



Newgen Software Technologies Limited

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Sub.: Outcome Transcript – Conference Call – Q1 FY'26

Dear Sir/ Ma'am,

As intimated earlier through our letter dated 12th July 2025 regarding the Conference Call of the Company, which was held on Thursday, 17th July 2025 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 on the Company's website at <https://newgensoft.com>.

This is for your kind information and record.

Thanking you.

For Newgen Software Technologies Limited

Aman Mourya
Company Secretary & Head-Legal

Encl.: a/a



“Newgen Software Technologies Limited
Q1 FY '26 Financial Results Analyst Call”
July 17, 2025



**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 KUMAR GUPTA – CHIEF FINANCIAL
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MR. TARUN NANDWANI – CHIEF OPERATING OFFICER
– NEWGEN SOFTWARE TECHNOLOGIES LIMITED
Ms. DEEPTI 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 Newgen Software Technologies Limited Q1 FY '26 Financial Results Analyst Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 Chugh, the Head of Investor Relations at Newgen Software Technologies. Thank you and over to you, ma'am.

Deepti Chugh: Thank you. Good afternoon, everyone and welcome you to the Q1 FY '26 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; Mr. Arun Kumar Gupta, Chief Financial Officer; Mr. Tarun Nandwani, Chief Operating Officer.

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 materially incorrect 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 the results, which will be followed by a Q&A. Thank you.

T. S. Varadarajan: Good afternoon, everyone and thank you for joining us today for the Q1 FY '26 Earnings Call. It has been a muted quarter for us given the uncertain economic and geopolitical environment across the globe. We witnessed revenues of INR321 crores during the Q1. As mentioned in the past year, Q1 is traditionally a seasonally weak quarter for us in terms of business, which is further accentuated by current conditions. The U.S. tariffs and global conflict have led to a complex mix of consequences for customers and industries.

While the pipeline is healthy and holds up well, we are experiencing that customers are taking more time and being cautious in decision-making and the project starts. As a result, the funnel conversion is lower than initially anticipated at the start of the quarter. These deferrals and closure delays have led to slow license sales and subsequent implementation in Q1.

However, our subscription revenue growth is getting back on track. During the quarter, we witnessed a growth of our SaaS, ATS/AMC revenues, which reached INR121 crores. These revenue streams saw a 19% Y-o-Y growth compared to Q1 last year. We see the demand of our BFSI solution holding up and being resilient.

Overall, we won 12 new logos during the quarter, which will add up to the revenues in the coming quarters. However, the average deal sizes have been lower in comparison to earlier.

Our key wins, include working with a bank in the EMEA region on the enterprise workflow and content management, the aggregate value of the order being USD2.5 million. Working with a finance company in Saudi Arabia to develop end-to-end financing system, the aggregate order value is USD1.6 million. Added an insurance and health care customer in Philippines for developing health claims and OCR systems. In India, working with a Small Finance Bank for a loan origination system for personal loans.

Coming to our products, as part of our AI strategy, we are making significant investments in AI-driven products and solutions. Our platforms are leveraging AI, especially machine learning and Generative AI to drive decision-making, automation, personalization and intelligent user experiences across the entire workflow. The AI-led use cases are driving deals and customer discussions across all verticals.

As mentioned in the last quarter, we are continuing on the path of the vertical first go-to-market, focusing on various journey clusters across banking, Insurance and government segments. The journey clusters are decided on the basis of their revenue potential and product maturity, investment and portability across geographies.

During the quarter, we were granted a patent for inventing a system and method for data compression. The invention addresses efficient data compression for large volumes of data files, where the majority of content is similar with a smaller amount of varying data. It aims to reduce storage space and improve speed and efficiency of data handling in a much better way than conventional data compression technique.

This is especially relevant in industries handling volumes of structured document, forms or system-generated report, enabling them to save storage at costs and faster data handling. In total, we have 25 patents already grant under our name.

During the quarter, the company was also recognized in the Gartner Market Guide for U.S. Health Care Provider Credentialing and the Forrester's Digital Process Automation Software Landscape.

As an organization, we are adapting to the evolving environment with focus on improvement in growth trajectory and maintaining profitability.

Our profit after tax for the quarter was at INR50 crores and net margins were at 15.5%. We expect that in order to retain good quality employees, our wage costs would increase. However,

this would be balanced by enhancement of productivity through automation and AI. This would help in optimization and maintaining our profitability.

We continue to prudently invest in R&D and sales and marketing. We have invested 9% of our revenues on R&D initiative and around 26% 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 quarter at INR81 crores. Our net trade receivables were at INR504 crores as of 30th June, which resulted in net DSO of 123 days.

We began FY '26 in a challenging but transitional environment. During the year, our strategic focus would remain on AI-led transformation, optimization of effort and building resilient client relationship.

We believe that our funnel continues to be strong and closure would gradually improve in the quarters -- in the coming quarter, leading to improvement in overall growth in the second half of the year. In addition, the annuity revenues will continue to pick up growth with project closures. We remain focused on our growth path and disciplined execution.

That's all. Thank you very much and we are open for Q&A.

Moderator: Thank you, sir. We will now begin the question and answer session. The first question comes from the line of Rahul Jain from Dolat Capital.

Rahul Jain: Firstly, if I look at the logo win data, it is still healthy at 12. But the sale of product did not do well much. So is it that we have seen a smaller size deal, maybe in the insurance where probably the size of the deal are lower? Is there something to look into that?

Virender Jeet: Thank you, Rahul. And yes, we can hear you clearly. Rahul, you are absolutely right. So basically, if you look at overall deal wins, the deal win rates has been the same and it has been across all geos, we have won deals. And the deals have been both in insurance, financial services, government, in all 3 segments, we won considerable amount of deals.

Yes, one thing which has changed is compared to last year or at least last 5, 7 quarters, the larger programs which customers were deciding, those programs are getting slower. So in terms of the tactical deals, which are in the range of somewhere between INR4 crores to INR8 crores, INR9 crores are getting decided.

But the deals which were in INR20 crores, INR30 crores, or INR50 crores ranges, we are seeing slight amount of slower pattern decision-making in that. So the current ratio of the license sale being lesser than last year's licenses is on account of having deals but not at the same value as the last year.

Rahul Jain: Interesting. And also another impact that we saw was on the implementation revenue. So is this a slower ramp-up that has in the existing deals or this was more of a balance schedule, which we saw in this quarter on the implementation side?

- Virender Jeet:** Yes. I think implementation is more this quarter specific and it is on account of 2 things. One is also that the new deals also have some residual implementation, which we typically used to get billed, which has slightly been muted as the deals are much smaller. The second is also that some amount of our previous large orders, they are still in kind of a slow-going execution mode.
- So not much has been realized from the previous order book in that case. So we think -- but on the implementation front, we think that it should balance themselves, next quarter it should become automatically better.
- Rahul Jain:** Okay. So we should see a stronger implementation in Q2 irrespective of our new win momentum in Q2?
- Virender Jeet:** You see, the new win momentum will determine the largest outcome. So next quarter, I think the current momentum and the previous momentum should drive slightly stronger implementation.
- Rahul Jain:** Right. And there was another comment that we should see a better deal momentum in H2. So are we seeing that the slower decision-making impact to sustain in Q2 and Q2 may also be seen as a weak quarter for us?
- Virender Jeet:** See, the way I see it is, Rahul, that predominantly, the funnel is quite strong. And significant -- we have significant number of large deals in the funnel. What we have experienced slightly a slowdown in conversion of those. And I think that right now, the way the status is projecting a great turnaround in just next 30 days or next 60 days seems to be difficult. That's why the commentary of the H2 seem to recover is more logical rather than saying the Q2 may see a change.
- Rahul Jain:** Okay. So in that light, what kind of an outlook one should see for this fiscal or you think our typical 20% kind of an outlook could still be achieved? Or we think, for -- given the macro that should be pegged lower at this point?
- Virender Jeet:** See, Rahul, see, we are still pegged, whether in the end of March or now, we are still pegging the whole year for the growth and that's what we are investing in across all places. The number 1 challenge for us right now is the deal size. And that is the only difference which has happened in the business. We don't see too much slowdown in the overall business momentum.
- We'll see closures. Whether we can reach 20% higher or lower than that, it will be very difficult to project right now for us. So right now, we'll have to hold on to that and see how the year shapes up.
- Rahul Jain:** And just last bit from my side. Let's assume a scenario where we might be seeing this lower conversion of the smaller deal to remain more in stay. You think our other expenses or SG&A side investment might go slightly lower and may drive the margin up for us in this year? Or you think we would retain the previous year margin on a broader basis?

- Virender Jeet:** See, I think right now, there is enough variabilization of cost build up to a certain extent. But I think as we have been telling that we are always a growth-led company. So we do have upfront costs and then eventually, we end up making sure that we meet our targets. So if we achieve any reasonable sense of growth, we should be able to expand margins or at least retain the margins. I don't see margins becoming a challenge as of now because we are still pegging for a growth for this year.
- Moderator:** The next question comes from the line of Aditi Patil from ICICI Securities.
- Aditi Patil:** My first question is on -- so what has led to the smaller deal sizes, is it more structural in nature? And also, could you give color on the client behavior across Middle East and India?
- Virender Jeet:** Thank you, Aditi. So think about, Aditi, what has led to smaller deal sizes, predominantly, I think what we have seen over the last 3, 4 quarters is the momentum of typically the larger DLP programs, from public sectors or even enterprises, is getting converted into more single journey cases now.
- So we see the larger programs being lesser in terms of compared to what there were in funnel 1 year back. Having said that, there still are at least, both in trade and lending, we have a large funnel of large cases which are bound for conversion. So we're hoping that some of them will close there.
- In India, specifically, it is the public sector momentum of DLPs is slightly lesser but it is picking on other areas like trade and other things. In Middle East, we see overall, generally slightly, we are seeing a slightly slowdown of spend in banking for us. In that case, what happens, the tactical deals are still able to sail through and the larger deals are slightly having an elongated sales cycles. So that was the first. Sorry, what was the second part of the question?
- Aditi Patil:** Yes. I think you have also covered the second question about client behavior in Middle East and India. So is this specific to the banking vertical?
- Virender Jeet:** Yes, predominantly. If you see our larger deals, predominantly come from banking. And I think the insurance market for us has been small. It's always tactical deals. Government has both, they can be sometimes large and sometimes small. We don't see change in out there in that behavior. But the larger behavior since banking is almost 60%, 65% of the business. So any impact on that does have an impact on the company.
- Aditi Patil:** Yes. So this come back of the larger deals, especially the deals in -- larger deals in trade finance and distress lending. So do you think that this may take some time and like a recovery may happen only like towards the end of this year? So like how should we look at the full year growth? Should we consider Q1 as a base and then model based on the Q1 run rate?
- Virender Jeet:** See, Aditi, I think for us, it's also a difficult question because we are always poised for growth. So we treat this quarter as an exception. And we will again go with full momentum to recover growth in second, third and fourth quarter of that. Having said that, what I see right now, there

is globally also, not only in India but in other markets, we do see that customers are slightly pulling back across all major decisions.

So we are still hoping that if that behavior slightly improves, our larger deals also can close apart from the smaller deals. So I don't think that Q1 will become the base. A lot of our existing business for which we don't have to get any orders also is spread slightly lopsided. So Q2, Q3, Q4 are much larger than Q1. Though the dependency on large license sales is across all quarters but still the base of the business is not -- Q1 is not the base. So Q2, Q3, Q4 have a different base than Q1, like in the previous years.

Aditi Patil: Okay. Okay. Got it. And our other vertical has grown at a healthy rate since last 2 quarters. So which sub-segments are growing in this? And is it a focus area or it would be one-off growth?

Virender Jeet: No. So I -- as we said, insurance and both enterprise are becoming focus areas for us. The funnel in that is becoming wide. AI is driving a lot of new cases and innovation in the, typically which was very stagnant use cases. So the funnel out there is -- the only difference in that both insurance and enterprise, you will see the deal sizes to be a very average value.

They are not substantial, deal sizes. So what we are expecting to increase the overall velocity of wins. We want to really improve our velocity of wins from 60, 70, to all the way to take up to 100, right.

Aditi Patil: Okay. Okay. What I was referring to is, so we gave out verticals split as BFSI, health care, insurance, government and others. So others has done well since last 2 quarters. So which sub-segments are included in others?

Deepthi Chugh: Enterprise is part of others segment.

Virender Jeet: Yes. So others is enterprise, yes.

Moderator: The next question comes from the line of Hardik Doshi from White Whale.

Hardik Doshi: On your comment on the slowdown in decision-making and just because of macro uncertainty. I just want to understand, I mean, because most of our business comes from India and the Middle East and Asia. And in general, I mean, I understand the slowdown in U.S. and Europe.

But why this would impact especially like countries like India and Middle East, where there's not been that much of an impact. So what are you -- what are the clients talking about? And why do you expect this to come back in the second half?

Virender Jeet: No, Hardik, these territories have more localized issues. Like in India, the issue we are facing is about slightly amount of pullback in retail lending across in terms of the risk exposures, how the market is seeing and then how do you pull back in. So larger segments of unstructured lending are pulling back.

So -- but still on secured lending side, there is still some momentum. So that's why I said the single product journeys are still going on in the market. Middle East is also -- it's -- I think Middle East has multiple issues. Middle East does not have the same issue. So surely, the oil prices stay still but also the geopolitical turmoil, like I think one of the challenges we faced in the Q1 of this quarter, all the visas for Saudi were blocked.

So there was hardly any business travel or any execution travel which could happen in Saudi. So though this problem has nothing to do with the turmoil, it was to do with Haj or something around that.

So there are local issues which are affecting these. And so they don't seem to be major, larger. That's why I'm hopeful that as slightly the temperament or mood changes, like in -- I think we don't have the Saudi issue now this quarter. We're hoping that the visa restoration will happen this quarter. So they will -- this will get normalized on that.

Similarly, in India if the retail lending or lending pushback slightly goes away, we still have a lot of cases and a lot of banks to address where we can go and sell our product. Trade is decoupled with these but trade, again, is an issue which takes larger gestation cycles of closure of deals.

So overall, you're right, the larger global issues have a lesser impact in India and Middle East. But I think, what we have sensed in last 2 quarters, there is a slightly organic slowdown in decision-making across all places.

Hardik Doshi:

Got it. Also, I think in the last quarter or a couple of quarters, we've been talking about delayed implementation of some of the large PSU Bank orders that we had. So where are we with them? And like, I mean, will that help in the kind of revenue recognition over the next 1 quarter or so while this decision-making is slow?

Virender Jeet:

Yes, I think you will see that. I think, as I said, that it may take 2, 3 quarters but I think this progress is happening on that, both on ATS, which is typically the revenues, which starts after the implementation, you will see there's a substantial growth this quarter. In fact, I think the revenue is less. But on the billing side, we have given a much higher growth rate on ATS.

So the subscription part of the business, the compounding part has started growing. And I think it will continue growing in Q2 and Q3 this year. It will provide some cushion but it will not provide enough cushion if we don't do large license sales.

Hardik Doshi:

Okay. Got it. Just one last question is, I think in one of the slides, we talk about the AI agents that you've introduced, I think LumYn, Harper and Marvin. Can you just talk a bit about how have you kind of embedded these into your products and how this has enhanced the application?

Virender Jeet:

See, Hardik, what we realized, especially with the traditional AI, the ML models, as well as the GenAI with end uses. So lot of use cases where customers were stagnant in the area of ECM or the customer communication management. They have got reignited. Customers have started looking at even the last mileage of automation, which was left out of that.

So all -- what we call the intelligent document processing use cases are getting induced, both in enterprise as well as in segments like insurance and banking. What we have done is, we -- our products have anyway are slightly ready. They have been ready for some time out that. But in terms of our GTMs are getting more stronger about that, getting mind share, our ability to demonstrate, execute these projects. That's what we are building right now on that.

One thing is clear, most of the use cases we are driving now, I think 70%, 80% of use cases, AI is either a very central part of that or is a very substantial part of that. Even on lending use cases, we are having AI as a substantial part of those cases. So we have been -- we have made ourselves ready for that. And we are hoping that, that should lead us to getting even larger number of deals on the table.

Moderator: The next question comes from the line of Shaleen Kumar from UBS Investments.

Shaleen Kumar: So sir, this -- the growth has been a bit on the surprise side. Are there any cancellation that have happened?

Virender Jeet: No, we have not got any cancellation based any impact in this quarter.

Shaleen Kumar: Because you've impacted -- even during the quarter, it doesn't feel like that it was -- doesn't feel like a sudden surprise to you as well, if somebody just doesn't happen?

Virender Jeet: So as I said, we have been -- we have a very long history of growing consistently. And I think this has been a surprising quarter for us. I think what -- it has happened also there is -- I think broadly, if you understand the contours of the business for us, I think we are still dependent on large amount of license sale for the growth every quarter, which is the jerky part of that.

So there has been some amount of mutedness on that. And which also the implementation, which is a result of that license, there has got a some impact on that. But the impact on implementation is only -- not only on account of that, it's also on account of some delayed executions in our existing projects and other things, which I think has slightly started recovering, which will also recover next quarter on that. Yes, it is a surprise, but the surprise is predominantly based out of our ability to go and get new orders.

Shaleen Kumar: One is you're saying that customers are taking longer but then those deals you couldn't close in June are you able to close...

Moderator: I'm sorry to interrupt, Shaleen, you are not quite audible. Could you at least move to an area where the cellular network is better?

Shaleen Kumar: Is it better?

Moderator: Yes, better.

- Shaleen Kumar:** Sir, I was asking, so some of the deals which you were not able to close in June, were you able to close them in July? Were you -- are you able to see then that those will be coming back in July or this quarter?
- Virender Jeet:** You see, it's a natural thing. Every quarter, if some deals slip, some of them do come in July and some of them vanish. But what I'm worried about is still about the larger deals coming in. So I have not still got any -- in July, we have not got any of those larger deals yet in. We are still projecting some of them to close this quarter. So if we can close those 2 deals or 3 deals this quarter, I think we can do a better quarter compared to Q1.
- Shaleen Kumar:** Right. Sir, I got dropped off in between. What -- did you talk about any guidance for this year?
- Virender Jeet:** No, sorry. I think we never talked about guidance. This is the only guidance I can tell, which is internal. We still are projecting for a growth here. We are going to still go in investment mode in sales, marketing, our ability to ramp up, build our products. And we will always treat some of these quarters as some intermediate jerks, which we can either springboard on or at least recover fast.
- Shaleen Kumar:** I mean you have a very strong history growing close to 20%, sir, 18%, 20%, right? So from that perspective, how should we think about like, can we still think of like mid-teen kind of a growth despite muted 1Q?
- Virender Jeet:** We have never given any guidance. We have only a history. But in history unless it is proven wrong, it's always becomes a history. But as I said, I can only tell you what we exactly think -- internally, we are planning for a growth year. We are not planning to manage at a flat or a muted growth year.
- But I think right now, the way the environment is unfolded for us, we think slightly there's a huge uncertainty. So right now, commenting on guidance may not be the right thing to do. And just give us a few more months, I think we should be able to give you much exactly. We get the hold of whole situation and try to move forward from there.
- Shaleen Kumar:** Right, sir. Sir, anything else like an external factor that could be affecting our growth like a competition or change in customer behavior towards our product?
- Virender Jeet:** See, right now, I think from looking at my funnel and my opportunities on the table, we don't see any threat or any losses which have been. So we have not lost too many cases. That is what would -- or we have not seen the funnel shrinking. So right now, we have a healthy funnel growth compared to last year.
- And also the conversations on closure, there are a lot of conversations on closure. And so I don't see any big change, external factor. What has really happened, only 2 contributing, large deals, lesser conversion of large deals and typically slightly amount of slower decision-making That's all what we are looking at right now.

- Shaleen Kumar:** Sir, what could be the possible -- is there -- can there be a case where these large deal customer decided not to go ahead? I mean, is there an alternate for them? Like -- or is just that they can keep on delaying it and they have to come?
- Virender Jeet:** See, I think in enterprise B2B software, we have realized that the competition to any deals are multiple front. And I think one of the competition is always status quo in case of uncertainty. So it's also what happens and when the overall momentum is more positive, more customers are deciding, more deals happen. And when less customers are deciding, or slightly reluctant, less deals happen. Those deals won't go anywhere for us.
- But they may change from 1 quarter to -- they get deferred for 3 quarters or 4 quarters sometime if you lose to the customer. So I don't see broadly any customer behavior, which is very different. We have seen this always in uncertain times. We scale it through either more acceleration in sales, more better deal conversions and getting more number of logos. That's how we fight it out.
- Moderator:** The next question comes from the line of Grishma Shah from Envision Capital.
- Grishma Shah:** I'm curious to know how the U.S. market has done in particular? And what is the outlook, given that quarter 4, we had seen very good deal wins in the U.S. market? That's the first question.
- Virender Jeet:** Grishma, thank you for the question. I think the U.S. market, we are staying invested. I think we have -- that market also has not been very different on growth compared to this last year. Though Q4 of that, we are able to close 10 deals, some in existing and 6 deals in new.
- In Q1, we had just, I think, 2 major deals coming from existing accounts, 1 in insurance and 1 in one more segment, I think. We have a good funnel both in U.S. and around U.S. market in both insurance, health, as well as banking. Out there, we are also running after some very large deals and we hope that at least few of them will close in this year.
- But yes, right now, we'll have to slightly wait for some more time for the market to really kick in for us. It is not -- right now, it is not helping the growth. It is staying at the same rate as other markets are.
- Grishma Shah:** Yes. The other question that I had was on the margin outlook, given that we would also have wage hikes and the growth slowing down, so the operating leverage in the business also gets impacted. So what's the range that one should look at in terms of operating margins? Or if you could give some color on the wage hike impact, either way?
- Virender Jeet:** See, right now on the operating margin, we have historically maintained that our net margin should remain at around 20%. But also I think there is one important thing. We are -- since we are already pivoting for growth every year, so our costs are slightly front-loaded in terms of our manpower. Though we have a lot of -- depending on sales performance, we have a lot of variabilization on that. So that should kick in. So I would still go and hope that in this year, we should still be able to maintain our margins as we are saying.

But if the growth rates fall substantially, then the margin will get affected irrespective of what we do in that because internal levers are much lesser on a slower growth rate for us. So we are not poised that we can maintain margins at 1% or 2% growth. That's not the way the company can handle right now.

So on the wage hike, so I think we have not taken a final call on that. There is going to be surely wages increase for our campus people and certain level -- up to a certain level. We will decide that exactly in next 1 month or so. And I think in next quarter, we can give you a more clear picture about that.

Grishma Shah: Okay. I mean any color or more color on the competition? Do you see more competition emerging in certain geographies which, like the Middle East or the African region? I mean, is there some new competition emerging, if you could throw some light on that?

Virender Jeet: See, nothing material. So what happens is we have these global players who are competing all the time in like the ECM players and the BPM players. And then on a local basis, you have local competition in every country, depending on what vertical use cases are there.

And then there is always a third competition, which is about the startup ecosystem, AI-led companies which are -- so I think that remains the same. I don't think there's any big -- and right now, competition is not determining any threat to us or any challenge, which is, we are losing too many cases to competition.

So I wouldn't say there is too much -- the only what is structured, the larger platform players are entering our traditional market areas like you have more and more players coming to India, more and more players coming to Middle East. So there is a some amount of slightly crowded market out there.

But then both our platforms and our vertical focus is helping us win those cases because we are still very specialized for banking, very specialized for insurance. Those things give us that strategic advantage against that competition.

Grishma Shah: Okay. And there hasn't been any pressure on pricing as such, right?

Virender Jeet: Nothing more than which has been usual. I don't think any -- anything.

Grishma Shah: Yes. Okay. And can you also just tell us about the tax rate that we would have for the next 2 to 3 years?

Virender Jeet: I think around 23%, 24%, tax range.

Management: Yes, it's 22.5%.

Virender Jeet: 22.5 %.

Moderator: The next question comes from the line of Mihir Manohar from Cernelian Asset Management.

- Mihir Manohar:** Sir, you mentioned about large deals pipeline, I think, [inaudible 0:36:51]. When we see the India business, okay, I mean on the India side, there was PSUs which was -- there was rationalization coming on the PSU side, some saturation also you had mentioned?
- Deepti Chugh:** Mihir, can you repeat your question once?
- Virender Jeet:** Mihir, sorry, it was not audible. Can you just repeat it? I think are we dropped or?
- Moderator:** Mihir, please go ahead with your question and unmute your line in case if you are on mute. Since the participant has dropped, we will move to the next participant.
- And the next question comes from the line of Ruchi Mukhija from ICICI Securities.
- Ruchi Mukhija:** I have 2 questions. First, was the slow-decision making persistent throughout the quarter?
- Virender Jeet:** Yes, Ruchi, I think we have seen this not only this quarter, we saw it also last quarter. I think last quarter, I think some of our deals did were back into that slow decision-making process. So we have seen this slightly creeping in from Q3, Q4 and now slightly more prominent because the Q1 is also a smaller quarter for us. The results become more prominent in Q1. I don't think it is -if you're saying has it been consistent for the quarter, yes, it has been consistent for the quarter.
- Ruchi Mukhija:** And could you help us, what are the signals that we are watching to monitor this case of client decision, what steps you're taking especially to ensure it's not getting worse?
- Virender Jeet:** So Ruchi, sorry, I couldn't get your question. Could you just repeat it?
- Ruchi Mukhija:** What are the signals or signs we are keeping a watch in order to monitor this health of client decision-making, especially any indication to keep a tab that it's not worsening?
- Virender Jeet:** Yes. So I think what -- this is typically a part of the sales process. We are looking at our conversion rates. We are looking at, I think, stage movements of cases. Finally, also the contract phases and the time span of cases. So you can -- so see, there are 2 ways to look at it. One, we look at it at a holistically across the enterprise statistically, because that is where the larger data comes from the sales management system.
- But also for our core cases, they're projection for closure. We look at accuracy of that projection in terms of commit accuracy. And that is where we get exactly like in terms of are we at 70% of commit accuracy, 80% or 40 % of commit accuracy.
- That gives us that indication how the market is moving because when we are talking about slowdown, we are talking of in cases which are at the decision-making, which are at the closure stage, which is called negotiation stage or a closure stage. Both -- we are tracking on both ways. I think we do get a fair amount of indication about when things start changing their -- either momentum either way.

- Ruchi Mukhija:** And if this slowness persists, do you think some strategic change in terms of what kind of work we seek out in the market? Maybe if the small deals is what we are getting in the market as we try to reach out to more customers so as to make up good revenue numbers?
- Virender Jeet:** Yes, Ruchi, absolutely. I think we can't just hope for things to change. We change them ourselves. I think right now, the core focus is slightly expansion of our target market and increasing the velocity of the deals which are typically in that sweet spot. So rather than targeting 60 deals, we think that we should target more like 100 deals and try to compensate for if there is a slowdown in the larger deal segment.
- And also, as last year, we diversified into insurance, we opened that vertical. Enterprise is also showing some traction. So we are expanding the addressable market as well as looking at more velocity. So -- and also the plans will be very specific to every geo and every account how we want to solve it.
- Ruchi Mukhija:** Last question. Now when compared to large deals -- now between the large deal and a small deal, could you talk about how does it change the profitability economics for the company?
- Virender Jeet:** See, I think large deals have large license components, which are much absolute better margin. So typically, however we meet our license targets, I think will have the same impact. Whether we do the revenue from 3 large deals or 30 small deals, if the license amount is same, then it does not change the profitability of the company, it is at the same thing.
- So as long as we meet the high gross margin revenue streams, which is the license, ATS/AMC and subscription, the percentage of that revenue to the percentage of the overall revenue does not shift significantly. Our gross margin positions don't change.
- Moderator:** The next question comes from the line of Mridul Goenka from CLSA Capital.
- Sumit:** This is Sumit from CLSA. Just 2 questions, Virender Jeet. First is, sir, wanted to understand, is there any structural impact of AI agents or Agentic AI on low-code, no-code industry altogether? And the second question is, I mean, are you still holding on to longer-term growth potential of 20% for your business given that the overall TAM is pretty big and you have a very small market share?
- Virender Jeet:** Sumit, thank you for this question. I think this is a very important question. So what -- you're absolutely right, the Agentic AI space or the GenAI space in general is also disrupting lot of code generation initiatives. And of course, since it also, in a way proposes a very different way of low-code or no-code so in terms of reducing the overall development cost, there is an overlap. But in our use cases, if you understand our GTM is predominantly determined on verticalization of offerings using low-code or no-code as a technology.
- So what we ride on is similar. So basically, now we are saying that you can build our loans origination system through a low-code platform, which also uses Agentic AI or GenAI to augment the code building part of it.

So we don't see a challenge on that. So there is no direct competition between Agentic AI, GenAI and low-code. I think what low-code plus augmented low-code with GenAI is the new offering, which most of the people will be proposing, including us in our offering. So I don't see a concern, I also see, it may also accelerate low-code in terms of GenAI may add one more capability, the whole low-code just accelerating the whole low-code initiative in the market.

On the overall, I think you're absolutely right. We still -- since the total TAM is very, very large and also our aspiration is to go deeper into U.S., Europe and other things, we don't think there is going to be any kind of a muting down our overall aspirations.

Our overall aspiration is to even accelerate the growth rate above our historical growth rates to reach higher. So I don't see there's any challenge. We may have 1 or 2 quarters, few quarters and every 5, 7 years like this but that does not change the overall outlook of the company.

Sumit: So do you think this is more like a phenomena where certain deals and projects are being pushed out rather than being canceled? So you're over a 3- to 5-year period, the growth will still be in high teens or low 20%, similar to what you have been delivering for the last several years?

Virender Jeet: Absolutely, I don't think -- whether the reason is that or not but I think, yes, over the long-term outlook, we don't see any change in the long-term outlook. Whether these deals are pushed out or there's an overall delay in deals, I think we -- what -- as a sales company, we'll find ways to really overcome that and start selling more.

And because as you rightly said, the overall addressability of what we have is very, very wide. We'll have to really find -- the market is not a bottleneck. We have to prepare for more markets, more use cases and go and sell them.

Sumit: Right, right. Because I think the only problem, the issue we face is, I mean, like if you look at the Indian banks or Middle East banks or the economy, they have been still humming well. The earnings growth has been resilient, not that bad. So that performance for you guys from Middle East and India and the banking sector is a bit of a, I would say, an outlier in that context where we don't know what's happening with the competition or on the product side. So that is, I think, the main concern from the investor community from this results?

Virender Jeet: No, I can understand and appreciate that. But I think, no, what happens is, we have seen few quarters because of various reasons. But as you rightly said, they don't change the overall picture about that. We still don't have any larger challenges in the market, we -- at least in these 2 markets, we are the player where everybody has to fight.

That picture has not changed. So I think we'll have to just get some of the large deals in this market in place, which we'll address. But on the larger time, we'll have to get the U.S. story going. Europe story going and the Australia story going.

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

Mihir Manohar: Yes, sure. So really wanted to understand the large deal pipeline. I mean, you mentioned that for India side, specifically, there was some situation which is there on the PSU. But why is the large pipeline getting shrink, specifically, I mean, Middle East as well as Middle East, U.S. and Europe? Some color on that will be helpful.

Also, you made a comment, in the second half, you expect the numbers to turn around on a better shade. I mean, from an external perspective, let's say, how to get confidence around that? Some color will be helpful.

Virender Jeet: Yes, Mihir, thank you. I think 2 things you are rightly saying. So when I said large deal, I think the bigger concern is not the pipeline but it's about the closure. So what we have seen, that our large deals have not closed. And what I was saying that I think what last year and 2 years, we had a huge momentum of public sector orders which were decided, which were very large in size.

I think overall, the addressable market of that public sector also has closed. We have almost implemented most of them. I think there are 3, 4 left, which we are probably going to get in next quarter or next quarter or next quarter, something like that would happen.

But it is that whole addressable market itself. While that has closed, we have opened opportunities in payments and trades, again, in those things. But I think, again, the pipeline in payments and trade is not as strong as the DLP program was pipeline. So I think there is 2 issues in large deals. One is about overall pipeline in India of large deals. The second is also the closure rates and across market in large deals. So both of these are -- have added to the problems of this quarter...

Mihir Manohar: Sorry, can I interrupt?

Virender Jeet: Yes, sure, go ahead.

Mihir Manohar: In terms of India, there is this DLP program, which got completed, which is true. But what's the reason for the large deal pipeline getting lower in other geographies?

Virender Jeet: See there, if you look at very large deal pipeline is happening only in India and Middle East. Those are our big markets. Rest, there are large deals but they are similar, they will be in INR6 crores, INR7 crores, INR8 crores, INR9 crores only.

In Middle East, as I said, I think this quarter, we had one strong phenomena and that in Saudi, we were not able to travel for sales or for service delivery. That did impact our ability to close, our ability to move on to those deals. So we think we should be able to recover from that going forward in next quarter or next, next quarter.

So come to the second part of your question, I think why we are confident because we are still generating more cases and we're still generating more new deals, which are large deals. So overall demand situation, we have not seen very difference. The only difference we are seeing right now our ability to close the large deals.

So we are hopeful that things should change for us going forward in next quarter or in the next half of the year. But I think we'll have to wait and see how the market behaves. And as we get more into -- in a few more months, we'll get more insight into exactly what's happening and how do we mitigate the current situation.

Mihir Manohar: Understood. Sure, sure. And just last 2 questions. I mean have we lost any customers in the top 20 accounts or on the sales team side, our sales team, is there any churn which has happened, which could be a point of concern?

Virender Jeet: I don't think we have any churn, which is impacting revenue. But I think I can ask Deepti to send you the top revenue contribution from top 20 accounts last year versus this year.

Deepti Chugh: They keep changing in anyway.

Virender Jeet: They keep -- the names keep on changing. So there's no big account churn, which can make a material difference to our business in such a large way.

Moderator: Does that answer your question, Mihir?

Mihir Manohar: Yes, yes. I had just one question, which was there. Have we lost any customer in top 20?

Virender Jeet: See, we have some churn of customer, at least smaller-sized customers, which are typically the channel partner customers every year. I think historically, we have 2, 3 customers we end up losing every year through contracts or through cancellations or sometimes through mergers and acquisitions, change of priorities. But none of -- nothing which is very different from last year. In top 20, we don't lose anything.

Moderator: Does that answer your question, Mihir? Mihir, are you there? You're not audible.

Virender Jeet: I think his line is not fine.

Mihir Manohar: That does answer my question. Actually there is some disturbance in my line. I'm sorry for that.

Moderator: The next question comes from the line of Debashish Mazumdar from Svan Investment.

Debashish Mazumdar: So sir, I have 3 questions, 2 at the macro level and 1 at the company level. So the first question I have is, there is a concept that because of AI coming in and the implementation to -- implementation cycle to cost benefit of an enterprise software business will change significantly for a client.

So do you see that happening at the ground level or is there any change happening that your cost -- your period of implementation is coming down so that your cost to a customer comes down and that's why the acceptance goes up? That's my first question. I will come back with 2 more questions.

- Virender Jeet:** Yes, Debashish. I think you're absolutely right. See, one of the biggest advantages of GenAI is about -- in terms of the speed by which the software development cycle can get affected, both in the coding and other stages of software development.
- So what we see happening is that with AI, overall, what people can execute with the same amount of time and resources will substantially change, will change by a large magnitude, which would, for use cases, make compressed execution cycle and will provide material advantage to the customers.
- But what it triggers is also is the faster innovation cycle. So you now end up opening up more projects and more execution. And you end up -- customers end up automating or digitization or using AI for more and more cases. So overall, from my outlook, I think the overall spend on IT or projects would keep on increasing. But yes, for the same project, the cost may substantially improve.
- Debashish Mazumdar:** And do you -- are you kind of seeing this kind of trend that because of this thing, the acceptance is going up? Or it is still early for us?
- Virender Jeet:** See right now, I think right now, I think at the top level, there's a communication, people expect optimization, people expect use of AI. But I don't see right now the tangible it has translated in some amount of expectation of value and numbers. But we are not very far from that. I'm very sure in next 2 quarters, you will see this conversation happening on all existing projects and all existing contracts of how to optimize them.
- Debashish Mazumdar:** Understood. The second question is and pardon if you have already answered this question, I have joined little late. If I see my product or license growth this quarter, there is a sudden drop. I understand there's a kind of seasonality here.
- So is it more to do with the macro challenge with -- especially with the BFS segment and some of the other segment clients? Or there is some lesser acceptance of our product or moving into more updated version or stuff like that, which is more transitory in nature?
- Virender Jeet:** So see, right now, we see the traction for our products overall can be determined from the funnel and the funnel side. We don't see any challenge. We also don't see any challenges in terms of number of opportunities which are coming to closure. That's why I think our license sale is dependent on 2 things.
- One is about number of new deals and number of mining cases we create in existing accounts. But also, it also depends on the size of those cases. While you see on the number, we are very close to what we did last year.
- But on the size, we have shortened and that is the result because we didn't get any substantial large license order this quarter, which we think will not stay same going down the quarter. We should be -- because the funnel has a lot of cases which have large license deals. I think in Q2 or H2 of this year, we should be able to recover that.

- Debashish Mazumdar:** And one last question is, if I see my support revenue, which is more service in nature, it is kind of stagnant for last 4 quarters. Now if I understand correctly, until last quarter, my license growth was significantly higher. So why it is not getting percolated into higher support revenue and why specific de-growth in last quarter and very anemic growth this quarter?
- Virender Jeet:** Yes. So I think we had explained this. I think this was one of the concerns last few quarters in our revenue, both support and ATS. Since we said a lot of large projects have not reached the closure stage, this revenue stream has not triggered. So this is still an opportunity for this year for both our AMC, support and subscription to grow much more faster than last year.
- And I think some of these projects are coming in the stage of closure. So the first thing you will see that the AMC will grow out of that abyss. And the second subsequent next few quarters, you will see the support revenue growing on that.
- Debashish Mazumdar:** And sir, this delay in closure is largely to do with the longer execution cycle because of the general uncertainty in the market?
- Virender Jeet:** No, no. Sorry, there are 2 parts. One is about license deals. The value of license is impacting...
- Debashish Mazumdar:** Yes. That part is understood. Why there is a delay in execution in existing license implementation or the service revenues?
- Virender Jeet:** Yes. So I think that's what I'm saying. Last year, we had, over the last 2 years, got very substantial large orders, which had substantial part of execution. So some of these executions have got delayed. They were planned for 9 months, they have taken 1 year, some have taken 2 years.
- So which has affected this downstream revenue, which is the ATS because as soon as things -- the customers go live, then only they start talking of ATS and subsequently, they start talking of extended support. So these 2 streams, if you see last year also had not grown substantially for us.
- Now we had advised that from this quarter and next quarter, you will see that these 2 streams will start substantially growing because these projects are now coming more to fructification and some of these customers are getting to next stage of orders. So that's what I was saying. This year you will see -- you should expect that both ATS and support to grow.
- Debashish Mazumdar:** Okay. And one last question, if I may. You were talking at the initial part of the call about increasing competition from global peers. So can you just help us to understand who are these players? And what kind of competition you're seeing there in which areas of the business?
- Virender Jeet:** See, generally, what has happened that typically, we are seeing the markets where we are strong, like India and Middle East, in multiple countries, also in APAC. We are seeing there is a substantial investment done by all major global players like who are either in the ECM quadrant or the BPM quadrant to enter the market. And that the overall competition dynamics of every account is changing. So there are 2 things.

One is, there are more global players coming to the market. And second is also the local competition is emerging in terms of new start-ups, local vertical companies. So this is -- but this phenomena has been there for constantly some time. And I think -- so what we see is that in our strong markets, we still have a very strong strength in terms of both referenceability, proven track record and our products are much more recognized because of our vertical knowledge and expert in that. But overall, yes, the competition, in general, is increasing in all cases.

Debashish Mazumdar: So sir, are you saying that this new competition is basically the traditional BPM players who are trying to productize their services?

Virender Jeet: No, not only traditional. It can be platform players like Salesforce is also entering spaces like digital lending or you can have companies like ServiceNow entering the operation, which was not prevalent very much in India, now it's more prevalent. You have companies like Mendix, OutSystems also entering the market, which were not there 2 years back.

So these are -- so the market in the whole space of low-code is also getting very cluttered and not defined. That's why we have always pivoted in terms of our strategy going with vertical-based approach and using low-code platform as a way to accelerate the engineering cycle.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Deepti Chugh for the closing remarks.

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

Moderator: Thank you, ma'am. Ladies and gentlemen, on behalf of Newgen Software Technologies, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.