adam to the Majesco family. And I must say that during this short period, the transition has been extremely smooth. Look forward to working with Adam to build a stronger Majesco.

And now over to the Q2 performance, I would like to summarize the quarterly financials. This was the fifth consecutive quarter of consistent improvement in the revenue and profitability performance, and we are pleased with the way the business is shaping up.

Let me enumerate the key highlights on the overall performance.

The operating revenue for Q2 FY19 was Rs. 242.5 crores, an increase of 5.7% in rupee terms and up by 1.3% in constant currency from Rs. 229.4 crores in Q1 of FY19, as well as an increase of 21.8% in rupee terms and 11.3% in constant currency from the Rs. 199 crores in Q2 of FY18. The operating revenue for the six-month period ended 30th September, 2018, was Rs. 471.9 crores as compared to Rs. 381.7 crores in the corresponding period of the previous year, reflecting a growth of 23.6% in rupee terms and 15.2% in constant currency.

The total revenue for the quarter under review was Rs. 251.6 crores, an increase of 6.4% in rupee terms from the Rs. 236.4 crores in Q1 FY19 and an increase of 24.7% in rupee terms from the Rs. 201.7 crores in Q2 of FY18. The growth was primarily led by the ramp-up in key programs, increasing business momentum from the existing customers and from new logos. We closed with Rs. 487.9 crores for the six-month period under review as compared to Rs. 386.1 crore in the corresponding period of the previous year, reflecting a growth of 26.4% in rupee terms.

The adjusted EBITDA for the second quarter ended 30th September 2018 was Rs. 31 crores, which is 12.8% of operating revenue as compared to Rs. 23.2 crores, which was 10.1% of the operating revenue in Q1 of FY19, up 264 basis points sequentially and up 941 basis points year-on-year against the adjusted EBITDA of Rs. 6.7 crores, which is 3.4% of the operating revenue in Q2 of FY18. The higher adjusted EBITDA margin is a result of the growing contribution of increased revenue, better revenue profile in favor of cloud business and an improved operating efficiency. Adjusted EBITDA for the six-month period ended 30th September, 2018, was Rs. 54.2 crores, which was 11.5% of operating revenue as compared to Rs. 5.5 crores, which was 1.4% of the operating revenue during the 6-month period ended 30th September, 2017.

The total cloud revenue for Q2 FY19 was Rs. 94 crores, 38.7% of the operating revenue as compared to Rs. 82.5 crores, which was 35.9% of the operating revenue in Q1 of FY19, reflecting a growth of 14% on a QoQ basis and up 54.8% as compared to the Rs. 60.7 crores, which was 30.5% of the operating revenue in the Q2 of FY18. The total cloud subscription revenue was Rs. 29.9 crores, which was 12.3% of the operating revenue in Q2 of FY19 as compared to Rs. 22.2 crores, which was 9.7% of the operating revenue in Q1 FY19, reflecting a growth of 34.6% on a QoQ basis, and up 58% as compared to Rs. 18.9 crores, which was 9.5% of the operating revenue in Q2 FY18.

The total number of cloud customers now stand at 41 at the end of September 30, 2018. For the half year period, the cloud revenue stood at Rs. 176.4 crores, which was 37.4% of the operating revenue as compared to Rs. 108 crores, which is 28.3% of the operating revenue, reflecting a growth of 63% over the H1 of the last fiscal. The growth has significantly offset the drop in the on-premise implementation revenue, which declined close to 7% in the first half of the current fiscal FY 2019 as compared to the previous year.

The total recurring revenue for Q2 FY19 was Rs. 82.9 crores, which is 34.2% of the operating revenue as compared to Rs. 70 crores, which was 30.5% of the operating revenue in Q1 FY19, reflecting a growth of 18.4% on QoQ basis and 54.3% as compared to Rs. 53.7 crores, which was 27.0% of the operating revenue. For the half year ended September 30, the total recurring revenue stood at Rs. 152.9 crores, which was 32.4% of the operating revenue as compared to Rs. 100.4 crores, which was 26.3% of the operating revenue, reflecting a growth of 52.3% on a year-on-year basis.

During Q2 FY19, the product development expenditure was Rs. 33.1 crores, which is 13.7% of the operating revenue as compared to Rs. 32.7 crores which was 14.3% of the operating revenue. For the six-month period ended 30th September 2018, the product R&D expenditure was higher by 23.6% as compared to the last fiscal year.

Our overall revenue growth combined with more profitable mix of revenue and operating leverage drove the increase in profitability. The company also recorded a gain of Rs. 5.8 crores during the quarter ended 30th September 2018 on account of the reversal of the contingent one-off configuration no longer required.

The net profit for the quarter under review stood at Rs. 26.4 crores as compared to Rs. 14.9 crores in Q1 FY19, up 76.7% sequentially and an increase of 147.5% on a year-on-year basis. Net profit for the 6-month period ended September 30, 2018, was Rs. 41.4 crores as compared to Rs. 5.7 crores for the six-month period ended 30th September 2017, reflecting a growth of 632% on a year-on-year basis.

On the geographic standpoint, the North America, UK and APAC regions represented 88%, 4.8% and 7.2%, respectively, for the second quarter's operating revenue.

In terms of business split, the P&C represented 71.6%, life and annuity represented 27.6% and the non-insurance represented 0.8% for the second quarter's revenue.

In terms of client concentration, the top five clients constituted 31.3% and the top 10 constituted 44.8% for the second quarter's revenue.

Turning to the balance sheet. The total debt as at 30th September, 2018, was lower at Rs. 84 crores as compared to Rs. 91.2 crores as of June 30, 2018, whereas the cash and cash equivalents, including investments was higher at Rs. 458.3 crores as of 30th September, 2018, as compared to Rs. 422 crores at the end of June 30, 2018. This was one of the best quarters in terms of cash flow generation in the recent past.

The 12-month executable order backlog stood at Rs. 546.6 crores, which is \$75.4 million at the end of 30th September 2018 and in constant currency at Rs. 518 crores as compared to Rs. 571 crores, which was \$83.4 million at the end of Q1 FY19.

The headcount was marginally higher at 2,585 at the end of September as compared to 2,486 at the end of June 30, 2018.

This concludes our prepared remarks. I will now pass it on to the operator to open the call for questions. Thank you very much. And I appreciate your continued interest in Majesco.

Moderator: Thank you. We will now start with the question-and-answer session. The first question is from the line of Dipen Shah, an individual investor. Please go ahead.

Dipen Shah: I had a question regarding the IBM deal. We have been executing the MetLife contract for about a year now. If you can just give us some more details on what progress has been made and how is it? And the other thing is that on the life and assurance side, you are expecting another order from the IBM deal, but that is yet to come. So, probably some more comments on that.

Adam Elster: Sure. Thanks, Deepen. This is Adam. I appreciate the question. So, in regards to the IBM and MetLife program, we have been working on that project for the last year or so. Right now, we are looking at the go-live date for the joint project later in the spring into next summer. So, we are excited about that. I am sure between us, IBM and MetLife, you will hear more about that as we get closer to that time frame, which is probably the right go-live time frame for projects

of this size. So, going as planned and we are excited about where we are today. So, I will tell you nothing out of the ordinary on progress, you will hear more in the springtime. As far as additional customers in North America, we have answered that question on the call itself. We are in the P&C stage with another large insurer, similar Tier 1. As you know with these larger deals, again, we tend to do larger extended P&Cs before you launch it to the larger agreement and project and we are in the midst of that P&C. I hope to wrap it up in the next quarter or two. And overall, there is growing pipeline for these opportunities. And with some of these larger deals, the lifecycle of these deals take a little longer because there are significant investments, but we are very excited about the MetLife project, the P&C we are doing right now and the pipeline itself. Hopefully, Deepen, that answers your question?

Dipen Shah: Yes. And also, maybe if you can give us some more color on the first client which you won on the P&C side along with IBM?

Adam Elster: I am not going to give you the customer name until we are finished with the work and we are ready to announce that part of it.

Dipen Shah: But any more color on the size of the deal, approximate size, how big this could be over the last time?

Adam Elster: I would tell you, it is another large Tier 1 insurer. The size of the deal will be related more to the term and anything else. So, I am not going to give you any more color on it at this time. Again, I hope in the coming months, whether in this quarter or next, we will be able to give you a lot more detail. But it would be too early to say right now, but we are very happy that it fits in line with our business model around the partnerships.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: My first question is to Adam. Adam, as I understood in the opening remarks that you were handling the responsibilities of US\$4.5 billion at CA Technologies and now you have moved in an organization of a much smaller size. So, I understand that the new opportunities have been exciting at Majesco. So, just to understand a bit more as Majesco has been more concentrated in US, so what are your near-term and mid to long-term plans going to be? Whether you will be taking Majesco to other geographies as well?

Adam Elster: Great question, and I appreciate it. Yes, I have had global experience in my prior roles and a large portion of Majesco's business at this moment is in North America. At the same time, a large part of the addressable market for the insurance industry is in the United States as well. So, I think, Majesco's plans have been prudent. The balance of business that has been done in North America as suppose to the rest of the world you know it matches a good alignment to this total addressable market. At the same time, we are going through a process where we are looking at some of our investments and understanding are there other geographies around the world, which represent additional growth for us to make additional investments. Within 30

days, I could not tell you that this geography or that geography makes sense for additional investment but we should expect that within the course of the next year, we will make targeted investments in geographies where we see opportunity. But at this moment, I think the investments are well balanced based on the addressable market and the offerings but that is something especially in a cloud world which might see some new opportunity for us as the market develops.

Devanshu Bansal: Okay. My second question is in terms of margin improvement. We have seen a very good margin improvement than the first-half of FY 2019. So, how should we take this going forward, both in terms of near-term as well as the mid to longer-term?

Farid Kazani: Yes. There has been a steady improvement in the margins and as I mentioned in my call, it is linked to the improvement in the overall business with the revenue profile and operating efficiencies. Our endeavor will be to keep on continuing those improvements. And as we do that, we will have some bit of expansion on the EBITDA margin. However, we would like to kind of plough back some part of that improved margins for the investment in sales and we see opportunities within North America and other geographies.

Devanshu Bansal: And what would be the consistent levels of investments in R&D? Can we take the present level as the new normal?

Adam Elster: I would say that we are still taking a look at that. Obviously, for us to decide on investments between Farid, myself, the board and the management team, we will always look at the investments and decide whether it is best prudent to make investments and development and go-to-market into marketing. We are always announcing those investments to meet the market opportunities. So, I would say, our thesis is based on market opportunity and we will follow an agile format to make sure we are meeting the market demands.

Moderator: Thank you. The next question is from the line of Ayush Abhijeet from White Oak Capital. Please go ahead.

Ayush Abhijeet: Can you share some incremental commentary on how the on-premise market is evolving? And if you could bifurcate that for P&C and L&A? So, the question is around, do you see a secular single-digit decline that we experienced in the on-premise business, how should we look at this piece, the revenue panning out over the next year or two? And the second question is if you could update us on the acquisition front. Are we any close to sort of figuring out a reasonable acquisition because it is been a while since we raised money from the public markets. So, that is the second question? Thanks.

Adam Elster: Let me answer the second one first. We are reviewing all of the M&A opportunities right now. We have a pipeline of M&A that company has been tracking and we are looking at prioritizing some of those decisions. But obviously, those are the things we hope to update you on the coming quarter or so. Again, I am 30 days in so I think I am learning a lot but I would tell you any updates on the M&A will probably be in the coming months as I get a better

handle on the business itself. As far as your question earlier was about the cloud business and on premise, correct?

Ayush Abhijeet:

Yes. That is right.

Adam Elster:

So, what I will tell you in general, when you think of a market, insurance vertical itself, the insurance vertical has been a late adopter to cloud technology. The main reason for that is that many of these businesses who have been in the business a long time, their core systems, on-premise system have been the backbone of their businesses and there is always a reluctance for culturally and technologically. So, there is always a challenge for people who have businesses running and core platforms to disrupt those platforms. And the insurance industry is not different than other industries over the last five years to 10 years, whether it is banking or even public sector where there has been a concern of what systems to move to the cloud and at what speed? And frankly, the big concern is about what disruption. So, as we look at the business and you look at our pipeline, 75% of our pipeline is comprised of cloud deals. And the cloud deals are all, I am going to replace my entire core system and move it to the cloud. In many cases, it is Greenfield, new products and new launches that are cloud-native in nature. At the same time, all of the large insurers are assessing the viability of moving their core systems to the cloud and understanding both the risk and the reward. And I think, just like you probably saw in banking and public sector in the last 5 years, there is an adoption tends to follow a pattern of some of the non-core systems go to the cloud, some new Greenfield projects go to the cloud and then there is a more rapid growth of the core systems moving. But, at the immediate moment it is still a balancing act between those things. Why we think it is such a tremendous opportunity is every single customer we meet with does not ask us if they should move a core system to the cloud. They never ask the question. They would all love to, their concern is risk versus reward and timing. So, I do not think it is a question of if, I think it is a question of when. If your question specifically said, do I think it is going to be in the next year? I think, it is going to be in the next year and the year after and the year after. I do not think, you are going to see one massive shift in the industry. I think, each company is looking at a multiyear plan to make that transition. Was that helpful?

Ayush Abhijeet:

Thanks, Adam, that is definitely helpful. My question was narrower down the trajectory of the on-premise revenue. I appreciate that cloud is the way forward to this industry and this industry has been a late adopter and of course the cloud business has been doing excellently well. But more so, I was trying to pinpoint the on-premise revenue trajectory, fair to say that we would see a secular, single-digit about 10% - 15%-odd annual decline in the next year or so. Is that the outlook going forward for the on-premise segment? And what I further wanted to understand was if you could bifurcate that into L&A and P&C. Are we seeing similar trends, similar declining trends there? And also, my understanding is that out of the North American market, if you look at the Asian markets, right? There you are still seeing a lot of on-premise deals happening. So, is there an opportunity to participate there as well?

Adam Elster:

So, first of all, we do not do the segment guidance. So, we do not provide that, but we will give you the color, all right? So, Farid, maybe you can take the question.

- Farid Kazani:** Yes, sure. Ayush, if you look at in this first-half, the on-premise business constituted almost around 23.7% of the revenue and it was down from the last year, a similar period where it was 31%. So, it dropped by around 7%-odd compared to the previous year. Now the constitution of the 23.7% is roughly divided 50% within the P&C North America and the rest of it being L&A and the other regions which is Asia Pac and UK. What has dropped is programs that have gone live over a period of time in the P&C North America and that is where there has been a drop to the extent of 7%. I do not believe the drop is going to be aggressive. It will be very-very nominal on a quarterly basis depending upon projects getting completed and because 50% still constitutes the rest of the L&A across Asia Pac and UK so that business is definitely still on-premise right now. So, I hope that gives you some idea of about where we will end up but we are not giving any guidance on a quarter-on-quarter basis or how this is going to shape.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir, just a bookkeeping question, for example, our Majesco India profit about 80% of it comes from Majesco U.S., right?
- Farid Kazani:** Yes. If you look at it from a revenue perspective India standalone which is the India business of roughly around 14 clients - 15 clients just constitutes close to 2% of the revenue. The rest of the business is largely consolidated Majesco US globally.
- Deepak Poddar:** No. I was talking more in terms of bottom-line. I think, bottom-line about 80% is from the U.S., right?
- Farid Kazani:** Yes, it will be because if you look at the 2% revenue hardly gives anything but keep in mind that what we have at a net income level that is interest income for the funds that are sitting at the Majesco Limited at the parent company level. So, if you exclude that, yes, a significant part of profitability of the business comes from Majesco US.
- Deepak Poddar:** So, how much could that be the interest income?
- Farid Kazani:** If you look at the quarter, we had a total other income of Rs. 9 crores which is largely the interest income and the income from mutual funds.
- Moderator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** I welcome Adam to the Majesco team. And sir, my question is on the order backlog that you gave. So, the order backlog is now falling for the last 2 quarters. I understand that it is going to be IBM implementation that has been going through and also all the deal wins that you have is mostly cloud-led. So, if it actually does not provide a very clear picture of what actually happening in terms of client wins and how the revenue is going to shape up. So, I would suggest that rather than giving this if you could give us the total TCV wins for the quarter,

which includes the long-term cloud subscription revenue also. So, it will be more beneficial for us to understand the trend.

Adam Elster:

No. I appreciate that, that is a great point. As you said, very correctly, when you get a larger percentage of cloud deals, it changes some of the mixes of the backlog. Cloud deal tend to be smaller nature for their original deals, right? And the projects themselves tend to follow a ramp of three months, six months implementations with quicker releases. So, the overall nature of cloud deals changes the mixture of the backlog itself which you rightfully understand which is helpful. And I know that something over the last year that the organization has been doing a very good job helping to explain to all of you but you have seen it in other companies as well, so it is not new or exclusive to Majesco. We do not report new sales, total TCV. I understand, why you want that information but we do not report those numbers. I have discussed with Farid and something that we discussed but nothing that we are going to provide at the moment. At the same time, I will tell you about the backlog is that in the December quarter end which is the end of our Q3 has a significant renewal portfolio for us. So, many of the customers as you all are well aware have fiscal calendar year ends when they do the renewal, and we have many projects that are into their 9th or 10th month that have not yet been renewed and we do see the December month has a larger volume than others as far as renewals which also helps with the backlog. So, I understand why you want the clarity with the TCV but it is not something we are providing. But I will tell you, you are onto the right thing. The cloud deals are smaller, they ramp-up, but at the same time, December is a significant renewal portfolio for us. So, I know I am not giving the exact answer you want but hopefully, the color helps a little bit.

Amit Chandra:

Okay, sir. And sir, my second question is on the IBM relationship that you mentioned that you have extended the IBM relationship for the P&C segment and you also mentioned that some of the deals were actually at the end of closing it. So, I just want to understand that the kind of relationship you had with IBM so earlier it was only for L&A or at the start also it was for L&A or P&C or how it has changed, right?

Adam Elster:

Yes. The initial offering was in L&A and the project was MetLife, which you are aware of, was L&A. As part of that, we built a pipeline of L&A opportunities as you heard earlier one that is progressed further down than others and it is in the P&C format. But as our relationship developed and as we are working on joint customers together that is when the relationship grew through opportunity and we realized there is an opportunity on the P&C side as well and have a few other opportunities that we are working on together. It is very exciting. So, we started with L&A and an opportunity came up, we realized we could expand the relationship. And we think that is what we do with partnerships. Partnerships we started a long place, we are doing well, we think it can expand and then we are also looking at adjacencies like P&C where there is a market opportunity.

Amit Chandra:

Okay. And sir, my last question is related to the P&C that you mentioned, so if you can just provide a bit color of how many P&Cs are you currently engaged with both on the L&A and the P&C sites. And what is the possibility of that getting close to a deal? So, how has the sales cycle been? And have you seen that any kind of change in the sales cycle?

- Adam Elster:** No. The sales cycle really has to change and I already answered the question earlier. We hope that the P&C we are working on now concludes within this quarter or next. There is probably a half dozen or so of these that we are working on and these sales cycles typically follow a pattern where they do P&Cs or extended P&Cs that is pretty typical not have these opportunities evolve.
- Amit Chandra:** Okay. And sir, one last question for Farid. Sir, like we have seen the clients accounting for 5% of revenues. It has fallen from two to one, so is it any specific client, or it is IBM?
- Farid Kazani:** No. Obviously, the top client is IBM today and the others are typically depending on how they face the revenue and some projects getting completed, so to that extent there is being a little change.
- Amit Chandra:** So, it is basically of the on-premise drive ?
- Farid Kazani:** Yes. That will be typically of our on-premise project that would have got completed.
- Moderator:** Thank you. The next question is from the line of Aejas Lakhani from Edelweiss. Please go ahead.
- Aejas Lakhani:** Two queries. One is that what is our win ratio? And the second is to what extent do we benefit from the depreciating rupee and what price have we booked the INR?
- Adam Elster:** Why do not you take, Farid, the currency question, first?
- Farid Kazani:** Yes. So, the benefit of the currency has got reflected in the revenue which I have already shared both from a constant currency and a rupee revenue number. At the bottom-line, the benefit is not significant because we have substantial costs sitting on site so there is a natural hedge. But for the quarter which is Q2 FY 2019, the total benefit from a currency perspective was 1.1% of the revenue.
- Aejas Lakhani:** Okay.
- Farid Kazani:** Adam, over to you for the first question.
- Adam Elster:** Yes, as far as win rates again, we do not publish win rates, I am sure you want a number but I am not prepared to give you a number at this time. I will tell you that it is a competitive market and one where we feel we stand very well. If you go to the Magic Quadrant Gartner or you can go to our webpage, you can go to Duck Creek's webpage and you can go to Guidewire's webpage and we all show the same report. It is the same Magic Quadrant with one, two, three in the market and the good news I will tell you about this market is, it is a very large addressable market but I feel very confident not only in how we compete in some of the core parts of the market but when you look at our Digital1st offering and you look at our L&A offering with IBM, we are very excited. We think that is where we have an advantage and we are seeing very strong win rates. But overall, I am comfortable with the win rates in general,

across our portfolio which is P&C and L&A as well as long as distribution management. So, we are comfortable with our win rates at this point.

Aejas Lakhani: Sure. Just a follow-up, you mentioned about Guidewire and Duck Creek. So, Guidewire has a couple just a few months back launched their cloud offering and that is gaining significant traction. So, any thoughts on the competitive intensity?

Adam Elster: I would tell you, it will be naïve to think, and I would think everyone in the market that other companies in this would be launching cloud offerings. Again, this is not something that would surprise us while we launched earlier certainly others are working on the same things as well. And like I said, I think we have a competitive solution. And I think, the others in the market are shifting resources and business models to address the demand as well. And I expect them to be good competitors in this space.

Aejas Lakhani: Okay. So, does the cloud offering speed-to-market, is that the only tangible benefit? Or is there any product differentiator which is...

Adam Elster: Yes. As I mentioned in the call, if you go look at our Digital1st offering right, our Cloud Insurer and having our technology cloud-based is a differentiator for us. Our expertise of our people in both the vertical and technology is a differentiator. And if you look at our Digital1st offering it is next-generation technology whether it is Greenfield in large insurers or Tier-3 or Tier-4 insurers that platform is a differentiator. And I welcome you to take some time to understand it. I think it is a very strong differentiator in the market.

Moderator: Thank you. The next question is from the line of Ankit Pandey from Systematix Shares. Please go ahead.

Ankit Pandey: My question would be, I think if Adam you could highlight on what you see can you build on Majesco in terms of its portfolio of offers? And I expect a pick on the space that you mentioned that you would invest in Majesco as sort an agile fashion, so if you could build on that?

Adam Elster: Sure. I would tell you what I am looking to do is build on what the company has been investing in. So, when you look at the thought leadership in the Digital1st and the cloud environment, these are the things the company invested in a couple of years ago. So, these are, Adam, joined the company and we are going to invest in the cloud and the Digital1st platform I can tell you the thanks go to Ketan and Manish, who runs our product team for working on these thought leadership ideas over the last couple of years. And now what we are looking to do is expand the go-to-market in these areas to really see as we are seeing customers going live with these solutions and new deals develop now it is about us accelerating those offerings into the marketplace. And I would think of it in those terms rather than Adam's going to come in and think of a whole new portfolio of solutions. What I am looking at is we have a great portfolio of solutions. We have a great team and we have an excellent market opportunity and my role is to help accelerate the evolution of the pieces and parts that Ketan and the leadership

team have put in place as we bring all of those to market. So, I think it was good timing for the company good timing for me, personally but that is what I am focused on in the near-term.

Ankit Pandey:

Great. So, your acquisition interest is trying to sort of carry through which area that will be a target? And I believe earlier, it is kind of a digital area which is very broad terms sort of thing. So, if you could help me understand that a little bit better.

Adam Elster:

Sure. When we think of acquisitions and I know many of you would love me to give you a name and a time frame and amount. So, I know you would like that. I understand that. But as you guys are all well aware I am not at liberty to give you that information at this time. Whenever you look at the company in expanding the business, we are always going to look at organic and inorganic opportunities. When we think of investing for growth and reaching a market opportunity for us it is a matter of do you build it? Do you partner with someone or do you buy it? And it is no mistake state to anyone building will always be financially is the best benefit, it is the cheapest, it is the most lucrative but it takes times. Partnering works well and there is always buying and when you buy something, it is always a matter of looking at it and deciding, are you buying this to move it to a new area of technology it is an adjacency to what you are doing. Do I want to reach a new geography and there is a go-to-market or distribution, all of these things are what we weigh in deciding M&A. So, I understand the specific question and I am sure you like a simplistic answer than me saying we should buy a company that does or make it up a Big Data, AI, one of these areas and what I would tell you is our decision is much about the strategy around the product roadmaps, the addressable market, but it is also that build partner who buy methodology and some things depending on how they weigh will move in one direction or the other. So, that is the framework. As I am talking to the team and the board about the acquisition, that is the framework about how we are thinking of things. And at times, one thing will outweigh the other, whether it is speed-to-market, whether it is expanding a partnership, whether it is a geography, we will weigh all of those things to make sure we are making the best use of the capital to provide shareholder return and value.

Moderator:

Thank you. The next question is from the line of Prajwal Gote from B&K Securities. Please go ahead.

Prajwal Gote:

I just wanted to clarify a couple of things. First was on the order backlog, as you mentioned that your order backlog was Rs. 546 crores. Does this include the recurring revenue part? My first question was on that?

Farid Kazani:

Yes. So, in the order backlog, roughly 40% would be around the cloud revenue and I do not have specifics right now, the number on the recurring but the cloud revenue will constitute roughly 40% in that.

Prajwal Gote:

No, the question was that the order backlog which you have given of Rs. 546 crores, which you are going to execute in the coming period, does this include recurring revenue base of the Rs. 82 crores, which you have mentioned separately?

- Farid Kazani:** No. I am not giving the breakup of the backlog between recurring revenue. What I mentioned to you was recurring revenue for the quarter.
- Prajwal Gote:** Okay. So, you mean to say that this is the recurring revenue, right?
- Farid Kazani:** No, the backlog will include the recurring revenue but I have not given any specific number of the recurring revenue within the backlog.
- Moderator:** Thank you. Ladies and Gentlemen, we will be taking the last question. That is a follow-up question from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Adam, just wanted to understand how are we shaping up to winning these large deals, which are in the pipeline. You mentioned like we have half a dozen deals in the pipeline. So, our focus would be more on investing through R&D or we will be focusing more through sales, selling, building selling capabilities?
- Adam Elster:** I would say both, it is not either or. It is a matter of how much to wish. So, I would tell you, we are feeling good about the progress. In some situation, we see growing pipeline in areas where we lack coverage I would invest more in the go-to-market side. In areas where we see new capabilities or enhancement which help us increase our win rates, I would invest more in development. And in general, where we do not see enough pipeline or visibility I would invest in marketing. So, at this moment, the decisions for me are as I tell a lot of the folks who are working with me as I tend to be very data-driven. So, I will look at data and if there is enough pipeline; I will ask a question is the product competitive enough and are we marketing it well or not? If I think, we have a pipeline that is not moving and it gets stalled, I will ask is this the sales organization? And where there are deals, we are losing because of capabilities or being behind I will ask Manish and team, what can we do to invest more to win those deals. So, the decisions would not be based on what I like or what I hope for. I will do that based on the data or how we run the business will guide those decisions and I do not expect and no one should expect a one-time decision to operate in the market as it works today these need to be agile decisions. Things you can make every quarter not every year and I think that is the key to running a modern technology organization in an agile way. You have to be the same way. Our customers are asking us to help them build environments, to help them meet market demand and be agile. We need to do the same things. So, our investments need to be agile as well making sure we are meeting the market demands but from my perspective we will be using data to make those decisions. Hope that helps.
- Devanshu Bansal:** Yes. Adam, that helps. But just to expand a bit on this, so what are the key challenges you have seen now after joining Majesco. So, within a month's tenure whether you are seeing the need for delivery based investments or go-to-market type investments currently?
- Adam Elster:** I would tell you my initial thoughts are, we need a little bit more visibility. At the moment, when I talk to our customers, they are very happy with our approach to them, our dedication to them, the technology, our skills, they are very happy. When you talk to Gartner, they are

impressed with our technology and what we are doing. I would tell you one of our challenges will be for sure to make sure the market knows what our customers, our investors and our employee knows about the power of Majesco and what we can deliver. So, certainly, we need to do a better job getting the message out and then I think the best message is executing. So, more you execute the more of our customers go live the more you will see that momentum continue to grow and we will see a real flywheel in the business and those are my initial thoughts. More to come as I said earlier, 30 days in I am trying to balance my listening at the moment to understand what the opportunity is. But in general, I will tell you we got to get the message out with our employees I think with our competitors and what our customers know. We got to let more people know about what Majesco can do and is doing for insurers in the market today.

Devanshu Bansal:

Thanks a lot Adam. All the best.

Adam Elster:

Well, look, I want to thank everyone, for joining the call today. I really appreciate the time, I appreciate the welcome. Once again, I really want to thank Ketan for his leadership along with the founders for Majesco and bringing the company to where we are today. I look forward to leading a continued evolution of the business and driving it forward. So, for myself, for Farid and Ketan, I want to thank all of you from the time and wish you a good evening. Thanks, everybody.

Moderator:

Thank you. Ladies and Gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.