Newgen Software (NEWSOF)

CMP: ₹ 530 | Target: ₹ 615 (16%) | Target Period: 12 months | **BUY**

July 17, 2026

Resilient Q1; further recovery expected...

About the stock: Incorporated in 1992, Newgen is a low code application development platform company. Geographical break-up is largely equal between India, EMEA, APAC & US.

Q1FY27 Performance: Newgen reported revenue of ₹356.7 crore, down 21% QoQ/ up 11.2% YoY. Product/ License revenue (16% of mix) grew by 48.3% YoY to ₹57 crore while Implementation revenues (13% of mix) de-grew by 24% YoY to ₹46.4 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported 23% YoY revenue growth wherein SaaS revenue grew by 45.5% YoY while ATS/AMC grew by 11.2% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.5% YoY to ₹253 crore. Reported EBITDA margin stood at 15.7%, down ~1610 bps QoQ/ up ~160 bps YoY. Reported PAT came at ₹62.8 crore, down 30.9% QoQ/ up 26.3% YoY.

Investment Rationale

- **Healthy pipeline & recurring revenue annuity mix provides earnings visibility:** While Q1 revenue was impacted by delayed implementation projects, particularly in EMEA, management indicated that demand remains healthy across India and Europe, with bookings continuing to grow at a double-digit pace. The addition of 10 new logos, expected recovery in implementation revenues from Q2 and leadership changes to strengthen execution provide confidence in improved revenue growth over the coming quarters. Notably, Newgen continues to strengthen its annuity-led business model, with annuity revenues growing 14.5% YoY to ₹253 crore. The increasing share of recurring revenues enhances earnings visibility, improves cash flow stability and reduces dependence on large license deals, providing a strong foundation for sustainable long-term growth. **While the management has stated target of achieving high-teen growth in FY27, we conservatively bake in growth of 13% and 16.9% in FY27E and FY28E implying a CAGR of 14.9% over FY26-28E.**

- **Margin upside driven by AI-led efficiency gains:** Newgen continues to invest in AI-led innovation through its NewgenONE platform and enterprise AI capabilities, targeting high-growth verticals such as Banking, Insurance and Government. **Management reiterated its 23–25% EBITDA margin aspiration for FY27,** supported by operational efficiencies and increasing adoption of AI-powered solutions, positioning the company well for profitable long-term growth. **We believe, margin expansion would be a function of operating leverage, the visibility of which right now is hazy due to volatility in EMEA region. Thus, we expect margins to remain stable and maintain our previous margins estimates. Accordingly, we bake in EBITDA margins of 23.8% and 24% for FY27E and FY28E.**

Rating and Target Price

- **We maintain our BUY rating, with a target price of ₹615 valuing it at 21x FY28E EPS.**

Result Update

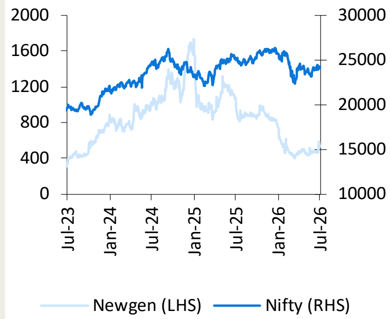
Particulars

Particular	Amount
Market Cap (₹ Crore)	7,428
Total Debt	-
Cash and Invest (₹ Crore)	1,115
EV (₹ Crore)	6,314
52 week H/L	1109 / 401
Equity capital	141.2
Face value	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	53.8	53.5	53.5	53.4
FII	17.6	17.3	14.5	13.8
DII	9.6	9.7	8.8	8.2
Others	19.0	19.5	23.2	24.6

Price Chart



Key risks

- Continued delay in deal closures in core markets – India & EMEA;
- Prolonged weakness in implementation revenues

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ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	1,244	1,487	1,574	18.5	1,779	2,080	14.9
EBITDA	289	376	406	16.2	424	498	10.8
EBITDA Margins (%)	23.2	25.3	25.8		23.8	24.0	
Net Profit	252	315	344	22.2	354	418	10.2
EPS (₹)	17.4	22.1	21.0		24.7	29.2	
P/E	29.5	23.6	24.7		21.0	17.8	
RoNW (%)	20.6	20.8	19.4		17.5	18.0	
RoCE (%)	23.6	25.2	20.8		21.8	22.4	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Newgen reported revenue of ₹356.7 crore, down 21% QoQ/ up 11.2% YoY.
- **Geography performance**: Geography wise on a YoY basis, the growth was driven by US (25% of the mix), APAC (16% of the mix) India (27% of the mix) and EMEA (32% of the mix) growing 27%, 12.1%, 9.9% and 0.3% respectively.
- **Vertical performance**: Product/ License revenue (16% of mix) grew by 48.3% YoY to ₹57 crore and Implementation revenues (13% of mix) de-grew by 24% YoY to ₹46.4 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported 23% YoY revenue growth wherein SaaS revenue grew by 45.5% YoY while ATS/AMC grew by 11.2% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.5% YoY to ₹253 crore.
  - Implementation revenues remained weak due to delayed project starts and customer payments, particularly in EMEA. Management expects these revenues to recover from Q2.
- **Margin performance**: Reported EBITDA margin stood at 15.7%, down ~1610 bps QoQ/ up ~160 bps YoY. Reported PAT came at ₹62.8 crore, down 30.9% QoQ/ up 26.3% YoY. **Moreover, Newgen invested ~9% of revenues in R&D initiatives and 26% of revenues on various S&M activities during Q1FY27.**
- **Segment performance:** Segment wise on a YoY basis, Insurance & Healthcare (22% of the mix), Government/ PSU (6% of the mix) and Banking (63% of the mix) grew by 52.9%, 11.2% and 4.6% while Others (9% of the mix) de-grew by 9%.
- **Leadership changes:** Newgen appointed a new chief growth officer Mr. Pramod Kumar, who will drive the growth strategy, product alignment, AI enablement, global market expansion, and ecosystems development. Mr. Virender Jeet stepped down as CEO, and company veteran of 30+ years, Mr. Tarun Nandwani has stepped in as the new CEO (earlier COO).
- **Deal Wins, and pipeline:** The company added 10 new logos in the quarter and won 4 large deals in Q1. Management indicated that demand pipelines across India and Europe remain healthy, bookings are growing at double digits with strong pipeline for both large and mid-sized deals.

Exhibit 1: Quarter Performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue	356.7	320.7	11.2	452.7	-21.2	Product/ License revenue (16% of mix) grew by 48.3% YoY to ₹57 crore while Implementation revenues (13% of mix) de-grew by 24% YoY to ₹46.4 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported 23% YoY revenue growth wherein SaaS revenue grew by 45.5% YoY while ATS/AMC grew by 11.2% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.5% YoY to ₹253 crore.
Employee expense	190.1	181.5	4.7	182.8	4.0	
Gross Margin	166.6	139.1	19.7	269.9	-38.3	
Gross margin (%)	46.7	43.4	331 bps	59.6	-1291 bps	
Other expense	110.7	94.1	17.6	117.7	-6.0	
EBITDA	55.9	45.0	24.2	143.8	-61.1	
EBITDA Margin (%)	15.7	14.0	164 bps	31.8	-1609 bps	Management reiterated its 23–25% EBITDA margin aspiration for FY27
Depreciation & amortisation	9.2	9.1	1.6	9.4	-1.7	
EBIT	46.7	35.9	30.0	134.4	-65.3	
EBIT Margin (%)	13.1	11.2	189 bps	29.7	-1660 bps	
Other income (less interest)	35.4	28.2	25.7	3.4	952.9	
PBT	82.1	64.1	28.1	137.8	-40.4	
Tax paid	19.3	14.4	34.1	31.5	-38.7	
PAT	62.8	49.7	26.3	106.3	-40.9	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	1,751	1,779	1.6	2,062.2	2,080	0.9
EBITDA	413	424	2.8	495.5	498	0.6
EBITDA Margin (%)	23.6	23.8	28 bps	24.0	24.0	-7 bps
PAT	350	354	1.0	411.7	418	1.5
Diluted EPS (₹)	24.5	24.7	1.0	28.8	29.2	1.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total op.Income	**1,574**	**1,779**	**2,080**
Growth (%)	5.9	13.0	16.9
COGS (emp. expenses)	742	866	1,030
Other expenses	426	489	552
Total Op. Expenditure	1,169	1,355	1,582
EBITDA	**406**	**424**	**498**
Growth (%)	7.9	4.6	17.5
Depreciation	37	38	41
Other income (net)	62	76	89
PBT	431	462	546
Total Tax	87	109	128
PAT	**344**	**354**	**418**
Growth (%)	9.1	2.8	18.2
Diluted EPS (₹)	21.0	24.7	29.2
Growth (%)	(4.7)	17.7	18.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
PBT	387	462	546
Add: Depreciation	37	38	41
Others	13	(76)	(89)
Inc/(dec) in working capital	(86)	(108)	(149)
Taxes paid	(119)	(109)	(128)
CF from operating activities	**232**	**208**	**221**
(Inc)/dec in Fixed Assets	(10)	(30)	(35)
Others	(152)	81	95
CF from investing activities	**(162)**	**51**	**60**
Dividend paid & dividend tax	(71)	(114)	(114)
Others	(17)	(5)	(6)
CF from financing activities	**(87)**	**(120)**	**(120)**
Net Cash flow	(18)	139	160
Exchange difference	17	-	-
Opening Cash	416	412	551
Closing cash & Bank	**412**	**551**	**711**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	**141**	**141**	**141**
Reserve and Surplus	1,636	1,876	2,179
Total Shareholders funds	1,777	2,017	2,320
Total Debt	-	-	-
Lease liablity	26	26	26
Provisions	89	100	117
Other non current liabilties	-	-	-
Total Liabilities	**1,893**	**2,143**	**2,464**
Assets			
Property,plant and equipm	163	167	173
Goodwill	3	3	3
Intangibles	5	5	5
Right-of-use assets	69	57	45
Other non current assets	189	221	260
Cash & bank balance	412	551	711
Current Investments	703	703	703
Trade receivables	708	800	936
Unbilled revenue	-	-	-
Other financial assets	18	20	23
Other current assets	174	196	229
Total Current Assets	2,014	2,271	2,603
Trade payables	55	62	73
Lease liablity	13	13	13
OCL & provisions	482	505	539
Total Current Liabilities	550	580	624
Net Current Assets	1,464	1,691	1,979
Application of Funds	**1,893**	**2,143**	**2,464**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	21.0	24.7	29.2
Cash EPS	24.1	27.9	32.7
BV	127	144	166
DPS	5.1	8.2	8.2
Cash Per Share	29	39	51
Operating Ratios (%)			
EBITDA margin	25.8	23.8	24.0
PBT Margin	24.6	26.0	15.4
PAT Margin	21.8	19.9	20.1
Debtor days	164	164	164
Unbilled days	-	-	-
Creditor days	13	13	13
Return Ratios (%)			
RoE	19.4	17.5	18.0
RoCE	20.8	21.8	22.4
RoIC	30.1	32.4	33.8
Valuation Ratios (x)			
P/E	24.7	21.0	17.8
EV / EBITDA	17.4	14.6	12.1
EV / Net Sales	4.0	3.5	2.9
Market Cap / Sales	4.7	4.2	3.6
Price to Book Value	4.2	3.7	3.2
Solvency Ratios			
Debt/EBITDA	-	-	-
Debt / Equity	-	-	-
Current Ratio	3.7	3.7	3.7
Quick Ratio	3.7	3.7	3.7

Source: Company, ICICI Direct Research

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