

"Majesco Limited Q2 FY20 Earnings Conference Call"

November 14, 2019





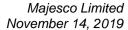
MANAGEMENT: MR. ADAM ELSTER - CHIEF EXECUTIVE OFFICER,

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 welcome to the Majesco Limited Q2 FY20 results 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 Asha Gupta from Christensen IR. Thank you and over to you, Ma'am.

Asha Gupta:

Thank you, Karuna. Good evening to all of you who have logged into the call. Welcome to Q2 FY20 results of Majesco Limited for the quarter ended 30th September 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 and Group CFO of Majesco Limited. We will start the call with a 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 open the floor for 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 risk 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 website.

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

Adam Elster:

Thanks, Asha. And good evening to everyone on today's call.

In Q2, we continued to see accelerating momentum and an increase in our overall cloud business, as cloud subscription revenue grew over 21.2% year over year. This is in direct relation to our cloud wins in the last year as well as our dramatically reduced project implementation timelines. Our subscription business model allows us to generate rapid cloud services revenue during the implementation phase, and product revenue begins as soon as the project is live. The cloud subscription revenue then continues to increase over time in-line with continued adoption and direct written premium volume.

We did see a decline in our UK business which was affected by the macro economic pressures that our customers are facing relating to the overall business environment and Brexit. Many organizations have been forced to hold any business decisions pending final resolution. They are doing parallel work to consider new business strategy models. In addition, we have seen many executive level changes, and a series of associated existing investments and program reevaluations.



This quarter we were very pleased that our single largest customer completed their initial project implementation and have now moved into pre-production with their new system.

Unfortunately, the one-time financial impact in the quarter limited cloud implementation services and minimum subscription revenue. This impact will not have the same affect in Q3 as the systems go into production and we begin generating cloud subscription revenue from this relationship.

As part of our ongoing evolution, we have been able to do a great job optimizing our overall companywide resources to better align to our long-term business needs. Again, this created some one-time costs that will be recovered over the full year.

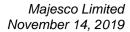
Our Q2 financials reflect some one-time timing and business transition issues, but do not reflect any fundamental concerns in our business or future projections. In fact, we feel strongly that our long-term growth strategy is aligned to the market and customer opportunity. It is clearly reflected in our backlog growth and while this can sometimes put pressure on weighted growth and margin, we are well positioned to accelerate in both areas in the coming quarters.

As I mentioned, we were very pleased with new sales in Q2, and our 12-month backlog is now at a record of \$100 million+. It was an excellent mix of Tier 1 customers, divisions within Tier 1 companies as well as Tier 3 customers. It included deals for various critical existing lines of business and new greenfield offerings. In addition, we have several renewals that includes conversions from our on-premise product to our latest cloud versions. The deals span the portfolio across P&C, L&A, and Digital 1st. This absolutely aligns to our strategy and the overall market trends that we are seeing. We are extremely excited about our second half deal pipeline and have some significant new business moving nicely toward final stages of execution. In fact, we had a new Tier 1 customer sign with us just last week to be their new global standard.

In Q2, we had nine customers go-live. This included a tier 3 customer who did a complete transformation using the entire Majesco Cloud suite for their P&C business. We also went live with one of the largest privately held third-party administrators (TPA) with Majesco Cloud Policy and Billing. Lastly, we had a global existing Tier 1 customer add 6 lines of business to their Majesco Cloud Policy system. Other recent press releases highlight our projects with companies like CCMSI, Kookim, Secura and Arch Insurance.

Other major highlights in the quarter include:

We announced the general availability of the version 11 for the market leading Majesco
P&C Core Suite, including Policy, Billing and Claims for P&C, and Majesco L&A and
Group Suite, including Policy, Billing and Claims for L&A and Group. Additional
information can be seen in our recent press release, as well as extensive content and video
on our website and YouTube channel.





- We announced that for the second year in a row, we have been named a "Leader" in the Gartner September 2019 Magic Quadrant for P&C Core Insurance Platforms, North America. In fact, if you compare the year over year results, we have the most positive increase and the margin of difference between the top three solutions has narrowed dramatically. Again, much more material is available on our website and YouTube channel.
- We announced that Majesco Cloud L&A and Group suite has been positioned as a
 "Visionary" in the Gartner August 2019 Magic Quadrant for Life Insurance Policy
 Administration Systems, North America. This is great validation of our investments and
 execution over the last several quarters, and we look forward to even more progress in the
 coming years.
- Finally, last week we announced the availability of Majesco Cloud solutions in the Microsoft Azure Marketplace. Majesco CloudInsurer™ and Majesco Digital1st Insurance™ were architected to benefit from the cloud capabilities of Azure. This announcement expands the relationship by having Majesco CloudInsurer™ solutions including Majesco P&C Core Suite and Majesco L&A as well as the cloud-native platform, Majesco Digital1st Insurance™ available in the Azure Marketplace. Additional information can we found in recent press material as well. Given their obvious brand and cloud focus of Microsoft, this was a natural synergy and incredible opportunity for us.

It has been an incredibly busy quarter for the company, and we have seen excellent progress across our product, delivery and sales teams. Our strategy is completely aligned to the market and it is resonating with our customers and prospects. Our product development execution is in high gear as reflected not only with our V11 release but the recent industry analyst recognition. Our delivery teams are completely focused on speed to market as reflected in the number of golives, and our sales team have executed very well for the fourth consecutive quarter.

I feel good about the market opportunity and our ever-improving execution which will allow us to capture market share and growth.

With that I will turn it over to Farid.

Farid Kazani:

Thanks, Adam and good evening to everyone.

The second quarter of fiscal year 2020 continues our transition to a cloud product focused company. We continue to experience positive momentum in the business with new client wins and improvement in our operating metrics.

Let me enumerate key highlights on the overall performance for the second quarter.

The operating revenue of Q2 FY20 was Rs. 239.8 crores, a decrease of 7.4% in rupees terms and down by 8.7% in constant currency from the Rs. 259 crores in Q1 FY20 as well as a marginal drop from Rs. 242.5 crores in Q2 of the last year. The total revenue for the quarter under review



was Rs. 246.5 crores, a decrease of 6.4% from Rs. 263.3 crores in Q1 FY20 and a decrease of 2% from Rs. 251.6 crores in Q2 FY19. The decrease in revenue as compared to the previous quarter was primarily led by the successful completion of the Phase 1 in the implementation work with a large client and a drop in the revenue from our EMEA region linked to the Brexit related issues.

Operating revenues for the six month year ended 30th September 2019, was Rs. 498.7 crores as compared to Rs. 471.9 crores in the corresponding period of the previous year reflecting a growth of 5.7% in rupee terms and 5% in constant currency. In terms of the total revenue, we ended up at Rs. 509.8 crores for the six-month period under review as compared to Rs. 487.9 crores in the corresponding period of previous year reflecting a growth of 4.5% in rupee terms.

The adjusted EBITDA for the second quarter ended 30th September 2019, was Rs. 27.1 crores that is 11.3% of the operating revenue as compared to is Rs. 33.6 crores which is 13% of operating revenue in Q1 FY20 and Rs. 31 crores which is 12.8% of operating revenue in Q2 FY19. The reduction in the margin as compared to the previous quarter was due to the lower revenue and annual salary increases. Adjusted EBITDA for the six-month period ended 30th September 2019 was Rs. 60.6 crores which is 12.2% of the operating revenue as compared to Rs. 54.2 crores which was 11.5% of the operating revenue in the six-month period ended 30th September 2018.

Now on the details with regard to cloud and recurring revenue.

Total revenue from the cloud based customers for Q2 FY20 was Rs. 92.4 crores which is 38.5% of the operating revenue as compared to Rs. 96.8 crores which is 37.4% of the operating revenue in Q1 of FY20 reflecting a decrease of 4.6% on a quarter-on-quarter basis and a decrease of 1.7% as compared to Rs. 94 crores which is 40.6% of the operating revenue in Q2 of FY19. Increase in cloud revenue across many of our cloud customers more than offset the reduction in cloud services revenue from the already mentioned impact in the completion of the implementation work of the large customer.

The total cloud subscription revenue grew 19.4% to Rs. 36.2 crores which is 15.1% of operating revenue in Q2 FY20 from Rs. 30.3 crores which is 11.7% of the operating revenue in Q1 FY20 and was up by 21.2% as compared to Rs. 29.9 crores which is 12.3% of the operating revenue in Q2 of FY19. The increase was contributed in small increases across many clients. The total number of cloud customers now stand at 61 as of 30th September 2019.

For the half year ended September 30, 2019, the total cloud revenue stood at Rs. 189.1 crores, which is 37.9% of the operating revenues as compared to Rs. 176.4 crores which is 37.4% of the operating revenue reflecting a growth of 7.2% over H1 of the last fiscal. The total cloud subscription revenue grew 27.8% to Rs. 66.6 crores which was 13.3% of the operating revenue in H1 FY20 versus Rs. 52.1 crores which was 11% of the operating revenue in H1 of the last year. We have seen good progress in the maturity of our subscription models each quarter.



The total recurring revenue for the Q2 FY20 was Rs. 90.5 crores which is 37.7% as compared to Rs. 84.3 crores which is 32.5% of the operating revenue in the previous quarter reflecting a growth of 7.4% on quarter on quarter basis. For the half year ended 30th September 2019, the total recurring revenue stood at Rs. 174.8 crores which is 35% of the operating revenue as compared to Rs. 141.6 crores which was 30% of the operating revenues reflecting a growth of 23.4% on a year-on-year basis.

In Q2 FY20, the product development expenses stood at Rs. 31.4 crores which is 13.1% of operating revenues as compared to Rs. 38 crores which was 14.7% of the operating revenue in Q1 of FY20. For the six month-period ended 30th September 2019, the product R&D expenses were higher by 5.3% as compared to the H1 of the last fiscal. This is in line with our plan as a percentage of revenues year-over-year as we continue to enhance our cloud and digital offerings.

Net profit for the quarter under review stood at Rs. 16.8 crores as compared to Rs. 12 crores in Q1 FY20 and Rs. 26.4 crores in Q2 of FY19. Net profit for the six-month period ended September 2019 was at Rs. 28.8 crores as compared to Rs. 41.4 crores for the six-month period ended September 2018.

From a geographic standpoint, the North America, EMEA. and the APAC region represented 89.3%, 4.7% and 6% respectively for the second quarter's operating revenue as compared to 88%, 4.9% and 7.2% respectively for the same period of last fiscal year.

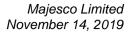
In terms of the business split, the P&C represented 78.5%, life and annuity 20.9% and the non-insurance was 0.5% in Q2 of FY20 as compared to 71.6%, 27.6% and 0.8% respectively for the same period of the last fiscal year.

In terms of client concentration, the top five clients constituted 20.5% and the top 10 constituted 35.6% for the second quarter of fiscal 2020 as compared to 31.1% and 44.8% respectively for the quarter ended September 30, 2018.

Now turning on to the balance sheet. Majesco's balance sheet as of 30th September 2019 continues to reflect a debt-free company. The company continues to generate cash sufficient to fund the its operations closing with the total cash and cash equivalent of Rs. 391.6 crores as of 30th September 2019 as compared to Rs. 374.2 crores at the end of 30th June 2019. Our cash balance provides us a significant flexibility to invest in growth opportunities.

DSO was higher at 102 days as of 30th September 2019 due to a large go-live milestone billing. This October month witnessed strong collections bringing down the DSO levels.

The 12-month executable order backlog stood at Rs. 711.3 crores which is \$100.4 million as of 30th September 2019 and in constant currency at Rs. 692 crores as compared to Rs. 546.6 crores which was \$75.4 million at the end of Q2 of the last year reflecting a growth of 30.1% on a year-on-year basis versus Rs. 681 crores which was \$98.7 million at the end of Q1 FY20 reflecting a





Moderator:

growth of 4.4% on a QoQ basis. We added three clients organically for the quarter ended 30th September 2019.

Operationally, we have focused on effectively managing resources to ensure client projects are properly staffed while still investing in product and innovation. Our total headcount at the end of 30th September 2019 was lower at 2,574, which is a decrease of 189 as compared to the June quarter where the headcount was 2,763.

Overall, we are pleased with the performance for the first half and are optimistic of the overall performance for the second half.

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

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer

session. The first question is from the line of from Saurabh Shah from AUM Advisors.

Saurabh Shah: Two quick questions. One is, what is the margin that you have on your cloud subscription

revenues and how do you see that going forward?

Farid Kazani: We don't specifically give the margins by line items. But if you look at the nature of the business as such, once the client gets into a minimum subscription later on to the adoption level the overall

margins are ranging between 60%-70% and as they go in much higher adoption, it could be

higher than that.

Saurabh Shah: So as cloud subscription revenue increases as a percentage, where should we see margin levels

going forward? The question is how accretive it is, Farid?

Farid Kazani: It is definitely accretive. If you have seen our past financials in the last two years and the buildup

of the cloud and the subscription revenue, our margins have seen an increase right from 43% to now an average of 49%. I think as subscription revenues start building up as rapidly in the next 18 to 24 months, you would see a much better margin increase. I can't predict the number for

you, but there will definitely be a step-up as a percentage of subscription revenue builds up.

Saurabh Shah: Okay, correct. The second question was in terms of number of employees, I know you mentioned

that you had a reduction. But going forward as again you have more on-cloud revenues, etc. and the customized component goes down, how do you see that play out in terms of, again, pure

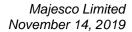
costs? Do you expect the steady state to have a significantly lower number of people, what's

your steady state?

Farid Kazani: So clearly speaking, as the cloud revenue builds up the requirement in terms of the overall

headcount is going to be much more optimized, you have seen that in this quarter. And while we

do expect the H2 to be much better, we are fine as far as the current headcount level is concerned.





So, you are right, as the cloud business starts becoming prominent the overall revenue per headcount will start improving.

Saurabh Shah:

So, is there target that you have for employee costs as a percentage of revenues going forward, say, for FY21 or second half of this year?

Farid Kazani:

No, we don't have that metric especially because we have employees who are working in the delivery side where clearly we understand what will be the percentage on the employee cost. But there is also employee cost which sits outside of that in the R&D side and on the sales and SG&A side. So, to the extent we don't have an overall metric, but we clearly have that from a COGS perspective and I did mention to you that the overall margins should improve as the cloud subscription and recurring revenues start building up, and this is going to be actually a function of how the headcount will shift.

Moderator:

Thank you. The next question is from the line of Parag Bharambe, an individual investor. Please go ahead. Mr. Bharambe, we request you to rejoin the queue. In the meantime, we move to the next question from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

Rohit Potti:

Sir, my question is on the stake sale by Mastek. Given the strong position of Majesco and given that we are primarily in the U.S. where the SaaS companies in general have seen tremendous growth in market valuation over the last decade, we would have expected Majesco's 12% stake to be snapped up quite quickly. But there seems to be a delay there. Just curious to know if you have any thoughts to share on that.

Farid Kazani:

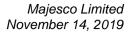
No, really speaking, this is a question for Mastek management to answer. So, I think it will be best to understand what their game plan and strategy is in deciding to divest that particular stake. But just to give you an understanding, there is definitely an interest in the insure tech space and the kind of investment guys, large private equity guys and other investors and you know the benchmark valuations of similar companies in the U.S.. So, there is definitely a good level of interest in Majesco. But I really cannot comment on Mastek strategy of their stake sale and at what time and at what price.

Rohit Potti:

Fair enough. And the second question is, generally, if I have on the compensation strategy that we are following. I mean I noticed that some of the senior management compensation is based on the stock price. Given markets, in general, are very moody and it's very difficult to predict how we perform over the short-term or in the next one, two years. Wouldn't it have been better to mark the compensation primarily to business metrics and not the stock price?

Adam Elster:

This is Adam, I don't agree at all. So, when you look at the composition of the senior management's compensation, there are three elements. There's one element that is their base salary, there is another element that is cash bonus and a third element that is stock. So, all the senior executives of compensation plans that are tied to annual performance metrics for their cash bonuses. But we feel very good that they are being compensated and motivated based on





the performance of the company metrics. At the same time, to ensure that the senior management is aligned to the shareholders, we have a large portion of their compensation also tied to the share price. So, the best way I know and have ever known to make sure senior management are aligned to shareholders and ensuring that they are protecting your goals as well is to make sure that their personal compensation is also done in line with shareholder performance and how our stock does. And as such, if the stock does well, shareholders are rewarded and so our senior management. So, while they are certainly compensated around business performance, it is critical for any public company that we ensure that the shareholders are in line with the senior management. So, we make sure that you are protected in the right ways.

Rohit Potti:

Yes. Thank you for the detailed answer, it is quite helpful to know that. Just one clarification on that, so am I right in thinking that the share price performance that we are measuring, the senior management compensation against a yearly number or is it a two, three-year number that you are looking at?

Adam Elster:

It is based on the share price itself. So it's purely based on the share price, its performance and there is a multi-year vesting period to ensure that they have to perform over multiple years.

Moderator:

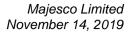
Thank you. We move to the next question from the line of Saurabh Shah from AUM Advisors. Please go ahead.

Saurabh Shah:

We saw the commentary on the press release, if possible, to give us some more color in terms of what kind of contracts you are getting, what is the average size and what is the level of engagement? You had a very large, prestigious, first implementation done, so how is that going from other clients, how are partnerships that we have forged, on both the insurance guys playing out like Deloitte, IBM, it will be great to understand some color on that.

Adam Elster:

Yes, we are feeling very good about the partnerships. In fact, as you know, we have talked about in the past, we feel very strongly that a key component to our growth is our ability to scale the key partners. One of our largest partners, as everyone aware, is IBM and that relationship is headed into second year. We are very excited about it. We are actually more excited about our project that we have been working on because we do believe that we will have a very dramatic impact in the coming years on our pipeline acceleration. So, we feel good about that relationship. We feel very good about our relationship with Cappemini on the L&A side. So, as many of you know, we launched a partnership with Capgemini around our L&A business. In fact, if you look at the material from last Capgemini had an Analyst Day and we were prominently mentioned about their investment in the L&A space. We are very excited about the Capgemini relationship. We think we have won deal with a Tier-1 insurance company that we are working on now that we are very excited about. And we have a whole pipeline of work. But literally, last week at their Investor Day, they did a presentation on the partnership with Majesco. So, we are very excited, but it's pretty recent. We only announced it back in May. Deals in this space tend to be 18 to 24 months. We are 6 months into the relationship, and we feel very good about the momentum.





We also are building a new partnership with PWC around our digital, our distribution management technology. We had some of our first initial meetings this week. So, we think PWC is going to be a good partner and we have a number of active engagements we are doing with Deloitte. From my perspective, when I look at the strategy and the progress, it was important to us, and of course I mentioned it on the call, we launched a relationship with Microsoft, where our technology is now available on the Azure marketplace. So, when I think of our progress and I would ask all of you to think back from a year ago, a year ago, when I was on the first call with everyone, I got to receive a number of questions about when the next IBM deal and the commentary I made last year, it's the same commentary I am making now, is we believe once the first big project went live, it would open up a pipeline, and we hope that, that should be imminent. At the same time, if I fast forward to today from a year ago, we launched a relationship with Capgemini, you saw it at our Analyst Day. And if you look at their Analyst Day last week, you will see it. We launched our relationship with Microsoft. I've just released the press release. So that's from a few weeks ago, we built a relationship with Deloitte and we are building another one with PwC. So, I am sure everyone is anxious to hear about the next big deal with one of the partners. The reality is we have built about five different relationships because we believe partnerships is a big bet for us moving forward. Long answer, but there is a lot of work and a lot of content behind it.

Saurabh Shah:

The other question was regarding the pricing of your current pipeline and order book, how is that pricing looking relative to what you saw two years ago on similar kind of transactions?

Adam Elster:

I think we should charge more money. Honestly, I look at our offering and in some cases we priced to enter the market. But I think we have opportunity for price expansion over the coming years and particularly when we work with some of these partners, obviously, they do command different types of rates with customers and I believe we actually might be able to expand pricing moving forward because the reputation has been built up. We have proven success. We hope that pricing over the coming years might be one of the levers to help us accelerate growth.

Moderator:

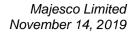
Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain:

First of all, from a license revenue perspective, can you share what is the recurring run rate in this quarter or now is it completely about the win which we got in this particular quarter?

Farid Kazani:

So if you look at the deals that we won in this quarter, three new deals, all of them are cloud deals, whereas in the previous quarter, in Q1, we had an on-prem deal where we had some license revenue and as far the latest ASC 606 and 116 in India we need to kind of account the entire term license upfront as there is no further obligation on the company side having delivered the software. And I would say do we really chase license deal. It's not that we chase, I think it all depends upon when we are offering our solutions to the customer and if they definitely prefers a license deal, which is an on-prem, then we would definitely offer that. But if you look at the way the sales guys are incentivized, they are incentivized to do more cloud deals, more subscription based revenue. Adam, do you want to add something?





Adam Elster: No, I think that's a great description of how the business model works. And again, like Farid

said, in Q1, we had one contract that do financial accounting created the license recognition.

Rahul Jain: Yes, Farid. So just a little more clarification on that. So, is it new license deal, whatever is the

current run rate in Q2 is what moreover we should be getting in the subsequent quarter also?

Farid Kazani: Yes. So as far as the earlier license that was there linked to the customized implementation, there

will be a recurring license revenue there, but going forward when we are selling a license and where there is no further obligation, it is more out of box, those licenses which is on-prem, will get accounted all upfront based on the revenue recognition norms now. For example, if in the third quarter, we get a deal, then it's not that though we would have sold to them like an annual license fee for a term period of three years as to account the entire three year term license in the Q3 when we get the deal. So, there is going to be a lumpiness that will happen in license revenue if we get a deal. Otherwise, whatever license revenue that we have right now, which is little

recurring in nature that will continue.

Rahul Jain: Yes. I understand that and you clarified that in the previous call also. What I am trying to say is

this number right now is lower than what it was in Q4 also. So, is it that there is also a certain aspect, which is coming down on the base run rate also? Is it because there are lesser customization requests or something like that, what would drive this number lower than the Q4

number?

Farid Kazani: So, there would have been a license against a particular deal and that license would have got

accounted up to a particular period of customization that would have been there, that would have got over and therefore now as I mentioned that number should remain more or less constant until

we get a new deal.

Rahul Jain: Okay. Fair enough. So Q2 run rate should continue if we don't win any more contract on the

license basis?

Farid Kazani: Ideally, yes.

Rahul Jain: Secondly, can you give a professional service and breakup in terms of IT services and

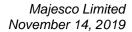
Implementation?

Farid Kazani: Yes, if you look at in this quarter, it has remained steady, a marginal increase in this quarter is

the total professional services on 30th September Q2 number, again the 35%, the breakup between IT services would be close to around 19% and on the on-premit would be close to 16%.

Rahul Jain: Okay. Is there any increase in services part?

Farid Kazani: Yes, there was a deal that we got. Yes, there were some increase in the services part.





Rahul Jain: My question was that we have not shared any press release about any L&A segment wins in the

last couple of months. So, is it more like only repeat business that we are getting because even from an H1 perspective, there is a lot of drawdowns on that revenue? I know there is the large

customer factor involved, but what is the traction in general in the L&A space outside that.

Adam Elster: It's very good, we haven't done some of the press releases, because we are just about to go live

with one of the customers. So, they are not willing to do an external press release. One of the deals, as we do know, we talked about on the last call, we announced one of the recent L&A wins, the good news is we are set to go live. So, they will be willing to do external press when they go live. One of the key deals that we are working on Capgemini, as I mentioned earlier, is also an L&A deal. So, we are seeing a very robust pipeline around the L&A deals. One that we

talked about last quarter but hasn't go live, so it's not public yet. Another very large deal with

Moderator: The next question is from the line of Sharan Pillay from Allegro Capital Advisors. Please go

Capgemini that we are hoping to get in the coming quarter.

ahead.

Sharan Pillay: I had a question with reference to your amortization policy.

Farid Kazani: Are you referring to the R&D product related expenditure?

Sharan Pillay: Yes.

Farid Kazani: We follow a very conservative approach and we expense out all the R&D in the same period.

We do not capitalize any of the expenses at all.

Sharan Pillay: Okay. My second question was with reference to your partnerships and your direct, is there any

chance that you can give me split in terms of percentage between either the deals or the revenue

that you received from partnership and direct?

Adam Elster: No. At the moment, I can't give you that. At the moment, we have one partnership generating

Capgemini is we are just looking to close the first deal and with the other agreements as well, we are just in the early stage. Some of them, as I said, we just announced weeks ago. So, there is really no split to give you, but we hope to be able to do that in the coming years as we build

revenue, which is IBM and you are aware of that. The other work that we are doing with

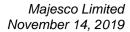
up the momentum. We will talk about wins related to these partnerships and then we hope subsequent to that we can give you some guidance around breakdown of some of the revenue.

So early days as far as a revenue perspective, early days are very positive from a pipeline.

Sharan Pillay: Okay. My final question is in terms of the same, the partnership and the direct, could you give

you some sort of understanding in terms of the sales representative split, as in how many people

you have across both these places in terms of the percentage breakup?





Adam Elster: The percentage breakup of what?

Sharan Pillay: The split between both the partnerships and the direct.

Adam Elster: The majority of our sales team has been focused on direct. What we did moving into this year is

designate a handful of individuals to be focused on each one of these key partnerships. So, from a percentage, it's a very low percentage. It's a handful of people that we move to focus on the partnership as an overlay to our direct sales team as we get this business moving forward. Our assumption over time as is the pipeline continues to grow, that we will be able to bifurcate those resources and have more dedicated teams working with the partners. But at this stage, it's a

handful of resources dedicated to these partnerships as we launch them and get them going.

Moderator: Thank you. We move to the next question from the line of Madhu Babu from Centrum. Please

go ahead.

Madhu Babu: Sir, just on this Azure partnership, Microsoft Azure. So, would there be a good advantage in

terms of getting more incremental clients?

Adam Elster: Well, we feel very good about the Microsoft relationship. Obviously, from a technology

perspective, we have built our product on the Azure platform. So, from a technology perspective, we feel very good about Microsoft. Obviously, given their investment in the cloud, we think this is a very real opportunity. The way Microsoft goes to market is when there are technology offering, they sit them on the Azure marketplace. And then, as they see demand growing, they work in conjunction with those partners on opportunity, but we think the key offerings for us

moving forward.

Madhu Babu: And on the professional services, 35% of revenue, almost 16% is from on-prem, so will there be

any increases in our business going forward, Farid, as we shift more to the cloud?

Farid Kazani: Yes, as you have seen that that business has already gone down over the last many quarters and

we believe that this is not going to drop dramatically from here. You still get change requests and certain other kind of programs from existing customers in terms of new state rollouts or some kind of requirements. Further, there is also a business that is there in some part of the U.K. and APAC and India region. So, this number is not going to drop dramatically, but I cannot give

you any forward-looking numbers in this regard as of now.

Moderator: Thank you. The next question is from the line of Varun Dodhia, an individual investor. Please

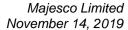
go ahead. As there is no response from the current participant, we move to the next questions

from the line of Rohit Potti from Marshmallow Capital.

Rohit Potti: So on the partnership, again, how long does it take for you to develop a partnership agreement,

like we have done over the last year, the time line is it more than year? Is it a few months? How

does it work?





Adam Elster:

Yes, it only takes a few months. The partnership agreement itself is usually only about a 90-day process. The way it works is you spend time meeting with the partners. To understand if there is a fit, you then go back to kind of look at business plan and say based on the fit we believe there is a multiyear business plan that will be accretive to both organizations from a revenue or margin or market share perspective, you then gather to see if those are aligned and what are the key things you need to do whether it's resell agreement, mutual subcontracting agreement then you craft the agreements in line of sales team and you go start selling. So, the process takes probably about 90 days and then it's a matter of getting teams lined up, start building pipeline and working on deals. When you look at the overall lifecycle, if you know the deals, in general, take 18 months you then have to add 90 days to it to get the partnership running and probably six months to start building pipeline. So, it is usually about 1.5 to 2 year process to really start seeing the deals kick in. That lines up pretty well to what we see with IBM and we think because we are doing some work ahead of time with Capgemini, the timeline will probably be a littler shorter.

Rohit Potti:

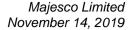
As a follow-up, I mean, do the partners because of the increasing quality of the product do they come to Majesco? Because they are in touch with certain companies we go to them, how does that work?

Adam Elster:

Honestly, it's both when I joined the company a year ago, there was less of an interest to work with some of the system integrator partner because their situations where projects or consulting revenue we would actually compete for that revenue. So, they were less interested in working with us because they knew we had a heavy focus on the services element which is what they are focused on. So, there is an overlap and a conflict. As the product, as you said, got more mature and more well-known to the market, they realized there was a much larger opportunity to partner with us and from our perspective, we see higher revenue growth and higher margin on the product side of the business, it was a natural synergy. So, we went through a very long series of meetings with meeting with all of the SIs and figuring out who we thought would be the best fit for us. In some cases, they didn't even want to meet with us because they saw it as a competition or a conflict. But over time, we were able to figure out where it would be the best fit. Cap is a very big partner with some of our competitors in P&C, so that wasn't a fit, but Cap did not have a partner for L&A, which made us such a great fit. And the same is true for a few of the other relationships. So, it's a little bit of an interim process and part of it was launching a strategy around the product and cloud subscription and really making SIs feel like we weren't competing with them in the marketplace. That was a key cultural and market brand shift we needed to make to start expanding these relationships and our competitors, one of the key elements of the growth strategy from all our competitors have been their relationship with the very large system integrators who are at the seat at the table in all these strategic insurance companies.

Rohit Potti:

That was very helpful. And the last question from my end is a couple of products, IT companies and service companies, we have been hearing that the budget, in general, have been compressed in North America for IT projects. What is your sense been? Is there interest to spend on insurance product software as strong as it was last year, or do you see it slowing down?





Adam Elster:

Look, I think everyone in the marketplace, probably you included, every market around the world is keeping a close eye out for concerns around interest rates, recessions, Brexit, all kinds of currency fluctuations. So, I would say it's undeniable at a macroeconomic level that there are certainly concerns, risks and pressures everywhere. So, I would not begin to be the one to help you predict that. You can go, use your new source of choice to predict macroeconomics. What I can tell you is from an insurance company perspective, there is a changing of the tide. And it comes down to something pretty simple, right, I would say a year ago during some of my initial meetings with customers, I was a little concerned about the insurance vertical. The technology is very behind, is very far behind modern technology levels in other vertical industries like finance and others. And all of you are aware, all the technology advances around digital and mobility and cloud in those verticals, but the insurance company has been slow to adopt. So, I was still going to meetings a year ago where people were debating if they were ready to move their data in the cloud, things that have been debated in the financial services world 5, 10 years ago. I can tell you, if you fast forward today, last year, in the insurance market, 75% of the new core deals that were done were cloud deals, that is a major change from the last two years. And I would tell you the nature of the phone calls and the meetings with executives in the insurance industry, it's no longer if I should move to the cloud or if I should have a platform. They are no longer using the word 'if', they are now using the word 'when' and 'how'. So. it's no longer culturally if I should do this, it's now become when do I need to do it and how am I going to go about it. I think that is a very significant cultural change in the insurance industry and everyone who's involved in that knows they are going to need to make some investments to modernize their systems. The same level will be the question. If they will do a big bang or they'll start with the department and whether they do it today or they do it next year, it's now part of the conversation. So, I do think the investments will continue. I think all insurance companies are risk averse so they will probably go slower than I would like, probably slower than you would like. But I do believe the ship is turning in the direction that aligns to our strategy.

Moderator:

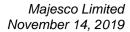
Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

My first question is regarding the fall that we have seen in the SG&A and the R&D expenses this quarter, what has led to the fall? But the fall in SG&A is also very significant. Can you please explain the reason? And is it new base or we can see some increase from here on the SG&A and R&D expenses?

Farid Kazani:

The R&D expenditure has been lower currently because we had certain expenditure related to the IBM program, and to that extent it has been lower and part of the work that we were being on version 11, version 11 certainly being completed out there. While it has been lower in this quarter, I think we will be hovering around the 13% to 14% in terms of percentage to revenue going forward. On the SG&A, just to let you know that in the first quarter, we had our annual conference, which was a Convergence conference, where we have a much higher expenditure in the last quarter and in this quarter it is not there. To that extent, there has been a lower sales and marketing costs and the G&A function has been purely in terms of wherever it is linked to





activities to the extent the activities have been less, we have much lesser kind of G&A expenditure.

Amit Chandra:

Okay. And to answer the next question is on the recurring revenues. We have seen now the recurring revenue has increased in the last two quarters. But if I see on a Y-o-Y basis, the recurring revenue has been coming down on Y-o-Y basis for the last three, four quarters. This is, as I said, despite the cloud wins we have seen and also the higher number of implementation and go-live in the cloud space. So, can you please explain like when we can see an uptick here in recurring revenues? And also, out of total cloud customers we have around 61 cloud customers, how many are on the minimum subscription revenue side?

Farid Kazani:

So to answer your first question, let me clarify Amit, as of last year, the recurring revenue had also the annual license fee that was part of the recurring revenue. So, you saw that as higher. From this year, April onwards, the recurring revenue only constitutes two components: one is the cloud subscription and the other the support maintenance, and to the fact that, that has actually increased in this quarter. The total recurring revenue consisting of these two elements have actually been gone higher to 37.7% as compared to 32.5% in the previous quarter.

Amit Chandra:

But I am only taking the AMC plus cloud subscription revenues, adding these two only?

Farid Kazani:

Yes. So, if you look at the June quarter vis-à-vis September quarter, that amount has actually increased, both in absolute and percentage to revenue terms. And if you were looking at the last three, four quarters, then you are looking at a number which also had the annual license fee, which is part of recurring revenue until of March 2019. So, you will need to recalibrate that number to see what the actual increase in recurring revenue. It has actually gone up.

Amit Chandra:

Okay. And out of the total 61 cloud customers, roughly, like how many would be on the minimum subscription revenue base and how much scale we can see there?

Farid Kazani:

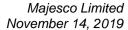
Amit, there are quite a few of them in the implementation stage, where we get a very small preproduction subscription revenue, then there is a base of almost around 18 to 19 customers that are on fixed fee, which are typically the legacy customers and some of the Puerto Rico customers related to the old Coverall deals that were there and then there is a host of others who are on MRC and there are few on adoption. So, we don't give that specific breakup as such. But that's roughly the flavor of how the 61 customers are spread out.

Moderator:

Thank you. The next question is from the line of Vijay Lohia from Maxim AMC. Please go ahead.

Vijay Lohia:

My question is for Adam. So Adam, when you mentioned that the insurers are becoming more adoptive to new technology, I wanted to know how is Majesco placed to benefit from some of these opportunities in the market. So, when Majesco is approaching a client, let's say, compared





to Guidewire or any in industry, what sets us apart? What is the competitive advantage that we have, which will help us get more clients win?

Adam Elster:

The biggest competitive advantage we have in the marketplace right now is the speed to value. So, when you look at our offering, the key focus of ours is to quickly get customers up and running in a cloud environment to start writing business. Insurance projects like this for years were three to five year projects and our focus has been to work with customers to make sure we can get them a minimum viable product so they can start writing business in three to six months. And what that means is the time to value. So, if you are an insurance company and you want to start writing a new line of business that we can get you up and running quicker, a lot of the very large, legacy replacement deals take a very long period of time. So, speed to value is a key differentiator for us, and we have a robust enough solution that it's not just a lightweight version. It's something that you can scale to meet continual needs. So, for us and as I mentioned in one of the examples of one of our go-lives, we launched a project within a Tier-1 insurance company. It was for one line of business and then once they got live with it in six months, they said, "Okay, let's add another line of business". So as opposed to running very classic waterfall, big bang projects, we come in with approach that says, let's do one line of business or let's do one module and let's build in a modular way in a cloud environment. So, we think the biggest differentiator for us is we have a very robust product. We were able to work with customers on timelines that are much more accelerated from traditional companies.

Moderator:

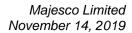
Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Adam Elster:

Great. We thank everyone for your interest in Majesco. Certainly, we saw some onetime elements in our Q2 from a financial perspective, but we believe they in no way reflect any concern that we have on the long-term strategy in the company or the growth. Again, we have seen incredible growth within our sales team, and that backlog reflects very positive momentum of our place in the marketplace. Our development team with the release of version 11, we are very excited about that. In general, what you will see in the marketplace is a lot more press about Majesco. We are now at the point where we go live with all these customers, they are willing to do press release and talk about Majesco. So, I would urge all of you to go to the web, you could see we launched about, I would say, eight or nine press releases. So, it's public information. We updated our website. We updated our Majesco YouTube channel. So, there is a lot of content where we are very proud that now publicly we cannot just talk about what we have been doing in general terms, but now we have customers who are willing to stand up and talk about these things because projects have gone live and new deals have been signed. So, we think that is another reflection of the momentum we are seeing in the marketplace. And we are excited about the future, and we appreciate your interest in Majesco and your investment. Thank you very much.

Farid Kazani:

Thank you.





Moderator:

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