



***NEWGEN SOFTWARE TECHNOLOGIES
LIMITED***

IPO

PRICE BAND : ₹ 240 – ₹ 245

OUR RECOMMENDATION "NEUTRAL"

THE OFFER

Issue Open : 16 Jan 2018 to 18 Jan 2018

»» Issue Type: Book Built Issue IPO

»» Issue Size:

> Fresh Issue aggregating up to ₹ 95.00 Cr

> Offer for Sale of 13,453,932 Equity Shares of ₹10

»» Face Value: ₹10 Per Equity Share

»» Issue Price: ₹ 240 - ₹ 245 Per Equity Share

»» Market Lot: 61 Shares

»» Minimum Order Quantity: 61 Shares

»» Listing At: NSE, BSE

CAPITAL STRUCTURE

The share capital of Company, is set forth below:-

(Amount in ₹ except share data)

Authorized Share Capital :-

98,000,200 Equity Shares @10 Aggregate value 980,002,000

11,999,800 CCPS @10 Aggregate value 119,998,000

Issued, subscribed and paid up capital before the Issue :-

65,358,150 Equity Shares @10 Aggregate value 653,581,500

Present Issue:-

Fresh Issue aggregating up to ₹95.00 Cr

Offer for Sale of 13,453,932 Equity Shares of ₹10

OBJECT OF THE OFFER

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders.

Offer for Sale :-

The Offer includes an Offer for Sale of 13,453,932 Equity Shares by the Selling Shareholders. Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

Fresh Issue :-

The objects for which the Net Proceeds of the Fresh Issue will be utilized are as:

- ✓ *Purchase and furnishing of office premises near Noida-Greater Noida Expressway, Uttar Pradesh*
- ✓ *General corporate purposes*

Further, Company expects that the listing of the Equity Shares will enhance visibility and brand image among existing and potential customers.

COMPANY OVERVIEW

Newgen Software Technologies is a software products company that offers a platform enabling organizations to rapidly develop powerful applications addressing their strategic business needs.

Its platform comprises of :-

- ✓ *Enterprise Content Management (ECM)*
- ✓ *Business Process Management (BPM)*
- ✓ *Customer Communication Management (CCM)*

Business has multiple revenue streams including from:

- ✓ *Sale of software products: one-time upfront license fees in relation to the platform deployed on-premise*

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- ✓ *Annuity based revenue: recurring fees/charges from the following:*
 - ❖ *SaaS: subscription fees for licenses in relation to platform deployed on cloud*
 - ❖ *ATS/AMC: charges for annual technical support and maintenance (including updates) of licenses, and installation*
 - ❖ *Support: charges for support and development services*
- ✓ *Sale of services: milestone-based charges for implementation and development, and charges for scanning services*

Company had over 450 active customers in over 60 countries. Some of key active customers include Trust Company of America, ICICI Bank, Bajaj Electricals, Axis Bank, Yes Bank, Kotak Mahindra Bank, Philippines Resource Saving Bank, ICICI Prudential Life Insurance, Reliance General Insurance, Max Life Insurance, Strides Shasun and Shriram Transport Finance.

ROAD MAP AHEAD

Company objectives are to expand their market share and aim to accomplish this through the following strategies:

- *Expand business and geographical footprint.*
- *Focus on attractive verticals in select mature markets.*
- *Expand product portfolio through investment in advanced features and technologies.*
- *Expand and grow strategic business applications to new verticals.*

STRENGTHS

- *Diversified business across several verticals.*
- *Diversified revenue streams from multiple geographies with low customer concentration.*
- *Recurring and non-recurring, repeat revenues from long standing customer relationships.*
- *Focused on driving innovation through in-house R&D.*
- *Experienced senior management team ably supported by a qualified talent pool of employees.*

FINANCIAL PERFORMANCE

Total Revenues stood ₹209.9cr, ₹ 433.7cr, ₹ 349.6cr and ₹ 316.2cr, in six months period ended September 30, 2017, Fiscal 2017, Fiscal 2016 and Fiscal 2015 respectively.

EBITA was ₹ 9.6cr, ₹ 70.0cr, ₹ 39.2cr and ₹ 57.8cr, in six months period ended September 30, 2017, Fiscal 2017, Fiscal 2016 and Fiscal 2015 respectively.

PAT was ₹5.8cr, ₹52.3cr, ₹27.8cr and ₹46.3cr, in six months period ended September 30, 2017, Fiscal 2017, Fiscal 2016 and Fiscal 2015 respectively.

SNAPSHOT - CONSOLIDATED

FINANCIAL PERFORMANCE (In Cr)

PARTICULARS	6 MONTHS FY18	FY17	FY16	FY15
REVENUE	209.9	433.7	349.6	316.2
EBITA	9.6	70	39.2	57.8
PAT	5.8	52.3	27.8	46.3
EPS	0.8	8	4.2	7.1

RISK FOR THE BUSINESS

- *Company may be subject to intellectual property infringement claims by other companies which could materially increase costs and materially harm ability to generate future revenues and profits.*
- *Company face intense competition. If company is unable to compete effectively, the results of operations and prospects for business could be harmed.*
- *Product development is a long, expensive and uncertain process and current expenditure in research and development may not provide a sufficient or timely return.*

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- *Companies solution frameworks are typically focused on a particular sector. If company is not successful in obtaining follow-on business from existing customers or new customers in such sector, business and financial performance could be adversely affected.*
- *Fluctuations in foreign currency exchange rates could materially affect financial results.*
- *Company have historically sold a significant majority of products to customers in five verticals. Rapid changes or consolidation in these verticals could affect the level of demand for products.*

VALUATION

*The company is increasing its geographical footprint by adding more verticals beyond the core five verticals (**banking, government, insurance, healthcare and business process outsourcing**), which the company has and also by going deeper into existing verticals by offering new products to the clients.*

But if we look into the company's profitability it is declining, margins are low & Valuation is also not so attractive.

*Considering these factors, issue seems to be risky therefore we are **NUETRAL** for this IPO.*



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