

## Newgen Software Technologies Ltd : Average Issue IPO Note : A Good company but Inconsistent bottom-line. Issue appears to be fully priced : Ranking\*\*



### Issue details

Price band (Rs)	Rs.240-245
IPO Opening Date	16/01/18
IPO Closing Date	18/01/18
Issue Size	Rs.425 Cr.

### Recommendation

Total revenue grew at a **CAGR of 20.53%** from Rs.205.55 Cr for the FY 2013 to Rs.433.76 Cr for FY 2017 and Net Profit grew at a **CAGR of 9.11%** in the same period. Net profit grew from Rs.36.95 crore to Rs.52.36 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.5.84 cr. on a turnover of Rs.209.95 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.69.24 crore, the EPS works out to Rs.1.68 then **asking price Rs.245 is at a P/E of 145. If we consider EPS of FY17, then PE comes at 32+ on enhanced equity.** As per RHP, management claims there is no listed entities in India which are similar to its line of business and comparable to its scale of operations. Issue appears fully priced. considering niche play of the company in the defined segment, risks savvy cash surplus investors may consider moderate investment for long term.

### Highlights

- Newgen Software, is a provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM) and Case Management solutions with large, mission-critical solutions deployed at world's leading Banks, Insurance firms, Healthcare Organizations, Governments, BPO's & Telecom Companies.
- Product based Software Company with strong industry recognition.
- Diversified business across several verticals (including banking, government/PSUs, BPO/IT, insurance and healthcare)
- Diversified revenue streams (license fees or subscription fees) from multiple geographies with low customer concentration
- Recurring and non-recurring, repeat revenues from long standing customer relationships
- Clients include 17 Global Fortune 500 companies
- Focused on driving innovation through in-house R&D

### Company Introduction

Incorporated in 1992, Newgen Software Technologies is Delhi-based Software Product Company. Newgen offers product and platform that enables organizations to rapidly develop powerful software applications. Company mainly offers products in ECM and BPM space. Company sells its products through direct sales and through its 300 strong channel partners globally.

Newgen Software has four patents registered in India and 27 outstanding patent applications in India and one outstanding patent application in the USA. Newgen has over 450 active



[www.newgensoft.com](http://www.newgensoft.com)

### Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	209.95	433.76	349.67	316.21
Net Profit	5.84	52.36	27.82	46.38
EPS (Rs)	0.84*	7.56	4.17	6.69

\*EPS not annualized

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

customers in over 60 countries. These customers are served by over 265 employees.

### Newgen Software platform comprises of:

1. OmniDocs Enterprise Content Management (ECM) Software (to digitization of enterprise content and information)
2. OmniFlow Intelligent Business Process Suite (BPM) (to manage a complete range of business processes)
3. OmniOMS Customer Communication Management suite (unified communication platform to improve communication with customers)

These enterprise-wide solutions are used by in various sectors including banking, government/PSUs, BPO/IT, insurance and healthcare.

### Company Promoters:

The Promoters of the Company are Mr. Diwakar Nigam and Mr. T.S. Varadarajan

### The object of the issue

- To meet additional working capital requirement of the Company
- General corporate purposes

### IPO Issue Proceed

To part finance its plans for purchase of office premises with its furnishings in Noida and general corpus fund needs, NSTL is coming out with a maiden IPO of approx 1.73 crore equity shares (based on upper price band) of Rs. 10 each via book building route with a price band of Rs. 240-245 to mobilize Rs. 415.96 – Rs.426.62 crore (based on lower and upper price bands). Issue consists of fresh equity issue worth Rs. 95 crore and offer for sale of 1.34 Crore shares. Issue opens for subscription on 16.01.18 and will close on 18.01.18. Minimum application is to be made for 61 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE/NSE. Post issue NSTL's current paid up equity capital of Rs. 65.36 crore will stand enhanced to Rs. 69.24 crore.

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