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Date: 22nd January 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	**National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai – 400051
Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017) Scrip Code – 540900	Ref.: Newgen Software Technologies Limited (NEWGEN/INE619B01017)

Sub.: Outcome Transcript – Conference Call – Q3 FY'24

Dear Sir/Ma'am

As intimated earlier through our letter dated 10th January 2024 regarding the Conference Call of the Company, which was held on Tuesday, 16th January 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: 2024.01.22 17:50:17 +05'30'

Aman Mourya
Company Secretary

Encl.: a/a

"Newgen Software Technologies Limited

Q3 FY'24 Earnings Conference Call"

January 16, 2024

MANAGEMENT:	**MR. DIWAKAR NIGAM – CHAIRMAN AND MANAGING DIRECTOR – NEWGEN SOFTWARE TECHNOLOGIES LIMITED** **MR. T.S. VARADARAJAN – 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**
MODERATOR:	**MS. ADITI PATIL – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY 2024 Earnings Conference Call of Newgen Software Technologies Limited, hosted by ICICI Securities. 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aditi Patil from ICICI Securities. Thank you, and over to you, ma'am.

Aditi Patil: Thank you, Muskan. Good evening, everyone, and welcome you all to the Q3 FY'24 results of Newgen Software Technologies. We have with us today from the Newgen management team, Mr. Diwakar Nigam, Chairman and Managing Director, Mr. Varadarajan, Whole Time Director, Mr. Virender Jeet, Chief Executive Officer, Mr. Arun Gupta, Chief Financial Officer; and Ms. Deepti Mehra Chugh, Head, Investor Relations.

I now hand over the call to Ms. Deepti for further proceedings. Thank you, and over to you, Deepti.

Deepti Mehra Chugh: Thank you so much, Aditi. Hi, everyone, and happy new year to all. Before we move on for the discussion, let me highlight that this call may contain certain forward-looking statements concerning Newgen's future businesses 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 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 the call to Mr. Nigam for presentation of the results, which will be followed by a Q&A. Thank you.

Diwakar Nigam: Good afternoon, everyone, and wishing you a very happy new year. Thank you for joining us for our Q3 FY'24 financial results call. Newgen has always endeavoured to deliver consistent business performance in this quarter continues to be in that direction. We witnessed a record revenue quarter with revenue reaching of INR324 crores with a growth of 27% Y-o-Y.

During the quarter, we also saw robust profitability and significant cash flow generation, highlighting the financial strength and resilience of our operations. Our revenue growth remained diversified across various geographies, specifically in our traditional markets of EMEA and India regions.

In the India market, we are witnessing significant opportunities in digitization in the lending space, especially for MSME segment, where many customer journeys need to be described, including integration with public digital infrastructure. Additionally, corporate and commercial lending, previously automated in part, is now moving towards end-to-end automation.

Other area of focus includes trade finance automation, digitization of supply chain financing, and agri lending digitization. The India region witnessed a revenue growth of 29% Y-o-Y during the quarter. We are expanding our presence, growing the value share, and fostering stronger relationship through cross-selling opportunities in our installed base of public and private sector Indian banks.

During the quarter, we further strengthened our collaboration with one more Indian public sector bank by providing the crucial trade finance supply chain finance solution with a total order value of INR18 crores. We also won an order from the leading player in the financial services industry, offering asset and liability product solutions for providing our Loan Origination System platform. India region, we witnessed robust revenue growth of 42% Y-o-Y during the quarter.

As we have highlighted earlier, in the Middle East region, there has been a notable surge in requirements for innovative banking solutions. Financial institutions in the region are actively deploying advanced technologies and digital platforms to offer more efficient, secure and customer-centric banking services. Newgen is helping customers in this region by delivering solutions and services that cater to their unique requirements.

In the APAC region, we witnessed the growth of 17%, and in Americas region, we had a growth of 13% Y-o-Y. We have extended our relationship with existing customers in these regions, including a large order from a leading global multinational bank in the Singapore region and one of the leading banks in Philippines as well as a leading health care company in the U.S.

We continue to witness upward trends in our order booking from existing bank customers as well as healthy new logo additions. We added 11 new logos across geographies in Q3. For the year till date, we have added 38 new logos. During the quarter, our annuity revenues were at INR191 crores, comprising of subscription revenues of INR96 crores. Our implementation and support revenue grew at a faster pace during the quarter.

Newgen has been at the forefront of modernizing technology stakes, leveraging ambitious innovative tools and frameworks like generative AI, open APIs, micro services, and intuitive UIs. These investments have enabled us to make application development faster and smarter, meeting the evolving need of businesses in a rapidly changing digital landscape. We are extremely delighted with the response our products are getting from customers across different geographies as well as recognition from the industry analysts.

We have been recognized in October 2023 in Gartner's Magic Quadrant for Enterprise Low-Code Application Platforms fourth time in a row. We have also been recognized as a strong performer in Forrester Wave, a Digital Process Automation Software. Newgen is also positioned as a leader in Everest Group's Low-Code Technology Providers in Insurance - Products PEAK Matrix Assessment.

Underscoring our commitment to delivering effective and innovative solutions, we have recently introduced NewgenONE Marvin, a Gen AI powered enhancement to our end-to-end automation platform, NewgenONE. NewgenONE Marvin is set to support organization in rapidly transforming customers' digital journey through faster and smarter application development, automation of customer journey, as well as the help in building better customer engagement framework.

Marvin combines the power of low code with Gen AI, empowering business users to bring best practices into business by creating the necessary elements using Gen AI. This will help us in rapidly developing different state-of-art use cases across sectors. Our multi-versatile team plays a crucial role in delivering excellence across various aspects of our business operations. We are harnessing the combined powers of our global workforce that has expanded to 4,000 people now and steadily growing and maturing in line with business growth.

On the sales and marketing front, we continue to work on enhancing the customer's engagement, strengthening our team and partnership network, expanding our digital presence. We have recently partnered with Duck Creek Technologies, a leading provider of comprehensive property and casualty insurance software and services for insurers, to offer NewgenONE OmniDocs Contextual Content Services platform to insurers.

Our recent customer meet in Mumbai, EkAM 2023, was a resounding success, providing an invaluable platform for meaningful interactions with our stakeholders. The event served as a testament to our commitment to customer engagement, fostering a positive environment of networking, knowledge sharing and showcasing the strength of our product team and relationship with our valued client base.

On profits and margin, we delivered healthy growth in profits and expanded net margins during the quarter compared to same quarter last year. Profit after tax was INR68 crores, witnessing a growth of 45% Y-o-Y. During the quarter, apart from investing 10% of our revenue on R&D initiatives, the company invested 21% of revenue on various sales and marketing initiatives.

On balance sheet, we witnessed a strong cash flow generation with our net cash generated from operations activities for the nine months ending 31, was INR193 crores. Our net trade receivables were INR342 crores at the end of December, which resulted in net DSO of 106 days. Keeping in mind our shareholders interest, we have recently declared a bonus in the ratio of 1:1.

In the nine months ending December 2023, our revenues were INR869 crores, witnessing a growth of 30% Y-o-Y. Profit after tax was INR146 crores, witnessing a growth of 51% Y-o-Y. We are looking forward to an exciting 2024, energized by the prospects of continuous growth, innovation and success. We continue to be committed towards building cutting-edge solutions and focusing on customer centricity to achieve newer milestones. We are now open for Q&A.

Moderator: Thank you very much. We have our first question with Aditi Patil. Please go ahead.

Aditi Patil: Congratulations on good set of numbers. So at the start of the year, you had mentioned that order book is growing faster than revenue at around 30% plus growth. Can you provide some color on the order book growth momentum currently? And like based on this order book growth, do you expect a 25% plus growth in revenue to continue in the near term, like for next two to three quarters?

Virender Jeet: Good evening, and thank you, Aditi. Aditi, it is right, I think, over the last few quarters, the order book has significantly grown and that's also on account of larger deal sizes we are doing with the customers. And some of these order books are typically one year or multi-year as well. So right now, I think for the first nine months, our order book growth has been roughly around 20% for nine months period. However, the order book which we have already accumulated over the last four quarters, there's a significant part of that yet to be executed over the next two, three quarters.

We do see generally, our growth will be more determined from our deal velocity and in terms of new deals which we win in the market. And out there, we're convinced that as the market is right now looking both India, Middle East, and also the markets where we are trying hard, like U.S., all are showing good traction. And we find that the growth momentum can continue. Exactly what the numbers would be, as I told last time also that our Q3, Q4 are significant quarters. We've seen a higher growth rate in the Q3 quarter. It has given us more confidence to have a strong Q4. But we'll have to wait for exactly what the numbers are going to be.

Aditi Patil: Okay. Got it. So in this quarter, there was a Y-o-Y decline in the license revenue. But like Q3 is traditionally has been seasonally strong for license revenue. So was this because of already you have recognized a good amount of license revenue in first half of FY'24?

Virender Jeet: You're right, I think. So basically, what there are two parts of license revenue. We are also -- at the beginning of the year, we said that license growth rate is going to be lower than the company's growth rate because we are also looking at subscription-based revenues coming in, which are part of coming in annuity.

Still for the year, we have grown the license for nine months for a period by around 25%, which is -- and then the subscription has grown by around 33%. So it continues to grow. So we don't see that as a concern. Q3 has been strong, but last year Q3 was phenomenally large on license deals. So if you compare quarter-on-quarter, it looks flat. But on the year basis, it's growing at more than 25%.

Aditi Patil: Okay. Got it. And the growth in subscription revenue, is it largely driven by growth in U.S. geography, or in other geographies also you are able to get subscription based deals?

Virender Jeet: I think U.S. predominantly is the larger base, but other geographies are where we are adding the new logos and new customers out there in subscription. So right now, the growth is determined as an outcome of total company's revenue across all geos.

Aditi Patil: Okay. Got it. And -- so this quarter we also saw good growth in the government and health care verticals apart from BFSI. Can you give some color on what is adding growth in these two verticals?

Virender Jeet: I think right now, for both these verticals, I would not say that, they have been growth drivers. But what has happened, some of our existing contracts or existing accounts have been significant deals, especially in health care in U.S., we've got a substantial deal, which has reflected in growth in that account. Government, I think right now the base numbers are very small, and any deal every quarter can change the number significantly. I will say that still the growth is being driven by financial services for us, that too banking predominantly, and all the other segments are following that.

Aditi Patil: Okay. Got it. And one last question on the Gen AI based new product which you have launched. So what is the interest among clients for this product? And are you able to price higher for NewgenONE Marvin?

Virender Jeet: So basically, what's happening globally, all products are looking at leveraging AI to drive use cases and drive functionality. And with the kind of innovation and the interest markets have seen in Generative AI over last, it's a natural expectation from all product categories to leverage that.

So our Marvin is an extension for the same in terms of we are looking at how we can enhance the low code capabilities of our products, how we can enhance the content management capabilities of the product. So these are horizontal capabilities added to our products, which will just make our products better and more competitive in the market.

Some of these components are priced separately if the customers buy, but most of these capabilities get bundled as part of the enhancement of the product in that. So we are not looking at Marvin on its own to drive revenue streams, but we are looking at it as essential capabilities to augment our product to make it more competitive for both mature markets as well as our existing customers.

Aditi Patil: Okay. So like all the new deals which you will be winning, they will include this Marvin by default as part of the default offering?

Virender Jeet: Most of the time, it will be priced as a component or it may be part of the default offering.

Aditi Patil: Okay. Got it. Thank you.

Virender Jeet: Thank you, Aditi.

Moderator: Thank you. And the next question is from Baidik Sarkar from Unifi Capital.

Baidik Sarkar: Good evening and congrats on a very strong quarter. So Virender, clearly, we are in the midst of a new technology refresh cycle. How do you reckon we understand where exactly we are in the cycle, right? Are we significantly early days or do you reckon that we're closer to a more mature phase because refresh cycle perhaps started right after COVID? How do you reckon we imagine that, firstly? And secondly, how should we deconstruct the growth in your annuity business between newer logo additions versus ramp-up in existing users that we've already won, say, over the last few quarters?

Virender Jeet: Thanks, Sarkar. So you see on the tech cycles, I think every few years, I think, we have some major announcements happening in tech cycles globally, and they are determined from various factors. Right now, I think you'll see more coming from what's happening in AI and how it's influencing. But also previously, whether it was around cloud service platforms or mobility, generally, it's part of the product companies to be slightly ahead of the tech cycle, because when your customers are buying products, they are buying it for typically long-time usage. And they don't want to buy something which is not more contemporary and is not going to keep them slightly [0:19:31 inaudible] tech for technology innovation curve.

So it's a structured process in any serious product company to stay slightly ahead of tech cycle and then invest right in time, so that you are not left behind or your products don't become obsolete. So I think we are quite comfortable. And what we think with AI the way AI as well as Generative AI, the way they are leaving changes in some of the ways the customers are going to consume the system or how the new use cases are going to be delivered, that's why we've a lot of investment in our -- the number theory acquisition was part of that plan, our generative AI launch is part of the plan. And more and more use cases are coming. So we think we are quite comfortable and in fact we'll be leading in some of these areas with our customer base.

Baidik Sarkar: So if I can just position that question in a different way, right. So we know that EMEA and India is the bulk of our customer base, and we kind of know what the end user demand there is, right? So what do your conversations with the decision makers in this geography entail? Is this a refreshed budget that will continue for the foreseeable future, just given how much anecdotally we know digitization remains to be done in the system? I mean, if you could just give me a more granular sense of how your conversations in especially these two geographies not progressing, EMEA and India?

Virender Jeet: Predominantly, if you look at India and Middle East, I think they are on the journey of basically doing what we call end-to-end digitalization. They have done a lot of digital initiatives over the last four, five years, which has been in, what we call, pieces or parts. And they are looking at transforming the complete customer experience or what we call the digital journey out there. And this is a use case which is happening across all major financial industries in these markets.

Now where we are saying right now I think the largest business or the interests where they touch consumers is happening in the areas of specifically lending, and that's where the first transformation is happening. So lending still has got a lot of areas. Like Mr. Diwakar mentioned, MSME lending is very important. Commercial lending is very important. Retail has always shown interest. So there is a cycle of that going on right now. And I would say we are at kind of half of that cycle being executed in India, but early stages in other markets. But then what is happening beyond this lending, then there are other areas opening up, which again need to be digitalized for that, where there's going to be next cycle there.

Now the drivers of spend are determining how the business cycles of these financial like banks in India are right now spending on these cycles. So I think the business is moving forward. In some markets, they may lag by one or two years. So I would say that on this wave of even the digital journey, which we are right now writing off, we are probably in the early 20%, 30% of that cycle. And it may last next three to four years in different areas, unless there are more macro situations which affect spend patterns in the market. Does that answer your question, Sarkar?

Baidik Sarkar: Yes. I mean it does. If I could just squeeze one last question which is tangential to this, which is getting to the new financial year, right? We noticed H1 versus H2, the absolute seasonality kind of contracted this year, FY'24, which means H1, to that extent, has a bigger base to be defended the next year. You do think this is a base we can defend comfortably as we step through the next fiscal, or would you caution saying that given how low the gestation period, I mean, it's something that is really not into bad just things I have today?

Virender Jeet: See, one of the issues of any time you grow faster, you've got a next quarter challenge of growing faster than that. That becomes the dynamics of business. But having said that, in our business, there is some amount of annuity getting generated, which gets some compounding effect, whether it's through annuity revenues or through compounding ATSs. And generally, the relationships, once you start there long term, so they keep on continuing.

So somehow, we are always comfortable going into next year, as the base of the business has increased substantially. Having said that, we strongly depend on our ability to go and sell again, which is the reason, post-COVID, we have really grown faster as the markets have opened up. So we'll have to still go and execute our business plans next year. But we don't see the market as a constraint. We don't see -- right now, the conditions in the market seem to be quite favourable, and our products and services are being received well. So I don't see any reason. But yes, there is lot of hard work for growth, which we need to still do.

Baidik Sarkar: Thanks. Thanks, Virender. And all the best.

Moderator: Thank you. The next question is from Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Thanks for giving the opportunity and congratulations on a good set of numbers. Sir, largely wanted to understand the U.S. part of the business. I mean, we have had a strong growth in the last three quarters. This quarter, the U.S. business was soft, both on a Y-o-Y as well as Q-o-Q basis. So if you can give color why did that happen? And what is the movement which is happening in the U.S. strategy, specifically GSI part? That will be helpful.

My second question was on the fact that, I mean, when we see the last year, last year specifically was a year of uncertainty. And even in that situation, I mean, we were able to have such a handsome growth. So just wanted to get your sense, now situation getting more certain with U.S. interest rates expected to remain in a certain range, how are you seeing the client conversations? And do we expect acceleration in growth given the fact that even in a bad period, you had a good growth. So some color around that?

My third question was on the large logos. If you can throw some light. And have we added Tier 1s across any of the geographies, maybe APAC, maybe EMEA or maybe India, that would be helpful?

And just last -- fourth question was, wanted to understand the deal size. What is the average deal size which is there currently? And what it used to be there, let's say, two years before, three years before? That would be helpful here.

Virender Jeet: Mihir, thanks for these rapid-fire questions. I need couple of more drinks to remember all of them. But yes, I'll try. So see on the U.S., you are absolutely right. I think our aspiration to grow in U.S. is even much higher than the company's growth rate. And we think because that's a larger market and we've got an entitlement to do that. Having said that, we have grown by around 25% Y-o-Y in US this year. What is happening is in the other markets, we are receiving far better traction, and that's why we are still leading that growth.

So it's not that the U.S. is not growing. But U.S. is not growing at the level of our own expectation, our own business plan. And so some amount of our GSI initiatives are still work in progress. Some amount of work in towards from midsized banks to larger banks is still work in progress. Opening of insurance vertical is still work in progress. So there's a lot of work happening. They have not yielded results on that. So I would say, U.S. is still work in progress, but we have still grown -- when we say work in progress, we've still grown at 25% in U.S. this year for nine months' period. For...

Mihir Manohar: Sorry to interrupt, sir. Just a clarification. I mean, U.S. this year is triple-digit growth, right -- for this quarter, sorry, both on a Y-o-Y as well as Q-o-Q basis?

Virender Jeet: So on Y-o-Y basis, for nine months, for U.S., we have grown at 25%, 24.96%, and 13% on quarter-on-quarter compared to last year.

Mihir Manohar: Sure, sir. Sure, sir.

Virender Jeet: Are we clear?

Mihir Manohar: Yes. Yes.

Virender Jeet: Now the second thing is about the certainty of the market. So if you look at the uncertainties people are talking about transferring of age, it's typically a mature market phenomenon. So one thing is, I think we hope that if the mature market starts delivering, our mature market business, our GSI business, as well as the U.S. business should see a better traction once we are out of that, as we are also pivoting to larger accounts.

But since our business predominantly is still driven -- the growth is driven from emerging markets, like India, Middle East, APAC, that's why we've been able to still substantially grow when there was pain in those markets. Now if the pain is less in those markets and we are having the same traction in our existing markets, we can also keep on growing faster or make better results happening in U.S. and Europe.

On the large logos and large deals, I think the accounts which we have mentioned in both our press release and our investor deck, they're all typically Tier 1 accounts in India and Middle East. We're talking about Tier 1 banks, one of the top 10 banks. Similarly, in Middle East we are talking. In U.S., the order which we have got from the health care is a Tier 1 account. So there -- but we have not added large Tier 1 accounts in U.S. They have been existing accounts. So in APAC, Middle East and India, we have added Tier 1 accounts, but not in U.S. U.S. predominant business which has come, has come from existing accounts, which are Tier 1 accounts.

So on the deal size, I think I will have Deepti to give some details, we can give you more details. But generally, we keep on expanding. As you see, the number of logo wins are not changing substantially, but the growth rates are changing. So that's a function of our average deal sizes going up substantially. I don't have the numbers exactly, but I think we can share those numbers later.

Mihir Manohar: Sure, sir. That's really helpful. And lastly, just on the GSI strategy. I mean, any uptick over there?

Virender Jeet: I think it's work in progress. So I think GSI, there are multiple things right now. As you rightly said, GSI was predominantly focused on mature markets. And there's a lot of pain happening in those mature markets. And I think as a result of that, we have got some traction from them, but it's not as per the expectations the company had. So we're still working on it. I think our partnership with Duck Creek, Guidewire, those are going to help the whole GSI ecosystem. We are working on three more partnerships. So it will take a bit more time.

Mihir Manohar: Sure, sir. That's it from my side. Thank you very much.

Virender Jeet: Thanks, Mihir.

Moderator: Thank you. And your next question is from Ashish Chopra from Goldman Sachs Asset Management Limited.

Ashish Chopra: Thanks for the opportunity. Just a question as a follow-up on your previous comment. Could you just explain in a little bit more detail the model that you would have in a partnership with someone like a Duck Creek, which itself would be an insurance product platform. So is it like a product that is having features from you, and hence you make revenues as they sell? Or what would be the business model? And also the potential opportunity size that you foresee in such a partnership?

Virender Jeet: Ashish, thanks for the question. So what happens, whenever we are talking of Guidewire, Duck Creek, or any Mambu for that matter, these are typically product-to-product alliances. There what we are trying to say that the use cases of Duck Creek in terms of what are -- the digital journeys which are implemented on our product have better support of working on Duck Creek platform. So what gives comfort to the customer is that any customer who has a Duck Creek platform and wants to reinvent low-code digital journey, Newgen becomes a better choice because the integrations are already established. So these are product to product integrations.

The way we influence the market is that all of a sudden, the Duck Creek ecosystem becomes our prospect. And then we can run joint go-to-markets with either Duck Creek or with any other partner like the GSIs who have Duck Creek practices on that. One of our initiatives over the next two, three years is going to be to seed insurance in a big way in both the U.S. and EMEA.

So in that, the property and casualty insurance is where Duck Creek plays strongly. And this is one of the areas where we are going to work both on claims and onboarding journeys. And that's where our product-to-product integration is one. So it's early stage. This is what I would call basic steps to go and enter these markets. And then subsequently, we'll have to do all other things to make sure we win those cases. Ashish, does that answer your question?

Ashish Chopra: Yes. Yes. So just to ensure that I understand it correctly. So your contextual services platform becomes as one of the options that can be integrated into a Duck Creek platform is what is the messaging that you have given to the Duck Creek clients and hence that's an opportunity?

Virender Jeet: Yes. Insurance customer who has Duck Creek as a platform, he is looking at content services, he is looking at workflow services, or he is looking at automation of digital processes. So we have automatically an alliance formed where the products work and talk to each other.

Ashish Chopra: Understood. Understood. And which could be the other maybe large potential partnerships even in the banking platform, if any, that would exist today?

Virender Jeet: So in banking, we don't go the same way, because in banking, over the period of time, we have already done integration with most of the core banking in the world. So we are already -- their credentials are quite established that we sit on any core banking and product solutions and services. But in U.S. -- when we went to the U.S. market, we did with all the U.S. core banking, we did these integrations with that.

And on the Duck Creek side or Guidewire, which is another insurance player, this is what -- so insurance is a new area where we are going and implementing and solving larger use cases. So we're focusing on that segment to do that integration.

Ashish Chopra: Understood. Understood. And my second question was around the license revenue segment in the overall revenues, which has grown now in excess of 70% over the last two quarters. So should that be construed as the flow-through from the high product license deals that we had in the prior quarters and hence which was normalized in line with the license deals that we witnessed? Or is there some other element to it that we should take note of?

Virender Jeet: No, I think -- so difficult to exactly answer that question, but I think we do still expect the license revenues in the coming quarters to be substantial for us to grow. And so there's no rationalization. You could say that last year, Q3 license was very high, so this year we won't see the growth. But on a Y-o-Y basis, you will see license revenue growing. So as part of our growth still, since the number of deal acquisitions are still in the same traditional range, we still need lot of license deals for higher growth rate.

So as the markets which are showing more traction are India and Middle East, there are going to be a lot of deals that are going to be license-based days. So we do expect even Q4, and even next year, to continue on license growth momentum. But having said that, some amount of still deals are going into subscription revenue and which will get accumulated in the revenue later, which will be the base of the revenue.

So there is going to be some amount of -- so in the beginning of the year, I said that our target is to -- that license revenue will grow by 10%, 12%, and still we should be able to do a healthy growth, about 24%, 25%. So I think even next year, we should be in the same range. But our base of ATS will keep on growing and other subscription revenues will kick in.

Ashish Chopra: Sure. I was referring to the implementation revenue growth because that is running far ahead of what probably the license sales growth is. So I wanted to know what other elements would be drivers of that?

Virender Jeet: See, I think one of the reasons for implementation revenue growth is the larger deals which we are accumulating. So what happens, in larger deals, the ratio between license and implementation changes. So historically, in a 500 or 700 case deal, it would have been a 60% license and 40% implementation. But on a three million deal, it becomes reverse, or even the license becomes smaller. So that means we accumulate more implementation revenue, more support, more services revenue. And that's what's building growth in last quarter.

I think this may continue for some, because the order books have grown over the last two quarters substantially. So some amount of implementation revenue may continue growing and support revenue may continue growing. But we do intend to increase the deal velocity and to keep our gross margins intact. So in the short term, it may have kind of a jerk for one or two quarters, but typically, in a slightly long term, generally, the annuity revenues will go faster than the, what we call, implementation and service revenues.

Ashish Chopra: Understood. And just one last question from my side. So when we look at the very strong growth Y-o-Y this quarter on revenues, 27%, typically, in that scenario, we would have expected, let's say, the margin expansion to be higher versus the 70 basis points that we see this quarter at the EBITDA level. Like you had mentioned in the past that beyond 15%, 20% growth, margins should expand. So just if you could maybe help us with a breakup there in terms of whether this is really the gross margin where we might have seen some adjustment? Or is it more on the operational expenses side so far?

Virender Jeet: See, we have grown for nine months around 30%. And as we say, our budgets generally are always at that -- in the beginning around 22%, 23%. So any higher growth for that should get adjusted in the, what we call, margin expansion. But we have aspirations of growing even faster, so we keep on investing more. We did some -- I think we had a disclosure of doing a large consulting exercise in one of the Tier 1 consulting companies. There was almost near about $1 million cost which we have taken.

There's also kind of some amount of one-time cost in SG&A, which is typically a supply of hardware, which has come in this time, which is added to the cost. So there is some amount of, say, $1 million, $1.5 million extraordinary cost this quarter. Otherwise, the margin could have expanded slightly. But I think, as we said, the guidance of typically a net margin of roughly around 19% and EBITDA of 23% is what we -- because we do want to invest again next year for higher growth. So that's where we are. But you're right, beyond 23%, 24% of cost, anything -- higher revenues will always expand margins.\

Ashish Chopra: Understood. That's helpful. Thank you.

Moderator: Thank you. The next question is from Chirag Kachhadiya from Ashika Institutional Equity.

Chirag Kachhadiya: Congratulations on good set of numbers. Sir, I have a couple of questions. So if you look at the net logo addition on year-on-year, it's showing a similar trend that what we have two years back also. So what's the strategy going forward to add the logo addition? Yes, I understand your comment that in absolute terms, on per logo bill, the business has expanded in value terms, but from a diversification perspective and reducing the concentration risk as we move forward, how are we going to add more and more logos, so customer client risk can get mitigated?

And second, on annuity revenue growth perspective, what strategy is there to maintain this growth trajectory going forward? Yes.

Virender Jeet: Thanks, Chirag. I think you're right. On net logo for all multiple years, our typical logos additions have been similar. And what we have said is that's part of function of how we are operating the business. We are pivoting away from smaller deals. We're pivoting away from typically the small banks, which we were trying to win in U.S., and we are going for larger deals and it's a conscious effort.

Having said that, our ambition is to bring logo win rates higher than this. But that's a function when all markets perform equally. Right now for us, we can say, out of four markets, three markets are performing, one is very slow right now, because the mature markets are not firing back yet. So as other markets and we start diversifying slightly more into other verticals, we should be able to get better logo rates.

So you are absolutely right on that, but our targets would still remain at probably take this logo rate to 60 logos a year or 65 or 70. Not really, really high. We don't have concentration risks. I think we are typically one of the most least concentration of revenue or concentration of segments in that. So typically, we have got this kind of a revenue, INR1,000 crores revenue last year by roughly around 520 customers, and no customer contributes more than 2%, 3% of the revenue.

So there is no concentration risk in our business. And when we say logos, these are net new logos added in that year. So we have also all the other logos. So I don't think the concentration is a risk. On the annuity front, as we clearly said, part of our license business, some amount of compounding of annuity happens through ATS and AMC, but also some of the license deals are shifting to subscription-based deals, which are automatically adding to the annuity.

We do hope that our annuity licenses will keep on growing faster than the company's growth rate. I think this quarter is slightly an exception. But generally, if you look at historically, that has been the rate. And we may be back -- next quarter or next to next quarter, we may again come back on the same trend.

Chirag Kachhadiya: Yes, just one follow-up question, sir. I would just say, the economic scenario spanning out in the Western world, and second, in the last seven years, we almost made a 3x jump in our top line. So will this trajectory continue going forward? Any qualitative comment would be useful. Yes.

Virender Jeet: So I think economic scenarios, what we have -- I think we are still operating in markets at a much smaller level. And we have seen the European pain. Europe businesses have really been slow for us. And some amount of also U.S. uncertainty in larger accounts has been there. As everybody is sharing, we are seeing also things are coming out. Customers are asking for proposals, they're asking for -- RFPs are coming out.

We hope that things change. But I don't have the exact answer to that and I don't think anybody has on that. Yes, we have done phenomenally well over the last seven years, and there is no reason we should not do the same thing. But beyond that, I will not be able to state exactly how much it will -- whether we can do next 3x in three years or seven or 10 years is difficult to predict.

Chirag Kachhadiya: Okay thanks. All the very best.

Moderator: Thank you. And the next question is from Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Thanks for the opportunity. I just have one question to Mr. Nigam's comment where he said we are working on helping banks related to some public digital infrastructure side. So can you slightly elaborate more what exactly we are doing out here?

Virender Jeet: So I think, just to clarify, what we said, a lot of public sector banks, we are working on their digital journeys in terms of when they are trying to digitalize, their journeys to improve their quality of service, improve their speed of service and skill, that's what we are helping. And I explained that, examples are like transforming lending end-to-end.

A lot of work has happened and the government has invested in digital stack, India digital stack, how to leverage that and transform the digital journey for lending or a business loan. That's what we are helping Indian banks in that, and that's where we have got a lot of traction from these banks, and we'll continue to do that. Just a clarification.

Rahul Jain: Understood. That’s it from my side. Thank you.

Virender Jeet: Thank you.

Moderator: Thank you. And the next question is from Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: Sir, the implementation segment has performed very strongly this quarter, and you had mentioned that large deals would be a driver for this. But apart from that was there any lumpy project undertaken on the implementation side during the quarter, like a one-off?

Virender Jeet: No. Sarang, thank you for the question. Sarang, no. So if you look at service revenues, you can't have lumpiness because of the nature of -- they're related on the execution, and you can't just ramp up execution for a quarter. So they are more sustained and slightly long term. There is no single client which is driving large numbers or value. So we added some large clients over the last 1.5 years. And those have -- the implementation and execution of those is driving this. But those clients continue to be added and we continue to do business with them.

Sarang Sanil: Sure, sir. Also, in general, how is the demand environment in the U.S. geography? Tier 1 IT companies aren't seeing -- it's not very bright to them. And has there been a strong progress in this geography after opening up the branch in New York?

Virender Jeet: So Sarang, I think this is a question typically which is -- see, I think the Indian industry discourses around services and how the service industry is completely depending on the mature market. And I think slightly, we are into a challenger ecosystem. We are a product-based company. We do keep on servicing our customers. And what's important for us is to be in front of the customer. We have seen lately things improving in U.S., not account of opening office, but in terms of some amount of customers, especially our pivot to larger banks and larger banks looking at redefining and reinvesting in their digital journeys. That's where we are seeing some renewed interest in that. But I think we'll have to wait a bit to see how it pans out.

Sarang Sanil: Sure, sir. So do you see any inorganic opportunities in pipeline?

Virender Jeet: Our strategy around our core products and our core verticals, we are staying on that. Any opportunities which can augment that journey, we are looking at some of them. But right now, there is nothing exactly finalized or something.

Sarang Sanil: Sure. So just to clarify, did you mention that the order book growth in nine months was 20%?

Virender Jeet: Yes.

Sarang Sanil: Okay. Okay. So could you put a number to the growth and margin expected in FY'25? Any upward revision from the 25% growth? Or do you see -- and on the margin side, do you see also reinvesting back into the business and maintaining the 19% net profit margin?

Virender Jeet: Yes, so on the margin, we have kind of an understanding which we have built internally that in spite of investing for business, we should be able to keep on delivering those. But if we find opportunities to invest aggressively for growth, I think we can go out. There's no commitment or a defined value. That's what we have said. This is a number we can easily reach, and then over a longer period, we can expand that.

See, on the projection of what's going to happen next year, I think it's too early. We will not be able to comment on that. And I think a lot of things will depend on in terms of our ability to execute our business plan. And right now, we are very, very hopeful that we should have good years. There's no reason we can't continue this growth momentum.

Sarang Sanil: And I hope this year also goes well for you.

Virender Jeet: Thank you very much.

Moderator: Thank you. As further there are no questions, I would like to hand over the conference over to the management for closing comments.

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

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your line.