

October 29, 2025

SaaS & Subscription drive growth 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.

Q2FY26 Performance: Newgen reported revenue of ₹400.8 crore, up 25% QoQ/ 11% YoY. Product/ License revenue (18% of mix) grew by 11% YoY to ₹72 crore and Implementation revenues (23% of mix) grew by 16% YoY to ₹92 crore. Subscription revenues (ATS/AMC +SaaS) reported healthy 18.4% YoY revenue growth wherein SaaS revenue grew by 33% YoY while ATS/AMC grew by 11% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 9.1% YoY to ₹236.5 crore. EBITDA margin stood at 25.5%, up ~1150 bps QoQ/ ~260 bps YoY.

Investment Rationale

- **SaaS-led growth driving rebound:** Newgen delivered a healthy 11% YoY revenue growth in Q2FY26, led by 33% YoY growth in SaaS revenues (12% of revenue mix) and 16% YoY rise in implementation services (23% of revenue mix). **The company's pivot toward annuity-based revenues is strengthening visibility, with SaaS and subscription momentum offsetting softness in traditional license sales (18% of revenue mix) across India and EMEA which are seeing delay in large license deal closures.** Newgen's focus on large deal wins in the US, Europe/UK, Singapore is paying off with 15 new logo additions in Q2. Moreover, revenue from high-margin mature geographies like the US (+21.5% YoY) and APAC (+22% YoY) is expected to sustain near-term growth momentum and improve revenue quality. **Thus, we expect rupee revenue to grow at CAGR of ~15% (vs. ~13% earlier) over FY25-27E.**
- **Margin expansion driven by revenue mix:** EBITDA margin expanded ~1150 bps QoQ/ ~260 bps YoY to 25.5%, aided by growing share of high-margin SaaS & mature markets revenue, coupled with AI-led productivity initiatives. While wage hikes in Q3FY26 may pose a marginal impact on margins, strong operating leverage, higher SaaS contribution (higher margin business) & productivity improvements from automation and AI are expected to support profitability ahead. **Accordingly, we bake in EBITDA margins of 25.6%/25.5% in FY26E/FY27E.**
- **AI-led innovation fuelling long-term competitiveness:** Newgen is leveraging AI to enhance service delivery and productivity, **targeting 20-30% efficiency gains over the next year.** Its AI-driven automation and document processing use cases are seeing strong adoption, particularly in government and enterprise segments. This focus on AI-led innovation not only strengthens its product differentiation but also supports margin expansion and scalability as clients increasingly shift toward digital transformation and SaaS-based platforms.

Rating and Target Price

- **Given the broad-based rebound in Q2, we upgrade to BUY (vs HOLD earlier) as we bake in higher revenue growth in FY26E/27E, with revised target price of ₹1,180 (vs ₹1,090 earlier); valuing it at a multiple of 40x P/E on FY27E EPS.**

Key Financial Summary

| ₹ Crore | FY23 | FY24 | FY25 | 5 Year CAGR (FY20-25) | FY26E | FY27E | 2 Year CAGR (FY25-27E) |
|--------------------|------|-------|-------|--------------------------|-------|-------|---------------------------|
| Net Sales | 974 | 1,244 | 1,487 | 17.6 | 1,656 | 1,964 | 14.9 |
| EBITDA | 212 | 289 | 376 | 29.2 | 424 | 501 | 15.4 |
| EBITDA Margins (%) | 21.8 | 23.2 | 25.3 | | 25.6 | 25.5 | |
| Net Profit | 176 | 252 | 315 | 34.1 | 355 | 420 | 15.5 |
| EPS (₹) | 12.5 | 17.4 | 22.1 | | 24.8 | 29.4 | |
| P/E | 78.3 | 55.1 | 44.1 | | 39.1 | 33.0 | |
| RoNW (%) | 18.0 | 20.6 | 20.8 | | 19.9 | 20.1 | |
| RoCE (%) | 21.1 | 23.6 | 25.2 | | 24.5 | 24.7 | |

Source: Company, ICICI Direct Research



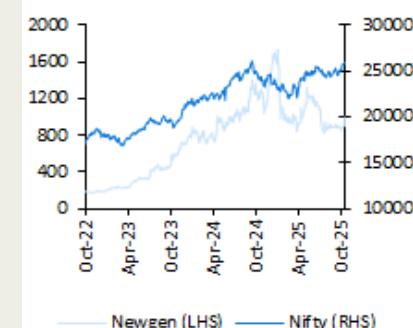
Particulars

| Particular | Amount |
|---------------------------|-----------|
| Market Cap (₹ Crore) | 13,889 |
| Total Debt | - |
| Cash and Invest (₹ Crore) | 924 |
| EV (₹ Crore) | 12,965 |
| 52 week H/L | 1799/ 758 |
| Equity capital | 140.2 |
| Face value | 10.0 |

Shareholding pattern

| | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|----------|--------|--------|--------|--------|
| Promoter | 54.3 | 53.8 | 53.8 | 53.8 |
| FII | 20.3 | 19.4 | 19.1 | 17.6 |
| DII | 9.1 | 9.1 | 9.5 | 9.6 |
| Others | 16.3 | 17.7 | 17.6 | 19.0 |

Price Chart



Key risks

- Continued delay in deal closures in core markets – India & EMEA;
- Prolonged softness in biggest vertical – Banking (68% of revenue mix)

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Performance highlights and outlook

- **Revenue Performance:** Newgen reported revenue of ₹400.8 crore, up 25% QoQ/ 11% YoY.
- **Geography performance:** Geography wise on a YoY basis, the growth was driven by APAC (16% of the mix), US (24% of the mix), growing 22.2%, 21.5%, while India (29% of the mix) and EMEA (31% of the mix) grew by 6.7% and 3.2% respectively.
- **India/EMEA:** Both the core markets continue to see delay in large deal closures. However, both geos are expected to bounce back in the coming quarters, as per the management
- **Vertical performance:** Product/ License revenue (18% of mix) grew by 11% YoY to ₹72 crore and Implementation revenues (23% of mix) grew by 16% YoY to ₹92 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported healthy 18.4% YoY revenue growth wherein SaaS revenue grew by 33% YoY while ATS/AMC grew by 11% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 9.1% YoY to ₹236.5 crore.
- **Margin performance:** EBITDA margin for the quarter stood at 25.5%, up ~1150 bps QoQ/ ~260 bps YoY, aided by growing share of high-margin SaaS & mature markets revenue, coupled with AI-led productivity initiatives. While **wage hikes in Q3FY26 may pose a temporary margin headwind**, strong operating leverage, higher SaaS contribution (higher margin business) & productivity improvements from automation and AI are expected to support profitability ahead. PAT came at ₹82 crore, up 64% QoQ/ 16% YoY. **Moreover, Newgen invested 9% of revenues in R&D initiatives and 21% of revenues on various S&M activities during Q2FY26.**
- **Segment performance:** Segment wise on a YoY basis, Others (11% of the mix), Government/ PSU (7% of the mix), Banking (68% of the mix) and Insurance & Healthcare (14% of the mix) grew by 74.4%, 29.5%, 4.8% and 3.6%.
- **Insurance:** The insurance segment continues to see good traction as company continues to focus on this growth area, characterized by smaller deal sizes but improving deal conversion timelines.
- **Deal Wins:** The company secured **15 new logos** during the quarter, up 25% QoQ and 88% YoY. Wins include a life and pensions consolidator in the UK market, a retail group in Europe, and engagements in Ghana and India for solutions related to Loan Management System and policy administration system.

Quarter Performance

| | Q2FY26 | Q2FY25 | YoY (%) | Q4FY25 | QoQ (%) | Comments |
|------------------------------|--------|--------|---------|--------|----------|---|
| Revenue | 400.8 | 361.2 | 11.0 | 320.7 | 25.0 | Product/ License revenue (18% of mix) grew by 11% YoY to ₹72 crore and Implementation revenues (23% of mix) grew by 16% YoY to ₹92 crore. On the other hand, Subscription revenues (ATS/AMC +SaaS) reported healthy 18.4% YoY revenue growth wherein SaaS revenue grew by 33% YoY while ATS/AMC grew by 11% YoY. Annuity revenues (ATS/AMC+ SaaS+ Support) reported growth of 9.1% YoY to ₹236.5 crore. |
| Employee expense | 188.6 | 184.7 | 2.1 | 181.5 | 3.9 | |
| Gross Margin | 212.2 | 176.5 | 20.2 | 139.1 | 52.5 | |
| Gross margin (%) | 52.9 | 48.9 | 408 bps | 43.4 | 955 bps | |
| Other expense | 109.8 | 93.5 | 17.5 | 94.1 | 16.6 | |
| EBITDA | 102.4 | 83.0 | 23.4 | 45.0 | 127.6 | |
| EBITDA Margin (%) | 25.5 | 23.0 | 257 bps | 14.0 | 1152 bps | EBITDA margin for the quarter stood at 25.5%, up ~1150 bps QoQ/ ~260 bps YoY, aided by growing share of high-margin SaaS & mature markets revenue, coupled with AI-led productivity initiatives. |
| Depreciation & amortisation | 9.1 | 8.0 | 13.9 | 9.1 | 0.5 | |
| EBIT | 93.3 | 75.0 | 24.4 | 35.9 | 159.6 | |
| EBIT Margin (%) | 23.3 | 20.8 | 251 bps | 11.2 | 1207 bps | |
| Other income (less interest) | 12.0 | 17.6 | -31.5 | 28.2 | -57.3 | |
| PBT | 105.3 | 92.6 | 13.8 | 64.1 | 64.3 | |
| Tax paid | 23.6 | 22.2 | 6.1 | 14.4 | 64.0 | |
| PAT | 81.7 | 70.3 | 16.2 | 49.7 | 64.4 | |

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|------------------------|--------------|--------------|--------------|--------------|
| Total op.Income | 1,244 | 1,487 | 1,656 | 1,964 |
| Growth (%) | 27.7 | 19.5 | 11.4 | 18.6 |
| COGS (emp. expenses) | 628 | 741 | 796 | 969 |
| Other expenses | 327 | 370 | 437 | 494 |
| Total Op. Expenditure | 955 | 1,111 | 1,232 | 1,463 |
| EBITDA | 289 | 376 | 424 | 501 |
| Growth (%) | 36.2 | 30.2 | 12.6 | 18.2 |
| Depreciation | 28 | 33 | 37 | 40 |
| Other income (net) | 43 | 59 | 70 | 81 |
| PBT | 304 | 402 | 457 | 542 |
| Total Tax | 53 | 87 | 102 | 121 |
| PAT | 252 | 315 | 355 | 420 |
| Growth (%) | 42.7 | 25.3 | 12.6 | 18.4 |
| Diluted EPS (₹) | 17.4 | 22.1 | 24.8 | 29.4 |
| Growth (%) | 39.4 | 26.6 | 12.6 | 18.4 |

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-------------------------------------|--------------|--------------|-------------|--------------|
| PBT | 304 | 402 | 457 | 542 |
| Add: Depreciation | 28 | 33 | 37 | 40 |
| Others | 13 | 6 | (70) | (81) |
| Inc/(dec) in working capital | (8) | (155) | (72) | (126) |
| Taxes paid | (55) | (71) | (102) | (121) |
| CF from operating activities | 281 | 215 | 249 | 253 |
| (Inc)/dec in Fixed Assets | (14) | (23) | (28) | (33) |
| Others | (205) | (149) | 75 | 85 |
| CF from investing activities | (219) | (172) | 47 | 52 |
| Dividend paid & dividend tax | (35) | (56) | (86) | (114) |
| Others | (12) | (12) | (5) | (4) |
| CF from financing activities | (47) | (68) | (91) | (118) |
| Net Cash flow | 15 | (25) | 206 | 187 |
| Exchange difference | 1 | 4 | - | - |
| Opening Cash | 208 | 376 | 416 | 621 |
| Closing cash & Bank | 376 | 416 | 621 | 808 |

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|--------------|--------------|--------------|--------------|
| Equity Capital | 140 | 140 | 140 | 140 |
| Reserve and Surplus | 1,084 | 1,376 | 1,645 | 1,951 |
| Total Shareholders funds | 1,224 | 1,516 | 1,786 | 2,092 |
| Total Debt | 2 | - | - | - |
| Lease liability | 35 | 41 | 41 | 41 |
| Provisions | 49 | 56 | 62 | 73 |
| Other non current liabilities | - | - | - | - |
| Total Liabilities | 1,309 | 1,613 | 1,888 | 2,206 |
| Assets | | | | |
| Property, plant and equipm | 165 | 172 | 175 | 180 |
| Goodwill | 3 | 3 | 3 | 3 |
| Intangibles | 10 | 6 | 6 | 6 |
| Right-of-use assets | 71 | 77 | 66 | 54 |
| Other non current assets | 132 | 138 | 157 | 186 |
| Cash & bank balance | 376 | 416 | 621 | 808 |
| Current Investments | 365 | 508 | 508 | 508 |
| Trade receivables | 444 | 557 | 620 | 735 |
| Unbilled revenue | - | - | - | - |
| Other financial assets | 95 | 20 | 22 | 26 |
| Other current assets | 27 | 148 | 164 | 195 |
| Total Current Assets | 1,306 | 1,648 | 1,936 | 2,272 |
| Trade payables | 48 | 50 | 56 | 67 |
| Lease liability | 12 | 13 | 13 | 13 |
| OCL & provisions | 318 | 369 | 386 | 417 |
| Total Current Liabilities | 377 | 432 | 455 | 496 |
| Net Current Assets | 929 | 1,216 | 1,481 | 1,776 |
| Application of Funds | 1,309 | 1,613 | 1,888 | 2,206 |

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-----------------------------|------|------|-------|-------|
| Per share data (₹) | | | | |
| Diluted EPS | 17.4 | 22.1 | 24.8 | 29.4 |
| Cash EPS | 20.0 | 24.9 | 27.9 | 32.9 |
| BV | 87 | 108 | 127 | 149 |
| DPS | 2.5 | 4.0 | 6.1 | 8.2 |
| Cash Per Share | 27 | 30 | 44 | 58 |
| Operating Ratios (%) | | | | |
| EBITDA margin | 23.2 | 25.3 | 25.6 | 25.5 |
| PBT Margin | 24.5 | 27.0 | 27.6 | 27.6 |
| PAT Margin | 20.2 | 21.2 | 21.4 | 21.4 |
| Debtor days | 130 | 137 | 137 | 137 |
| Unbilled days | - | - | - | - |
| Creditor days | 14 | 12 | 12 | 12 |
| Return Ratios (%) | | | | |
| RoE | 20.6 | 20.8 | 19.9 | 20.1 |
| RoCE | 23.6 | 25.2 | 24.5 | 24.7 |
| RoIC | 33.9 | 37.8 | 39.5 | 41.5 |
| Valuation Ratios (x) | | | | |
| P/E | 55.1 | 44.1 | 39.1 | 33.0 |
| EV / EBITDA | 45.5 | 34.5 | 30.1 | 25.1 |
| EV / Net Sales | 10.6 | 8.7 | 7.7 | 6.4 |
| Market Cap / Sales | 11.2 | 9.3 | 8.4 | 7.1 |
| Price to Book Value | 11.3 | 9.2 | 7.8 | 6.6 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 0.0 | - | - | - |
| Debt / Equity | 0.0 | - | - | - |
| Current Ratio | 3.3 | 3.4 | 3.4 | 3.5 |
| Quick Ratio | 3.3 | 3.4 | 3.4 | 3.5 |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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