

Newgen Software Technologies Limited

Issue Snapshot:

Issue Open: Jan 16 – Jan 18, 2018

Price Band: Rs. 240 – 245

Issue Size: *17,331,483 Equity Shares
(Including Fresh issue of *3,877,551 eq sh
+ Offer for sale of 13,453,483 eq sh)

Offer Size: Rs.415.95 crs – 424.62 crs

QIB Upto 50% eq sh
Retail at least 35% eq sh
Non Institutional at least 15% eq sh

Face Value: Rs 10

Book value: Rs 42.67 (Sep 30, 2017)

Bid size: - 61 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 65.35 cr
Post issue Equity: Rs. 69.24 cr*

Listing: BSE & NSE

Global Co-ordinators and Book Running Lead Manager: ICICI Securities Limited and Jefferies India Private Limited

Book Running Lead Manager: IDFC Bank Limited

Registrar to issue: Karvy Computershare Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoter and Promoter Group	70.27	66.34
Public & Others	29.73	33.66
Total	100.0	100.0

Source for this Note: RHP

* = Assuming issue subscribed at the higher band

Background & Operations:

Newgen Software Technologies Ltd (NSTL) is a software products company offering a platform that enables organisations to rapidly develop powerful applications addressing strategic business needs. The applications created on its platform enables organisations to drive digital transformation and competitive differentiation. This may include automation of routine business functions making them faster, easier and more accurate and increasing the channels or devices through which these functions can be performed. Its customers uses platform to rapidly design, build and implement enterprise-grade custom applications through intuitive, visual interface with minimal coding. Its platform comprises of:

Enterprise Content Management (ECM): NSTL's OmniDocs Enterprise Content Management Software allows digitisation of enterprise content & information. Its platform provides smart tools for enterprises to capture and extract information from various sources, classify, store, archive or retrieve as well as dispose of any content and documents required in day-to-day business operations. It provides the flexibility to access or deliver content over mobile and cloud creating a highly connected and digital workplace

Business Process Management (BPM): NSTL's OmniFlow Intelligent Business Process Suite (OmniFlow iBPS) is an integrated system which allows enterprises to manage a complete range of business processes, including designing and modelling flow of work, executing the flow of work through the workflow engine and monitoring the flow of work for future improvement. OmniFlow iBPS also offers dynamic case management capabilities which allow decision-makers to respond to real time opportunities, challenges and other unanticipated situations while maintaining a high level of collaboration.

Customer Communication Management (CCM): NSTL's OmniOMS Customer Communication Management suite offers a unified communication platform that allows enterprises to improve communication with their customers by delivering a personalised, targeted and consistent communication through various channels. Its business has multiple revenue streams including from:

- Sale of software products: one-time upfront license fees in relation to the platform deployed on-premise
- 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 licences, and installation
 - ✓ Support: charges for support and development services
- Sale of services: milestone-based charges for implementation and development, & charges for scanning services

NSTL's direct sales are made in India and its Subsidiaries located in USA, UK, Singapore & Canada, through sales and marketing teams, which, as of September 30, 2017 comprised 272 employees and had more than 300 channel partners globally. It sells its software through licenses and subscriptions and intends to grow revenue both by adding new customers and by increasing the number of users at existing customer organisations. As of September 30, 2017, it had over 450 active customers (invoiced in the last 12 months) in over 60 countries. Some of its key active customers include Trust Company of America, Mercantil Bank, ICICI Bank, Trafigura, Bajaj Electricals, United Arab Bank, National Commercial Bank Jamaica, Axis Bank, Yes Bank, Kotak Mahindra Bank, Bank Islam Brunei Darussalam, Philippines Resource Saving Bank, ICICI Prudential Life Insurance, Reliance General Insurance, Max Life Insurance, Strides Shasun and Shriram Transport Finance. Its enterprise-wide, mission-critical solutions has been used by some of the leading global businesses in various sectors including banking, government/PSUs, BPO/IT, insurance and healthcare. Its platform enables organisations to drive digital transformation and competitive differentiation

Objects of Issue:

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

The Offer for Sale

The Selling Shareholders will be entitled to the proceeds of the Offer for Sale of their respective portion of the Equity Shares after deducting their portion of the Offer related expenses and relevant taxes thereon. NSTL will not receive any proceeds from the Offer for Sale.

The Fresh Issue

The Net Proceeds from the Fresh Issue are proposed to be utilised towards the following objects:

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

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

Requirements of Funds

Particulars	Amount (Rs in Million)
Purchase and furnishing of office premises near Noida-Greater Noida Expressway, Uttar Pradesh	843.44
General corporate purposes	*
Total	*

Competitive Strengths

- Software products company with industry analyst recognition.
- 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.
- Profitable track record, strong balance sheet and stable cash flows.

Business Strategy:

- 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.
- Attract, develop and retain highly-skilled employees.

Key Concerns

- NSTL's inability to protect intellectual property;
- NSTL's intellectual property infringement claims against the Company;
- Inability to compete efficiently;
- Inability to develop new products and services and enhance the existing products and services;
- Software products and services ceasing to gain market acceptance;
- Insufficient or delayed returns from current research and development efforts;
- Cloud strategy or SaaS offerings which could have an impact on the revenues and profitability;
- The business practices of NSTL's customers with respect to the collection, use and management of personal information depending upon the governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection;
- International sales and operations which could subject to additional risks that can adversely affect results of operations; and
- Significant fluctuations in sales cycle, which may result in fluctuations in revenue recognition on a quarterly basis.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfsec.com Phone: (022) 3045 3600

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