

Price: 991

Recommendation: Buy

Industry: Computers - Software

Sector: Information Technology

Report Date: 03-Apr-2025

Newgen Software Technologies Limited has reported an 18% year-over-year revenue growth, reaching INR 381 crores, with a 70% increase in license sales. The APAC region led growth at 44%, followed by EMEA, the U.S., and India. The company secured significant deals, including with the Reserve Bank of India. Newgen focuses on AI-enabled solutions, expanding in insurance and healthcare, and aims for \$500 million in revenues over four years, despite challenges in execution cycles.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1310 Cr	Operating Profit(Year)	338 Cr	Operating Profit Margin	25.8 %
Previous Year	888 Cr	Operating Profit(Quarter)	103 Cr	EBITDA Margin	23.82 %
Current Quarter	346 Cr	PAT (Year)	235 Cr	Net Profit Margin	20.7 %
Previous Quarter	331 Cr	PAT (Quarter)	83.7 Cr	EPS	20.9
Revenue (QYoY)	299 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	47.9	Sales Growth	22.4 %	Sales Growth	4.53 %
PEG Ratio	2.44	PAT Growth	40.72 %	Sales Growth QYoY	15.72 %
EV/EBITDA	34.8	EPS Growth	23.67 %	PAT Growth	27.01 %
P/B	11.5	Dividend Yield	0.40	PAT Growth QYoY	28.18 %
Capital Allocation		Holdings		Leverage	
RoE	22.7 %	Promoter	54.3 %	Debt/Equity	0.03
RoA	17.2 %	FII	20.3 %	Debt	37.4 Cr
RoCE	26.6 %	DII	9.10 %	Market Cap	14043 Cr
RoIC	33.4 %	Public	16.1 %	Enterprise value	13874 Cr
		No of Shares	14.2 Cr	Cash Equivalents	206 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

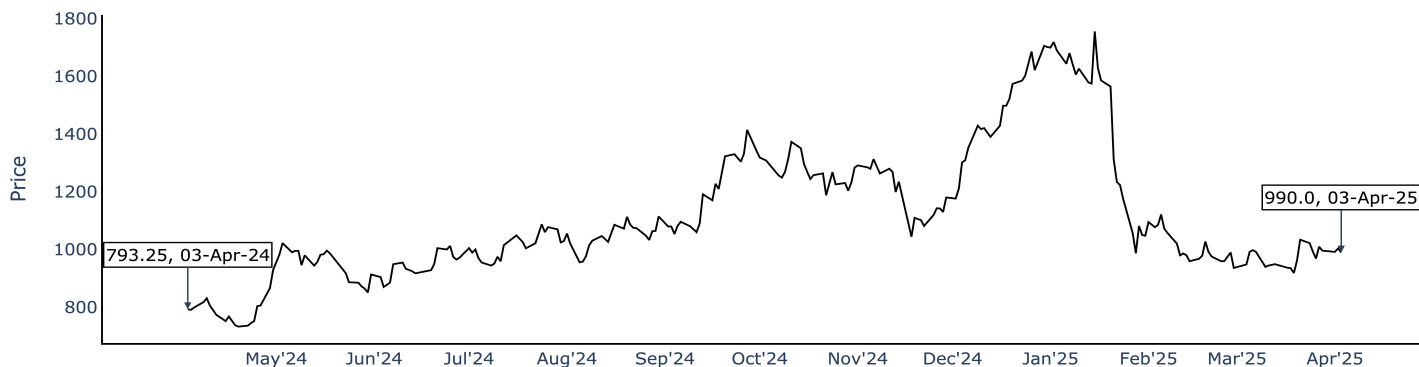
In the recent meeting, Newgen Software Technologies Limited reported a consistent quarter with an 18% year-over-year growth in revenue, reaching INR 381 crores. The company witnessed substantial growth in license sales, which increased by 70% year-over-year, driven by broad-based contributions across all regions. The APAC region led with a 44% growth, followed by EMEA at 19%, the U.S. at 13%, and India at 10%. The company highlighted its success in securing significant deals, including a contract with the Reserve Bank of India for INR 32 crores and agreements in Saudi Arabia and Singapore. Newgen's core strength lies in its low-code platform, which automates various business applications and customer journeys, particularly in the banking and financial services sector.

Newgen is actively pursuing new initiatives and business strategies, focusing on AI-enabled solutions and expanding its presence in the insurance and healthcare markets. The company has launched an AI-enabled captive finance solution to transform lending and leasing operations and is working on offering comprehensive solutions in healthcare. Newgen's AI and machine learning investments are central to its sales strategy, with AI being a key component in recent deals. The company is also enhancing its internal capabilities and refining its brand and product positioning to scale to the next level.

Looking ahead, Newgen is optimistic about its growth and scaling prospects, aiming to maintain a healthy growth rate above 20%. The company is focusing on new deal wins and strengthening relationships with existing customers. It is investing in building internal capabilities and exploring new technology areas like AI and machine learning. Newgen is also revamping its sales team, particularly in mature markets, to support its growth ambitions. The company is targeting \$500 million in revenues over the next four years, with a strong emphasis on mature markets as a key strategy.

While Newgen's performance has been strong, there are areas for improvement. The company faces challenges with longer execution cycles for some projects, which can delay downstream revenue streams. Additionally, the shift in market dynamics, with a focus on Tier 2 accounts and new generation companies, presents both opportunities and challenges. Newgen is addressing these by enhancing its deal velocity and leveraging its expertise in transformative solutions. The company is confident in its ability to overcome these challenges and continue its growth trajectory, supported by its strategic investments and strong market position.

NEWGEN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
PB Fintech.	71843.74	346.07	1.13%	10.66%	48.31%	41.19%	92.16%
Oracle Fin.Serv.	65871.54	28.69	28.98%	2.47%	-5.94%	-6.30%	-26.93%
Coforge	47874.28	62.52	24.09%	8.36%	42.82%	6.58%	-9.45%
Hexaware Tech.	41580.48	35.42	23.50%	0.60%	20.58%	6.41%	65.40%
KPIT Technologi.	33211.04	43.77	31.19%	0.45%	17.58%	-8.24%	21.17%

Aspect	Commentary
Revenue	The company experienced a significant revenue increase, with a year-over-year growth of 18%, driven by a 70% rise in license sales. The APAC region led this growth, followed by EMEA, the U.S., and India. This indicates strong market penetration and effective sales strategies across diverse regions.
Profit & Loss	Operating profit margins are robust, with a year-end operating profit of 338 Cr and a quarterly profit of 103 Cr. The PAT for the year stands at 235 Cr, reflecting efficient cost management and strong revenue streams, contributing to overall profitability.
Profitability Matrix	The company maintains healthy profitability metrics with an operating profit margin of 25.8%, EBITDA margin of 23.82%, and a net profit margin of 20.7%. These figures suggest effective cost control and strong operational efficiency, enhancing shareholder value.
Valuation Matrix	The valuation metrics indicate a high market valuation with a trailing P/E of 47.9 and a PEG ratio of 2.44. The EV/EBITDA is 34.8, and P/B is 11.5, suggesting the market's positive outlook on future growth prospects, albeit at a premium valuation.
Growth (YoY)	Year-over-year growth is strong, with sales growth at 22.4% and PAT growth at 40.72%. EPS growth is 23.67%, indicating robust financial health and effective business strategies that drive shareholder returns and market confidence.
Growth (QoQ)	Quarter-over-quarter growth shows a steady increase, with sales growth at 4.53% and PAT growth at 27.01%. This consistent performance highlights the company's ability to sustain growth momentum and adapt to market dynamics effectively.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 22.7%, RoA of 17.2%, and RoCE of 26.6%. The RoIC is 33.4%, indicating strong returns on invested capital, which is crucial for long-term sustainability and growth.
Holdings	The promoter holding is at 54.3%, with FII at 20.3% and DII at 9.10%. Public holding is 16.1%, reflecting a balanced ownership structure that supports strategic decision-making and aligns with shareholder interests.
Leverage	The company maintains a low leverage with a debt/equity ratio of 0.03 and total debt of 37.4 Cr. This conservative approach to leverage ensures financial stability and flexibility, allowing for strategic investments and growth opportunities.

Analyst viewpoint: Newgen Software Technologies demonstrates strong performance with substantial quarter-over-quarter growth metrics. Sales increased by 4.53% and the profit after tax soared by 27.01% QoQ, underscoring the company's expanding revenue base and robust financial health. The valuation metrics also reflect positive market sentiment, with a trailing P/E of 47.9 but caution is advised given the PEG ratio of 2.44 which suggests expectations of growth priced at a premium. Newgen's capital allocation shows discipline, with a return on equity of 22.7% and low leverage, ensuring financial flexibility for future growth. The company's strategic investments in AI initiatives highlight its focus on innovation and leadership in the sector, promising continued success in meeting ambitious revenue targets of \$500 million over four years.

Peer-to-peer analysis showcases Newgen's competitive advantage rooted in its comprehensive solutions, which are fortified by the positive market reception across its operating regions, notably the APAC and EMEA. The company's price chart reveals stable growth, further reinforced by significant strategic wins like the Reserve Bank of India deal. However, despite its strength, Newgen must navigate challenges like elongated project execution cycles which may impede near-term revenue realization. Overall, the bullish outlook on Newgen is backed by sustained growth momentum and strategic initiatives, positioning it favorably within a dynamic market landscape.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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