Newgen Software (NEWSOF)

CMP: ₹468 | Target ₹ 490 (5%) | Target Period: 12 months | HOLD

October 27, 2026

Subdued growth and delayed deal closures cloud recovery...

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/

Q2FY27 performance: Newgen reported Q2FY27 revenue of ₹422.2 crore, up 18.4% QoQ/5.4% YoY. Product/License revenue (14% of mix) declined 18% YoY, while Implementation (22% of mix) recovered QoQ (+100.3% QoQ) and grew marginally YoY (+0.8% YoY) to ₹92.9 crore. Subscription revenues (ATS/AMC +SaaS) reported 18.5% YoY revenue growth wherein SaaS revenue grew by 31.7% YoY while ATS/AMC grew by 10.6% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.3% YoY to ₹270 crore. EBITDA margin stood at 25.8%, up ~30 bps YoY, while PAT rose 6.3% YoY to ₹86.9 crore.

Investment Rationale:

- **Recurring revenues provide resilience albeit recovery remains dependent on H2 execution:** Newgen's recurring revenue base provides resilience. However, overall revenue growth remained modest at 5.4% YoY and H1FY27 growth stood at 8%. License revenues declined 18% YoY amid delayed deal closures (expected closure in Q3/Q4) and high Q2FY26 base. Sustained acceleration will depend on converting the subscription pipeline, recovering license sales (India geography) and improving execution across weaker markets as delayed deals convert during the second half. **Management reiterated confidence in achieving double-digit FY27 revenue growth, supported by H1 SaaS deal wins, delayed license closures and improving implementation execution with a medium-term aspiration to return to 20% growth. We conservatively bake in growth of 10.4% and 15.1% in FY27E and FY28E implying a CAGR of 12.8% over FY26-28E, as we await license revenues recovery.**
- **Operational efficiencies support margins amid continued investments:** Management expects operational efficiencies to support profitability while continuing investments in AI-led product development and sales. **However, we believe sustained margin expansion will depend on revenue acceleration and balancing growth investments with cost efficiencies. Thus, we expect margins to remain rangebound and bake in EBITDA margins of 24.2% and 23.4% for FY27E and FY28E.**
- **AI-led platform offers long term growth potential:** Newgen is positioning NewgenONE as a governed orchestration platform for regulated industries, with AI embedded across banking, insurance, healthcare and government workflows. **Management reported 10 AI-led deal bookings in H1FY27 and indicated that AI embedded deals can command 20-40% higher deal sizes, with potential 15-20% improvement in implementation timelines.**

Rating and Target Price: Although annuity revenues & margins remain resilient, recovery in license revenues, India/APAC deal conversion & collections is yet to be demonstrated to sustain higher growth trajectory. Given near-term growth challenges, we downgrade to HOLD, with a TP of ₹490 valuing it at 18x FY28E EPS.

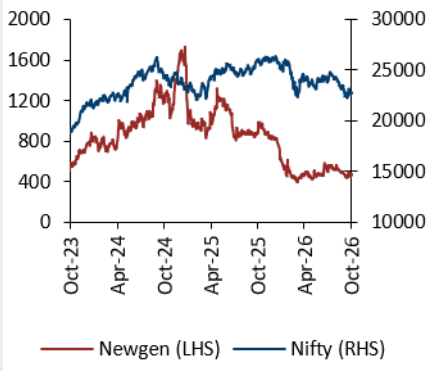
Particulars

Particular	Amount
Market Cap (₹ Crore)	6,559
Total Debt	-
Cash and Invest (₹ Crore)	1,115
EV (₹ Crore)	5,445
52 week H/L	1041/401
Equity capital	141.2
Face value	10.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	53.5	53.5	53.4	53.4
FII	17.3	14.5	13.8	13.8
DIIs	9.7	8.8	8.2	8.6
Public	19.5	23.2	24.6	24.1

Price Chart



Key risks

- Continued delays in license deal closures;
- Better than expected conversion of subscription pipeline

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Result Update

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	1,738	2,002	12.8
EBITDA	289	376	406	16.2	421	469	7.5
EBITDA Margins (%)	23.2	25.3	25.8		24.2	23.4	
Net Profit	252	315	344	22.2	352	387	6.1
EPS (₹)	17.4	22.1	21.2		24.9	27.4	
P/E	26.0	20.8	21.8		18.6	16.9	
RoNW (%)	20.6	20.8	19.4		17.5	16.9	
RoCE (%)	23.6	25.2	20.8		21.3	20.8	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Outlook: Management reiterated confidence in achieving double-digit FY27 revenue growth, supported by H1 SaaS deal wins, delayed license closures and NBFC opportunities and improving implementation execution which are expected to support growth acceleration in Q3/Q4.**
- **Revenue Performance:** Newgen reported revenue of ₹422.2 crore, up 18.4% QoQ/5.4% YoY, taking H1FY27 revenue to ₹778.9 crore, up 8.0% YoY. Management remains confident of achieving double-digit revenue growth in FY27, implying an acceleration in H2.
- **Geography performance**: Geography-wise, on a YoY basis, growth was driven by EMEA (35% of the mix) and US (26% of the mix), which grew by 19.4% and 17.1%, respectively. On the other hand, India (25% of the mix) and APAC excluding India (14% of the mix) declined by 12.6% and 6.4%, respectively, reflecting delayed deal closures and execution variability.
- **Vertical performance**: Product/License revenue (14% of mix) declined 18% YoY, impacted by a high base and delayed deal closures (expected closures in Q3/Q4) and high Q2FY26 base, while Implementation (22% of mix) recovered sequentially (+100.3% QoQ) on the completion of milestones deferred from Q1 and grew marginally YoY (+0.8% YoY) to ₹92.9 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported 18.5% YoY revenue growth wherein SaaS revenue grew by 31.7% YoY while ATS/AMC grew by 10.6% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.3% YoY to ₹270 crore.
- **Margin performance**: Reported EBITDA margin came at 25.8%, up ~1,020 bps QoQ/~30 bps YoY. Reported PAT, stood at ₹86.9 crore, up 38.3% QoQ/6.3% YoY. Management attributed margin resilience to operating efficiencies and cost discipline, while indicating continued investment in product development and AI capabilities. **Moreover, Newgen invested ~9-10% of revenues in R&D initiatives and 26% of revenues on various S&M activities during Q2FY27.**
- **Segment Performance:** Segment wise on a YoY basis, Government (11% of the mix) and Insurance & Healthcare (18% of the mix) witnessed healthy traction and grew 65.6% YoY and 35.5% YoY while Banking & Financial Services (62% of the mix) continued to be relatively subdued (-3.9% YoY), with management highlighting delayed RFPs and slower AI adoption in core banking workflows. Management expects banking deal conversions to improve in H2 as delayed RFPs progress. Others (9% of the mix) declined 13.8% YoY.
- **AI-led product development:** Newgen released NewgenONE AI Studio Agent Studio 1.0 and Agent Flow 2.0.2 in September 2026. Management highlighted that AI-embedded deals can command 20-40% higher deal sizes and improve implementation timelines by 15-20%. **Management highlighted that 15-20% of revenues go towards product development.**
- **Deal Wins and Pipeline:** Newgen added 9 new logos during Q2 and booked 10 AI-led deals in H1FY27, including 7 in Banking and 3 in Government. Key wins included a US health insurance contract worth US$5.5 million over 3 years, a Qatar government project worth US$1.8 million & a commercial & retail loan origination system upgrade worth ₹11.4 crore for a leading EMEA bank.

Exhibit 1: Quarter performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	422.2	400.8	5.4	356.7	18.4	Product/License revenue (14% of mix) declined 18% YoY, impacted by a high base and delayed deal closures (expected closures in Q3/Q4) and high Q2FY26 base, while Implementation (22% of mix) recovered sequentially (+100.3% QoQ) on the completion of milestones deferred from Q1 and grew marginally YoY (+0.8% YoY) to ₹92.9 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported 18.5% YoY revenue growth wherein SaaS revenue grew by 31.7% YoY while ATS/AMC grew by 10.6% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 14.3% YoY to ₹270 crore
Employee expense	191.5	188.6	1.5	190.1	0.7	
Gross Margin	230.8	212.2	8.8	166.6	38.5	
Gross margin (%)	54.7	52.9	171 bps	46.7	795 bps	
Other expense	121.7	109.8	10.9	110.7	10.0	
EBITDA	109.0	102.4	6.5	55.9	95.0	
EBITDA Margin (%)	25.8	25.5	28 bps	15.7	1015 bps	
Depreciation & amortisation	9.4	9.1	3.6	9.2	2.4	
EBIT	99.6	93.3	6.8	46.7	113.3	
EBIT Margin (%)	23.6	23.3	32 bps	13.1	1050 bps	
Other income (less interest)	10.5	12.0	-12.5	35.4	-70.3	
PBT	110.2	105.3	4.6	82.1	34.1	
Tax paid	23.3	23.6	-1.4	19.3	20.6	
PAT	86.9	81.7	6.3	62.8	38.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	1,779	1,738	-2.3	2,080.1	2,002	-3.8
EBITDA	424	421	-0.7	498.3	469	-5.9
EBITDA Margin (%)	23.8	24.2	39 bps	24.0	23.4	-52 bps
PAT	354	352	-0.5	417.9	387	-7.3
Diluted EPS (₹)	24.7	24.9	-0.5	29.2	27.4	-7.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total op.Income	**1,574**	**1,738**	**2,002**
Growth (%)	5.9	10.4	15.1
COGS (emp. expenses)	742	826	991
Other expenses	426	491	541
Total Op. Expenditure	1,169	1,317	1,533
EBITDA	**406**	**421**	**469**
Growth (%)	7.9	3.8	11.3
Depreciation	37	38	41
Other income (net)	62	68	72
PBT	431	451	500
Total Tax	87	100	112
PAT	**344**	**352**	**387**
Growth (%)	9.1	2.3	10.1
Diluted EPS (₹)	21.2	24.9	27.4
Growth (%)	(3.7)	17.0	10.1

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
PBT	387	451	500
Add: Depreciation	37	38	41
Others	13	(68)	(72)
Inc/(dec) in working capital	(86)	(83)	(127)
Taxes paid	(119)	(100)	(112)
CF from operating activities	**232**	**239**	**229**
(Inc)/dec in Fixed Assets	(10)	(30)	(34)
Others	(152)	73	78
CF from investing activities	**(162)**	**43**	**44**
Dividend paid & dividend tax	(71)	(113)	(113)
Others	(17)	(5)	(6)
CF from financing activities	**(87)**	**(118)**	**(119)**
Net Cash flow	(18)	164	154
Exchange difference	17	-	-
Opening Cash	416	412	576
Closing cash & Bank	**412**	**576**	**730**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	**141**	**141**	**141**
Reserve and Surplus	1,636	1,875	2,149
Total Shareholders funds	1,777	2,016	2,290
Total Debt	-	-	-
Lease liablity	26	26	26
Provisions	89	98	113
Other non current liabilties	-	-	-
Total Liabilities	**1,893**	**2,140**	**2,429**
Assets			
Property,plant and equipment	163	166	171
Goodwill	3	3	3
Intangibles	5	5	5
Right-of-use assets	69	57	45
Other non current assets	189	212	242
Cash & bank balance	412	576	730
Current Investments	703	703	703
Trade receivables	708	782	900
Unbilled revenue	-	-	-
Other financial assets	18	20	23
Other current assets	174	192	221
Total Current Assets	2,014	2,272	2,577
Trade payables	55	61	70
Lease liablity	13	13	13
OCL & provisions	482	500	530
Total Current Liabilities	550	574	613
Net Current Assets	1,464	1,698	1,964
Application of Funds	**1,893**	**2,140**	**2,429**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	21.2	24.9	27.4
Cash EPS	24.1	27.8	30.6
BV	127	144	163
DPS	5.1	8.1	8.1
Cash Per Share	29	41	52
Operating Ratios (%)			
EBITDA margin	25.8	24.2	23.4
PBT Margin	24.6	26.0	14.5
PAT Margin	21.8	20.2	19.4
Debtor days	164	164	164
Unbilled days	-	-	-
Creditor days	13	13	13
Return Ratios (%)			
RoE	19.4	17.5	16.9
RoCE	20.8	21.3	20.8
RoIC	30.1	32.9	32.9
Valuation Ratios (x)			
P/E	21.8	18.6	16.9
EV / EBITDA	15.0	12.5	10.9
EV / Net Sales	3.5	3.0	2.6
Market Cap / Sales	4.2	3.8	3.3
Price to Book Value	3.7	3.3	2.9
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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