newgen
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Date: 07th May 2024

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Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017) Scrip Code – 540900	Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017)

Sub.: Outcome Transcript – Conference Call – Q4 FY'24

Dear Sir/Ma'am

As intimated earlier through our letter dated 24th April 2024 regarding the Conference Call of the Company, which was held on Tuesday, 30th April 2024 at 4:00 P.M. (IST), please find enclosed herewith a copy of the transcript of the said call with the Investors/ Analysts.

The transcript of the said call shall be made available at the website of the Company under the URL https://newgensoft.com.

This is for your kind information and record.

Thanking you.

For Newgen Software Technologies Limited

Aman Mourya Digitally signed by Aman Mourya Date: 2024.05.07 11:28:13 +05'30'

Aman Mourya
Company Secretary

Encl.: a/a

"Newgen Software Technologies Limited

Q4 FY'24 Earnings Conference Call"

April 30, 2024

MANAGEMENT: **MR. DIWAKAR NIGAM – CHAIRMAN AND MANAGING DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED**
MR. T.S. VARADARAJAN – FOUNDER AND WHOLE TIME DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. VIRENDER JEET – CHIEF EXECUTIVE OFFICER – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MR. ARUN GUPTA – CHIEF FINANCIAL OFFICER – NEWGEN SOFTWARE TECHNOLOGIES LIMITED
MS. DEEPTI MEHRA CHUGH – HEAD, INVESTOR RELATIONS – NEWGEN SOFTWARE TECHNOLOGIES LIMITED

Please note that the transcript has been edited for accuracy purposes

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Conference Call of Newgen Software Technologies Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepti Mehra Chugh. Thank you, and over to you, ma'am.

Deepti Mehra Chugh: Thank you. Good afternoon, everyone. I am Deepti Mehra Chugh, Investor Relations Newgen Software Technology Limited. And I would welcome you all to Q4 FY Q4 results of the company. Joining with me today on the call is our management, Mr. Diwakar Nigam, Chairman and Managing Director; Mr. Varadarajan, Founder and Whole time Director; Mr. Virender Jeet, Chief Executive Officer; and Mr. Arun Gupta, Chief Financial Officer. Due to bad throat of Mr. Nigam, Mr. Varadarajan will take up presentation of the result.

Before we move on to the discussion, let me highlight that this call may contain certain forward-looking statements concerning Newgen's future business prospects and profitability, which are subject to a number of risks and uncertainties, and the actual results could materially vary from the forward-looking statements. Past performance may not be indicative of future performance. The company does not undertake to make any announcement in case any of these forward-looking statements become material indirect in future or update any forward-looking statements made from time to time by or on behalf of the company. For further details, you may please refer to the Investor Relations section of our website.

I would now hand over to Mr. Varadarajan for presentation of results, which will be followed by Q&A. Thank you.

T. S. Varadarajan: Good afternoon, everyone, and thank you for joining us for our Q4 FY '24 financial results call. As we reflect on the past year, it has been another remarkable year with our financial performance reflecting considerable strength and resilience. We witnessed revenue of INR1,244 crores, leading to a growth of 28% Y-o-Y. The year saw many milestones and opportunities to get deeper engagement with our clients. We have also witnessed robust profitability and healthy cash flow generation. Customer relationships have been always key for us and have been instrumental in our growth across all geographies, particularly EMEA and India, where we have witnessed growth of 39% and 33% respectively for the year.

In India and EMEA markets, we are automating end-to-end for our customers by tying up the front, middle and back-office processes for them. We have seen strong interest and increased acceptability of our solutions, including trade finance and digital lending, customer onboarding, card origination and supply chain finance solutions. In the APAC region, we have booked our largest ever project of INR 97 crores with a technology organization in Singapore. In the Americas region, we have been resetting our strategy for the market.

As part of our client portfolio, we are happy to share that with deeper engagement with our clients, we have seen a notable increase in the business size per customer.

We saw an increase in the number of customers with billing of INR5 crores from 51 last year to 65 in the current year. The average revenue per customer has gone up by 29%. This underscores a conscious emphasis on catering to larger scale clients and those who significantly contribute to our business. We are pleased to see ongoing growth in commitments from our existing banking customers as well as healthy new logo additions to our portfolio. We have added 51 new logos in the year, 11 of which have come in Q4.

For the year, our annuity revenues were at INR750 crores, comprising of 60% of our revenues.

Coming to our products. Over the past year, we have continued with our commitment towards innovation, constantly refining and expanding the capability of our platform. This year was filled with excitement with new version launches of several of our platforms and deeper work on our solution. We have launched the AI-enabled version of Newgen One platform called Marvin during the year. We have also launched newer version ECM and CCM platform.

We have released our next-generation low code trade finance solution, IDP Studio, IDP standing for intelligent document processing with advanced machine learning algorithms and Newgen AI Data science studio. In the new versions, we have incorporated inputs from our customers, industry leaders, analysts and etc, enhancing our platform's features and functionalities. We have worked on different aspects, including use of artificial intelligence, cloud and microservices, security and empowering system integrators and partners and migration.

This enables our platform to build next generation use cases, new ways to design the application, enhance the user experience and optimize growth usage. Our vertical solutions and digital lending and trade have done well, and we continue to build on that base. Further, we are penetrating into insurance vertical and strengthening the team for the same.

During the year, we continue to be recognized by industry analysts - Gartner in the magic quadrants and Forrester in the wave reports. We were also recognized for the first time by Everest Group.

Despite the challenges, including the recent cyber security incident, we have demonstrated resilience and came out stronger. We are leveraging the collective strength of our global workforce, which has grown to 4,500 individuals and continue to expand and mature in alignment with our business growth trajectory. Central to our commitment to organizational success is our steadfast focus on talent management and learning initiative. We believe that by empowering our employees with the skills, knowledge, and tools they need to succeed, they can foster a culture of excellence and drive innovations and growth. We are constantly working on increasing our global footprint and brand presence. We've opened our offices in New York and Saudi Arabia during the financial year. We also continue to work on enhancing customer engagement, strengthening our sales team and partnership network, and expanding our digital presence.

On profits and margins. We delivered a healthy growth in profits and expanded margins during the year. Profit after tax was at INR252 crores, witnessing a growth of 42% Y-o-Y. We continue to prudently invest in R&D and sales and marketing initiatives. During the year, we have invested 9% of our revenues on R&D initiatives and around 22% of revenues on the various sales and marketing activities. On the balance sheet front, we witnessed a robust cash flow generation with our net cash generated from operating activities for the year at INR281 crores. Our net trade receivables were at INR444 crores as of 31 March '24, which resulted in net DSO of 130 days. Our collections for the year have improved by 34% Y-o-Y. We have declared a dividend of INR4 per share post bonus issue of 1:11, which is INR8 on pre bonus shares.

Looking at Q4 results, we are happy to close Q4 with the strongest revenue ever for a quarter at INR375 crores increasing 23% Y-o-Y. Our PAT has also crossed INR100 crores for the first time in a quarter. As we start the new financial year, we remain steadfast in our commitment to delivering value, innovation, growth and providing superior customer experience. Thank you very much. We are now open for Q&A.

Moderator: Thank you very much. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: Congrats to you and the team on a strong quarter and what's been a phenomenal year overall. Multiple things are firing for us today at the same time. I think the best way to synthesize all of that was last year in your words like you said this in the past few quarters, is your order book and the pipeline is perhaps growing at a pace that is faster than your revenue booking pace. And given where our order pipeline today, where do you think we are in this cycle, right? Are we -- I mean, do we reckon we're in the middle of the cycle or perhaps moving towards the end of the cycle in terms of how banks and financial institutions are thinking about their digital journeys and how that's relevant to us?

Virender Jeet: So, you're right. So basically, order book gives us kind of an insight in terms of how the business is shaping up. And we have expanded our order book to roughly around INR1,560 crores from previous around INR1,300 crores. So, there is a growth -- healthy growth out there. Our order book is, as you rightly said, just one of the dimensions. The other dimension is about the growth in our new deals, which is about mining and new sales. Out there we have also a substantial healthy growth in that order book.

On the order pipeline, clearly, as of now, we still see good traction in the coming year, both in India and financial services and what we are doing in the Middle East. And in fact, we find the next year to be as a very strong APC recovery year. U.S., I think we are working -- there are a lot of moving parts out there. There's a part which is about our strategy, where we are trying to reset, trying to move away from the smaller entities to getting larger entities and reshaping the market. And it is also about the whole market in terms of being slow, whether it's the European market and U.S. market.

So I think that's a moving part. We are still working very strong. At beginning of every year, we are very, very hopeful to really make substantial inroads in everything. But at the end, the outcome depends on various factors. But going into next year, I think the pipeline is quite healthy on the traditional space. It is very similar to what it has been last year on the U.S. side. There is not too much of a great jump by which I can predict a much higher U.S. revenue growth.

But on the other 3 markets, which are traditional markets, we are finding the pipeline to be very healthy. We are building the U.S. pipeline. I think we are making forays into both larger banks and insurance. But it's still early to call it out. And also, there is an outline in terms of our other markets, which are just -- we are seeding like Australia and U.K., we closed some deals last year. This year, we expect to close few more deals. So overall, we still look at next year, there's no reason why we can't maintain our growth momentum.

Baidik Sarkar: Sure, sure. So obviously, multiple moving parts, and I will not get into details here, but I think you had highlighted a level of about $500 million by the end of FY '27, right? So if we have to slice that into the products and the initiatives that will help us get there, how should we imagine each of these ports better?

Virender Jeet: See, I think every company has an aspiration of doing large numbers. And as a product company, we always believe there's going to be a time when we can even extrapolate the growth rates beyond what we have. Our growth momentum for all whether it's a 500 million plan or typically next year's plan is still based on the core verticals we are driving. The only thing what we are doing is we are opening up insurance in a major way. That's where a lot of investments are happening. So you should see that in the next 3 quarters, 4 quarters to see a healthy funnel and some deal closure happening in insurance beyond the banking, which has been our traditional strong space. There's an organic growth in government segment.

But on the market dynamics, we clearly see, for a 500 million picture to realize in the time space we are talking about, our mature markets have to fire, which is still a kind of a work in progress for us and a lot of investment is happening in those areas. I think there's a healthy push coming from the markets where we are strong and especially in this era where IT companies are struggling on the growth front, we are doing substantially well because our customer bases have been in the markets which have been less affected. And our solutions have resonated in this time period as well in all these markets. So I think we are sitting well on that. But the business composition does not change much. It changes slightly with more focus on insurance to open up as another substantial vertical and it focuses on mature market expansion more quickly. I hope that answers your question.

Baidik Sarkar: Yes. Just last one before I get back to queue. The pace of growth has been so momentum that investment means that our operating leverage aspirations have probably been faster than what you expected, right? So just keeping that growth in mind, how should we read your margin profile in the year ahead?

Virender Jeet: See, I think as you know, most of the cost planning happens at the beginning of the year, there's little variabilization which happens beyond some tactical manpower or SG&A expenses. So I think we have been given that we don't aspire to generate very large margins beyond this healthy 20% net margin or 21%. But it's going to be a function of that year. So in terms of -- at the beginning of the year, we are targeting, say, X percent growth but we end up doing slightly more than X than the margin expansion would happen. So today, we are targeting growth ranges just similar to our past years. And so I think we should be able to maintain the margin.

The other thing on the net margin side, I think maybe Arun will also comment or you can get more data. I think the tax rates for us next year are going to be different, I think because on the SEZ side, I think this is the lowest tax slab. Next year, we'll be on at least 2%, 3% higher tax or more than the current year. So this on the net margin, while on the gross margin or the EBITDA side, you will still see expansion happening. On the net margin, we'll be able to maintain that kind of margin.

Baidik Sarkar: And just in terms of seasonal visibility, Q1 has always been a step down. I mean, obviously, that correlation was broken last year, Q1 of FY '24, given how things have shaped up for us the last 2 quarters and you're already a month into Q1 '25. I mean, will you revert to the previous relationship of a step down? Or how should we read that?

Virender Jeet: We hope to keep on reducing seasonality. It doesn't go away. I think I don't expect Q1 to be bigger than Q4, even this year. But I do expect the Q1 growth rate to be slightly higher than our average growth rate. The way you've seen this year, I think we have had a higher growth rate on Q1, Q2, and then slightly lesser should, not lower numbers, they're still very large numbers, but not at the same level. On an average, we expect next year also to have the same behaviour.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Congratulations on good set of numbers. Sir, I wanted to understand the growth in the order booking. I mean at this time, the presentation we mentioned that the growth in the order booking is 20% versus this number was 30% last year same time when we started the year. So should you see a normalizing of growth rate happening because this year has been quite a stellar year. So should we see us coming back to 20-22% kind of a growth because given the fact that now we are starting the order book at 20% growth, last time, it was 30% growth, so some understanding on that?

Virender Jeet: Your question about order book is right. I think the order book growth on the previous base of last year was a much more muted year for us. It was a very small year for us. And on that we had a substantially large order book rate. So basically, it is -- it jumped from, I think, 17% to 24%, 25% to 27%. So the order book of last year also has got some residual revenue which is going to come in this year as well.

And with the growth of order book of last year, what we have built from we've taken the order book, again, from a very high base of INR1,300 crores to INR1,560 crores. We don't see order book as a constraint to not meet our next year's goals. We don't intend to fall back to 20% growth target. We want to maintain them at a higher level. But what higher I think that is how the future will unfold. While I see order book is one of the dimensions, but it's not to be taken in isolation. So we still feel that this year can be a much larger number than the 20% now.

Mihir Manohar: Sure, sir. And how should one understand the new dimension. I mean you mentioned order book is not the only thing to repair for the growth rate. So I mean, because of the other dimensions that you are mentioning, if you can provide some clarity around that, that will be helpful?

Virender Jeet: I think we -- it's the same thing. The order book is one. I think new logo acquisition and average deal size per logo. So we have 29% growth on the revenue per customer. That's where we are able to convert maximum. Our new logo additions are at a substantial pace. And all the new logos are at a much bigger size than the previous new logos. So these are some of the factors.

Mihir Manohar: Sure. Understood. Sir, second question was on the insurance. I mean, you mentioned that insurance you expect this year to be quite strong. Can you provide some more color around this or what kind of conversations you have -- are you having with the clients? Is it life insurance or is it P&G? And what kind of quantum can we see beyond the lead times or the revenue side for insurance?

Virender Jeet: See, we are working on the strategy. So we have like -- I think while we have expanded to a large kind of wallet share in banking for our major accounts. We have not been able to do the same size, though we have insurance as our customers, but their deal sizes are pretty small. So working both in life, general and health there are offerings which we are generating, where we can have a larger deal size. This is work in progress, and we expect this to be a substantial part of our revenue in coming 2 to 3 years.

So it's early. So I think once we have a better visibility into the funnel generation part of it and deal sizes, I think we should be able to highlight more. But we are quite excited about it, and we are aggressively investing right now, building teams, building capabilities, competencies, products around that and then taking to the market in the next 6 months' time.

Mihir Manohar: Sure. So what is the growth in order book for insurance? I mean the company level, it is 20%. So for insurance, what could be the ballpark numbers?

Virender Jeet: I don't have that. But I think insurance, we are just building right now. So I don't think insurance growth rates right now, I think even for the last year, banking has been the primary driver of the growth, with more than 30% of the growth happening. So all other segments have been either at 30% or less than that.

Moderator: Next question is from the line of Ashish from JM Mutual Fund.

Ashish: Any comments on the M&A strategy? And where are we in the GSI led strategy if you could throw some color?

Virender Jeet: So as I said, for merger, I think we are looking at tactical acquisitions for speed to market and access to market, predominantly in major markets. We have not identified any targets yet. I think the work is going on, and we do expect that in the next 1 or 2 years, we should be able to make some amount of acquisitions for -- typically for making sure in the mature markets, we are able to get some speed. But right now, we don't have any update on that otherwise from its work in progress on that side. Sorry, what was your second question?

Ashish: So the GSI-led strategy, how is that shaping up?

Virender Jeet: See on the GSI-led, I think while we are working on enablement side and I think our product to product tie-ups are happening, and that is growing. The funnel we are targeting still in mature markets. I think on mature markets, the business for the GSIs, as you've seen, has not been that strong. And I think that also has resulted that we also have not any large growth in the funnel. Yes, some interesting cases, but I think I would still say it's not picked up to the speed or expectations which we wanted it to have it.

Ashish: And in the past, we were also thinking of exploring the system integrators to get into the U.S. market. Any development, are we in discussion with some of the SIs?

Virender Jeet: No, no. I think we have a lot of alliances, partnerships. So I think we have -- in fact, we have expanded beyond the system integrators to the consulting company, the top-tier consulting companies to form alliances on that. So that work is going on. I think I will not be in the position right now to comment on the size of business or the size of funnel because of that. I think it is early.

The GSI tractions have not shown the speed. I think the deal gestation sizes are very, very long. I think we are still working on deal sizes, which start from $500,000 to few million dollars. They are very different appetite. And I think if you become a part of that larger deal, the closure cycles are not under control. We are looking at different ways to reset that whole strategy as well as working with consulting companies in early stages of funnel building. So let's wait for a few more quarters to see how it shapes.

Ashish: And just lastly on -- so your confidence of organic revenue growth to be 20% and more. So where is U.S. in this entire context, do you say that U.S. will continue to grow at a much lower rate than the console business?

Virender Jeet: No, not really. I think even in the weakest of the year in U.S., we still are around growth of 17% or 20% or 22%, last year was much higher than that. So what I'm saying is that -- so while on the organic side, if U.S. does not give us great acceleration, we still can maintain high growth rates out in the U.S. But when we expect to grow to a size of $500 million or $1 billion company, the mature market has to fire. So at one moment, our business plans have to see that the U.S. executes at a much faster rate. That is the moment we are waiting for. So in the meantime, all our markets have great potential to grow organically. And what organically is we expect a minimum to go at 20% or more organically. So all markets can follow that.

Ashish: And anything on pricing environment? Last question, sorry. Anything on the pricing environment?

Virender Jeet: Yes. I think one is you see globally, the prices have changed for everything. And I think both in IT products and as well as for the large IT players or small players. The cost itself for manpower and other services has also gone up. So we are gradually looking at evaluating various components of our products, services and looking at working with customers to keep on revising the rates right now.

We will be working on some more serious initiatives over the next few quarters on pricing and resetting some of the pricing. I mean, it's a continuous job. I think I will be able to give you more clarity of that on the next two quarters.

Moderator: The next question is from the line of Ashish Chopra from Goldman Sachs Asset Management.

Ashish Chopra: I think last year, we saw the Y-o-Y growth starts from 34% and then end at 23% in the fourth quarter. You highlighted that the trajectory this year also probably should be the same in terms of the way we should expect it. I was just wondering why should that be the case? And what was it last year as well that growth is phenomenal?

Virender Jeet: So Ashish, I think simple function that our business is quite seasonal. Q1, Q2 on the total revenue side are much smaller than Q3 and Q4. As the growth is driven from new deals and what you're seeing the new acquisition is quite linear these days now. So we are able to still get higher mining as well as sales in all quarters laterally. Since the base numbers of those quarters are lower the growth percentages are much higher. So you understand for business and control, which is very linear in terms of renewals, is they're very linear. So they get divided over equal 12 months.

But your deal velocity. It's not as lopsided as it was previously. So we are able to do closures in Q1. We are able to do closures in Q2. So the quarterly growth rates because they are at a lower base, they end up having higher revenues. Does that explain?

Ashish Chopra: So just to reconfirm if I understand correctly. So while the linear business obviously is sort of ready state. You're saying that the closures of deals now happen in a more spread-out fashion, versus probably the previous year?

Virender Jeet: Exactly.

Ashish Chopra: Got it. And secondly, and you mentioned about a couple of vertical solutions that are doing well for you, like digital lending, trade finance. Just wanted to understand as to what would be the nature of solution in the insurance vertical as well, which we are looking at in terms of the problem point that will be -- the problem statement that you would be looking to solve? And also -- I mean, the vertical solutions today, what percentage of your revenues would be coming from very specific industry solution?

Virender Jeet: So Ashish, I think you're right on the vertical side of our recent platforms, which are actually also built on low code. So we're trying to reinvent products on traditional banking, whether it's a digital lending platform or a trade finance or a supply chain on the low code approach to do them as a next-generation product.

So on the insurance side, we are exactly targeting very similar. We are talking about journey led solutions, where we are right now automating the whole process, whether it's a claim or onboarding both in life and general and health. And what has happened, why these solutions are being reinvented and rethought, there's a lot of digital ecosystems in stacks, which have got evolved in all countries.

And people want to have a very differentiated journey in terms of how they are able to onboard their customers or issue policies or to the claims for that. So very similar to what we have done in banking, but on the insurance side. On the point of how much of business is driven predominantly, so what has happened, a large part of our business today is also driven from solution stack beyond horizontal. I don't have the exact number. But we can -- I can just we can provide those numbers in terms of for each accelerator, what is the kind of business.

But for every sale, whether it's horizontal or a vertical sale, a large part of that sale is a horizontal product sale for us. Those customers end up buying our -- these accelerators with the hope that they can build more products over that. So at the end, we are always a horizontal play in an account with an entry strategy or a solution-led sales focus around vertical accelerator. Does that Ashish answer to your question?

Ashish Chopra: Yes, yes. Yes, it does. And you mentioned that you expect APAC next year for APAC to be a very strong recovery year. Is that on the back of the largest deal that you signed in that region? Or are there some more relevant also that are contributing to the thing?

Virender Jeet: See, Ashish, if you look at last few years, APAC has been always a strong growing market for us. I think last year has been anomaly in terms of a lot of misses on deals in terms of closure, contract cycles and also market being not responding to us in terms of closure rates as we expected.

I think even just recovering back to a normal stage would give us a healthy home. I'm just relying right now on that. The deal, which is there, of around INR90 crores, it is a five-year deal of subscription and an implementation. There will be some revenue, but it will not going to make a material difference to the growth rate. So we still feel in terms of our velocity of deal closures and growth in that market to be on the recovery rather than the last year approach.

Ashish Chopra: Understood. And just lastly from my side, on the DSO, as we exited the year at around 130 days. So on a fourth quarter basis, is that the kind of number the continued kind of growth you tend to witness in the last quarter, would that be on the expected lines? Or do you think that it may have coming higher than what we would have been targeting?

Virender Jeet: No. I think DSO is on the expected lines because I think we had a kind of a DSO miss on Q1 because it was slightly higher last year. And then we substantially brought it down. I think comparing to a Y-on-Y quarter. It has come down on an average. Because Q4 is always a large quarter, so the DSO number is much larger. But on the average other quarters. So I think we should be on an average DSO of 120, 125, I don't know exactly the number. Our target is to reach 100 days. That's our immediate target as an average DSO. That would mean a Q4 DSO of 115 days or something like that. So but this year, I think it's in line with our expectations, but we are taking a lot of majors to even building further down.

Moderator: The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: Yes. Sir, if you can just give an idea on the BPO segment that very small for Newgen 2%. But what are the impact that we are seeing because of the GenAI? And what are expectations from here onwards?

Virender Jeet: So BPO segment is a segment because it has been a traditional segment where typically people are doing -- we were a great partner for one of the most of the BPOs set in India in terms of when they're looking at a fresh stack because they didn't have platforms. Suppose that segment has been typically the APAR segment, the accounts payable and accounts receivable, either it's in the captive or non-captive which are, the BPO-based segments. So it's a potential market for us for horizontal play has not shown some technical traction in India for us or outside India. So we are looking at ways to look at more horizontal play.

Coming to GenAI in BPO, I think it's typically wherever you can bring efficiency in operations using technology. I think the processing centers become the first typically the place you would pay out like if you are an RPA or the BPM. Similarly, I think both on Generative AI, a lot of use cases in terms of automating some of the routine tasks would happen out there. We are excited about the platform play in our product. We have created our product offering in all three products, which are our horizontal lines.

There's a GenAI offering, both for whether it's content, going deeper into content, content summarization, in content management, BPM automatic rule building or exploiting the speed by which the processes can be deployed. And CCM also which is customer communication, how fast you can do a multilingual communication depending on different personas. So we are excited about that portfolio. We are right now looking at those cases to be taken across all verticals, not limiting to BPO. So yes, but BPOs do have some use cases, which can be exploited on that. But right now, I won't have more than that insight about that subject.

Jyoti Singh: Okay. And sir, next question is on the GenAI side. So like, since when we are starting, it will be a revenue generation for us?

Virender Jeet: So GenAI, basically, GenAI is a technology and there's any horizontal grade technology, product companies end up leveraging that and creating more offerings. Finally, those offerings are deployed with the customers to either optimize their businesses or drive growth. So what we are excited that with Marvin, which is our GenAI launch and the Number Theory, which is the AI platform, we should be able to accelerate our use cases and growth of those use cases in general. But specifically on revenue generation or not on revenue generation, those will depend on how end customers end up deploying the use cases.

Moderator: The next question is from the line of Tushar Sarda from Athena Investments.

Tushar Sarda: I have two questions. One is you said mature market now to fire much higher. So what kind of growth rate would you look at to reach your aspiration month targets? That's one. And second, because markets are not doing well, M&A should be much easier in this kind of market. So your thoughts on that?

Virender Jeet: So when I say mature market have to fire well, it's typically for our long-term exploration of the company to be reached $500 million or $1 billion. So because that is where the addressable market is. Today, I think at a growth rate of about 20%, mature markets keep up that pace. Then eventually, we will not be able to do justice to the addressable market size in mature markets. So we expect to be much higher. For some years, it can be 30%, 40%, 50% growth in mature markets. That's quite doable for a company like us. So it's more about how -- where the addressable market is and where our share of how do we increase our share of that addressable market.

On M&A strategy, I think, as I told you, our M&A strategy is typically localized around to get access to market so that we can do speed of our sales process established in the country. We have not found too many prospective options right now, depending on different market conditions should generate sometimes opportunities and sometimes challenges. I am not really in a position to really comment on that because I've not really felt about that there's too much of availability right now. We have not selling that.

Moderator: Next question is from the line of Shubham an Individual Investor.

Shubham: Would you be providing any kind of guidance for the next financial year, sir?

Virender Jeet: No, Shubham. I'm sorry. We don't provide any guidance, but we -- as we always say, we intend to meet our -- keep on meeting our growth momentum and do the historical rates which we end up doing. We don't see a challenge. In case there's kind of a delta which is very different than what we did last year or both upside and downside, and we will inform you as soon as we have more insight into that.

Moderator: The next question is from the line of Devang Bhatt from IDBI Capital.

Devang Bhatt: Just one question that you had highlighted that you are resetting you sales strategy in the U.S. So from the past, what different are you doing? Like you have already tapped GSIs and all to the mature markets. So what kind of resetting in sales strategy you are doing in the U.S.?

Virender Jeet: When we are talking about resetting our sales strategy, which is about what was working for last three, four years, we are pursuing banks which were typically in the lower size or typically asset basis of $2 billion to $20 billion bank, which is a large number of roughly around 850. We saw that -- I think the account acquisition cost was much more higher than the lifetime cost of the customer. And because the U.S. banking also is kind of in terms of either consolidation phase or they are having a lot of issues raising deposits. these accounts, even after acquisition did not have a lot of upside for us. And for our exploration and the numbers we are talking those company, we thought that it is important to pivot towards larger banks.

So when we are talking of changing strategy, we are talking about pivoting from the smaller bank sizes to a larger addressable bank, which are banks above $20 billion or $50 billion up to $200 billion, which is typically around 100 accounts. So we are focusing on those accounts now. And of course, there is an entry barrier to those accounts. It needs GSI support. It also needs various other things. But I think the lifetime value of those accounts will be much more meaningful for our company. That is the change we are talking about.

Devang Bhatt: Sir, we have been trying this. I mean, previously also, we were doing this of targeting the larger banks. So in terms of -- I mean -- now for targeting larger banks, have you -- I mean do you have come out with some other sales strategy that was not working in the past, and now it will work?

Virender Jeet: Yes, absolutely. I think, first of all, even in the larger segment, we have at least been able to get three or four accounts. It's not that we've not got inroads in that. The second strategy is about to keep on accelerating that. And I think we have built up a different sales team. We are looking at product definitions, which are more suited for that. We are looking at working with consulting and SI companies to target those. Yes. But having said that, you're absolutely right. that has not reflected in the numbers of growth right now. So that's why I call it work in progress. But I'm very hopeful that we should be able to track it. We take a few more quarters, but we should be able to make that.

Devang Bhatt: Great, sir. And last one thing. Would you be targeting any M&A in this mature market, which will help you in garnering these larger banks?

Virender Jeet: Yes. I think we have a plan to look at some inorganic expansion for the segments which we want to address and tackle so that we get more inroads or kind of more feet on the ground out there rather than building it organically. And that is one of our pursuits. Right now, we don't have any final contenders, or anything localized, but we are in the process of that.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: You mentioned with banks about 50 billion somewhere your larger accounts are, how many banks are there, which are more than 50 billion as of now? I mean how many clients are we having?

Virender Jeet: So we are targeting the banking base of roughly around 90 banks which fit in that. They're not megabanks and they are not the smaller banks. They are about 50. These 90 banks should be able to good enough market. And our target is to make sure that in the next three years, we have at least more than 25 to 30 such accounts.

Mihir Manohar: Okay, sure. And as of now, are there any accounts over there in that range?

Virender Jeet: I think we have three accounts in that range.

Mihir Manohar: Okay. And these three have been entered last year or how was it?

Virender Jeet: No. I think last year, in that range, we have been only able to acquire one, right. One of...

Mihir Manohar: Sure. Sir, I just wanted to understand this fundamentally. I mean, as we move the value chain up to larger banks, do you need to fill more product gaps or anything around that? Or is the same product offering your applicable for larger banks? I mean, how would you see that?

Virender Jeet: In fact one of the reasons why we are seeing our product offering was more applicable to larger banks rather than because the platform-led play where people have want to buy platform for future users beyond the current solution. Because the smaller banks want to fill a need with the most price effective solution, while larger banks are looking at technology and platform for long-term use.

So we are implying that the current offerings that we have, of course, we'll be looking at complementing that, working on integration ecosystems, building more complementary features for that market.. The issue is we think the relevance of what we do is more to larger accounts than smaller accounts. That's why we made this correct.

Mihir Manohar: Okay. Sure. So basically what I understand that is the gap, which is there in GTM strategy and not product per se?

Virender Jeet: Yes, absolutely. We don't. So there will be incremental things to be done in the product. But right now, the gap is predominantly on the GTM side.

Mihir Manohar: Sure, sure. My second question was the on the trade finance revenue. What's the trade to finance revenue in FY '24?

Virender Jeet: I think we would have crossed INR100 crores or something. I'm not knowing sure, but I think if we can send you the data. But we did get around 6 deals in trade finance. And I think all deals are above INR10 crores or some of them are much larger than that.

Mihir Manohar: Okay. So 6 to 7 deals with rough INR100 crores of revenue?

Virender Jeet: But I think you can ask Deepti for a more number.

Mihir Manohar: And what was this number in FY '23?

Virender Jeet: It started maybe two deals or something towards three deals in that maybe INR40 crores to INR100 crores, that kind of a jump.

Mihir Manohar: And what kind of traction? I mean, what kind of inquiries are you seeing incrementally for FY '25 in the trade finance side?

Virender Jeet: Yes. So I think the product segment is quite hot. So there is an enquiry, but I think we are going little bit because I think it's unlike our traditional products, which don't have large implementation cycle. Trade seems to have a much larger implementation cycles. We are really choosing narrowed again narrowing down early our set of targeted accounts, frankly, going only after larger deals and trying to make sure that we have the right fit for all the markets.

So we are like now focusing on Middle East and India. We are not expanding drastically. So we are evaluating whether we should do it in APAC or in Europe or in U.S. Those things are on hold here. So India and Middle East itself has a large potential. So for next year, I think that is where our focus would be and then we can look at also beyond that.

Moderator: The next question is from the line of Vinay Nadkarni from Hathway Investments.

Vinay Nadkarni: Just wanted one question. How has the Marvin being accepted by the AI and what is the channel response to it? And what is the revenue that you have earned out of it this year?

Virender Jeet: So see, Marvin is an expansion of Generating AI capability for our own products. And it does not have a different alternative monetization stream, but it eventually creates more use cases where the product can be serviced right now. So we launched some time not maybe a few months back. I think right now, as the whole industry is damn interested in anything which is AI led or Generative AI added.

So there's a lot of interest in those use cases. We are seeing a lot of interest in horizontal mature market use cases around AI, and sometimes also use cases lead to Generative AI. But I will not be able to -- we don't think of monetizing it separately. We think of opening more opportunities. But at the end, we are still selling our BPM, ECM and CCM platform for solutions built around that. It's Marvin capabilities to enhance the value to the customer.

Vinay Nadkarni: Okay. One small booking question. You have 9% expenditure on R&D has been expensed out in the books, correct? That's the way you have been doing...

Virender Jeet: We always do that. Yes.

Vinay Nadkarni: And lastly, just more forward-looking things since between banking and insurance, almost 77% of your revenue comes from these two industries. I understand you're focusing on that as a primary driver. But going forward, is there any other areas that you are looking at? Because your health care and BPO has not really taken off much. So are we going to be hitching our star only on banking and finance going forward?

Virender Jeet: So you're right, banking and finance will continue to be the global leaders for us across all verticals. Healthcare is typically healthcare, healthcare insurance, which is very similar to healthcare but it's a completely a different segment, and this market only exists in the U.S. So we think we can build out anywhere between $15 million to $30 million business of that over the next two, three years. But beyond that, I think government is one important area where we see we can build more inroads.

After that, our horizontal products have quite wide application across, but that is what we are looking at, either through partner sales or channel sales or through GSI, should take us to other verticals. So we do believe that our horizontal sales, which is across beyond the banking and financial service verticals should also pick up. But we are looking at that as a different channel sale rather than a direct sales model in that.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Deepti Mehra Chugh for closing comments. Over to you, ma'am.

Deepti Mehra Chugh: Thank you so much, everyone, for joining in for the call. For any further questions, you can connect with me, or you can go to our website. Thank you.

Moderator: On behalf of Newgen Software Technologies Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.