

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 26th Report of the Board of Directors (the "Board") of Newgen Software Technologies Limited (the "Company" or "Newgen") along with the Audited Standalone and Consolidated Financial Statement for the Financial Year ended March 31, 2018.

Business Overview:

Newgen Software Technologies Limited, is a global provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM) solutions with a footprint in over 60 countries with large, mission-critical solutions deployed at Banks, Governments, BPO's & IT Companies, Insurance firms and Healthcare Organisations. For over two decades organisations have relied on Newgen's innovative technologies and solutions to drive smarter business decisions. Newgen through its proven platforms provides a perfect amalgamation of information / content, technology and processes; the building blocks of Digital Transformation. This has enabled clients to reinvent their workplaces and achieve greater agility, accuracy and efficiency in transforming processes, managing information, enhancing overall customer satisfaction and driving enterprise profitability.

Financial Results:

TABLE 1

(₹ in Lakhs)

	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
Net Sales	45952.36	38311.41	51242.78	42709.80
Other Income	758.19	826.61	760.98	826.78
Total Income	46710.55	39138.02	52003.76	43536.58
Total Expenditure	36529.01	31805.19	41489.15	35687.13
EBIDTA	10181.54	7332.83	10514.61	7849.45
Finance Cost	520.68	525.60	520.68	525.60
Depreciation and amortisation expense	567.68	481.87	580.67	491.82
Profit before Tax	9093.18	6325.36	9413.25	6832.03
Provision for Tax (net of deferred tax credit)	1965.58	1406.73	2060.06	1572.39
Provision for Tax relating to earlier years written off/Provided	64.50	126.24	64.50	126.63
Profit after Tax	7063.09	4792.39	7288.68	5133.01
Add: Balance brought forward from previous year	15598.43	11581.82	15928.02	11570.79
Less: Dividend and Dividend Distribution tax for Financial Year 2016-17 and paid during the year	1160.99	775.78	1160.99	775.78
Profit available for Appropriation	21500.53	15598.43	22055.71	15928.02
Balance carried to Balance Sheet	21500.53	15598.43	22055.71	15928.02

Your Company's financial statements for the year ended March 31, 2018 are the first financial statements prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. Accordingly, numbers for all the comparative periods have been restated to comply with Ind AS. Necessary disclosures as regards to the key impact areas & Other adjustments upon transition to Ind-AS reporting have been made under the Notes to Financial Statements.

On a Consolidated basis:

- The Company's revenue from operations stood at ₹ 51242.78 Lakhs reflecting an increase of 20% in FY 2017-18.
- Over last 5 Financial Years, the company has been able to maintain 20% compounded annualised growth rate.

- EBITDA stood at ₹ 10514.61 Lakhs registering an increase of 33.95% in the FY 2017-18.
- Profit after Tax (PAT) for the year was ₹ 7288.68 Lakhs showing an increase of around 42%.

On Standalone basis:

- Revenue from operations for FY 2017-18 is at ₹ 45952.36 Lakhs was higher by 19.94% over previous corresponding FY 2016-17.

- EBITDA are ₹ 10181.54 Lakhs registering an increase of 38.85%.
- Profit after Tax (PAT) for the year is ₹ 7063.09 Lakhs registering an increase of 47.38%.

Credit Rating and Liquidity:

ICRA has reaffirmed the short-term rating of [ICRA] A2+ (pronounced ICRA A two plus) assigned earlier to the ₹ 7050 Lakhs line of credit of the Company, and also assigned a short-term rating of [ICRA] A2+ (pronounced ICRA A two plus) to the additional limit of ₹ 1000 Lakhs.

The Company follows a conservative investment policy and invests in high quality debt instruments and bonds. As on March 31, 2018, on Standalone basis, cash and cash equivalents were ₹ 13520.79 Lakhs and in addition to that ₹ 5022.07 Lakhs was invested in mutual funds & bonds and ₹ 204.74 Lakhs in non-current fixed deposits. As on March 31, 2018, on Consolidated basis, cash and cash equivalents were ₹ 14548.34 Lakhs and in addition to that ₹ 5022.07 Lakhs was invested in mutual funds & bonds and ₹ 210.49 Lakhs in non-current fixed deposits.

Dividend:

Considering the Company's financial performance, your Directors are pleased to recommend a dividend @ 20 % i.e. ₹ 2 per share for the Financial Year ended March 31, 2018 (dividend declared in previous year was @ 15 % i.e. ₹ 1.5 per share). The total outgo for the current year amounts to ₹ 1668.65 Lakhs, including dividend distribution tax of ₹ 283.94 Lakhs as against ₹ 1160.99 Lakhs including dividend distribution tax of ₹ 196.37 Lakhs in the previous year.

Change in the Nature of Business, if any:

There is no change of nature of business of the Company during the Financial Year 2017-18.

Share Capital:

Authorised Share Capital:

During the Financial Year 2017-18, there is a change in share capital structure of the Company. During the year under review, the Authorised Share Capital of the Company was increased from ₹ 7,640 Lakhs to ₹ 11,000 Lakhs.

Initial Public Offering:

During the year under review, the Company offered its equity shares of ₹ 10 each ("Equity Shares") for subscription by the public, by way of Initial Public Offer ("IPO"). The IPO comprised of fresh issue of 3,877,551 equity shares by your Company for cash at a price of ₹ 245/- per share and an offer for sale by outgoing investors of 1,34,53,932 equity shares for cash at a price of ₹ 245/- per share. Consequently, the Paid up, Issued and Subscribed Capital of the

Company increased from ₹ 6535.82 Lakhs (comprised of 6,53,58,150 equity shares) to ₹ 6923.57 Lakhs (comprised of 6,92,35,701 equity shares). The Equity Shares in the IPO were offered at a price of ₹ 245 per equity share (including share premium of ₹ 235 per equity share). The Company listed its Equity Shares on BSE Limited and National Stock Exchange of India Limited on January 29, 2018.

Utilisation of IPO Proceeds:

There is no deviation or variation proposed or contemplates in the use of net proceeds of IPO fund from the objects stated in the prospectus. As on March 31, 2018, the net proceeds of the IPO Fund have been deposited in the Scheduled Commercial bank. As per stated object of the IPO, your Company has identified an Institutional building near Noida-Greater Noida Expressway, Uttar Pradesh for an Office Premises. After completion of satisfactory due diligence, requisite agreements will be executed in this respect. After taking possession of the building, furnishing of the office premises will start.

Details Pertaining to Shares in Suspense Account:

Disclosures with respect to demat suspense account/unclaimed suspense account as provided in Para F of Schedule V of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 are provided in the Corporate Governance Report forming a part of this Report.

Details of Significant and Material Orders Passed by the Regulators or Courts or Tribunals Impacting the Going Concern Status and Company's Operations in Future:

NIL

Quality Systems & Information Security Initiative:

Newgen has sustained its commitment to the highest levels of quality, robust information security management practices that have collectively helped in achieving significant milestone during the year. Newgen's Quality and Information Security System journey has been a steady one and with full conviction starting from 1997. The same is evident from the implementation of industry standards namely ISO 9001:2008, ISO 27001:2013 and Process Improvement Models namely CMMi Dev v1.3 and CMMi Svc v1.3. Emphasis has been on System driven transparent process, which delivers exceptional Quality first time right with the required level of Security.

The Company has focused on continuous improvements in Customer engagements as well as internal operations leveraging best-in-class methodologies and information security practices. Cross-functional Teams monitor and optimize the processes & policies to meet the ever growing demands of Newgen's engagements.

The Company's commitment towards customer satisfaction and resilient systems/services has resulted into the adaptation of other industry standards/acts namely PCI-DSS, HIPAA, ISAE3402/SoC-1 Type-2 and Soc-2+HITRUST Type-2 attestation. These standards provide assurance to the customers on the design and operating effectiveness of the security controls. The Company also drives the process and product improvements based on Voice of Customer i.e. Customer Satisfaction Surveys (CSS). These surveys are conducted at the specific project mile stone as well as at the organisational level on an annual basis by a third party to get an independent feedback from its customers.

Subsidiary Companies:

The Company has five wholly owned subsidiaries (WOS). There are no associate companies or joint venture companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). There has been no material change in the nature of the business of the subsidiaries.

Names of wholly owned subsidiaries:

1. Newgen Software Inc. USA,
2. Newgen Software Technologies Pte. Ltd., (Singapore)
3. Newgen Software Technologies Canada Ltd.,
4. Newgen Software Technologies (UK) Ltd.
5. Newgen Computers Technologies Limited

Pursuant to first proviso to sub-section (3) of Section 129 of the Act read with Rule 5 of Companies (Accounts) Rules, 2014 the statement containing salient features of the financial statement of subsidiaries is enclosed in form AOC-1 as Annexure -1.

Financial Statements of the aforesaid subsidiary companies are kept open for inspection by the Members at the Registered Office of the Company during business hours on all days except Saturday & Sunday up to the date of the AGM as required under Section 136 of the Act. Any Member desirous of obtaining a copy of the said Financial Statements may write to the Company at its Registered Office or to the Compliance Officer of the Company. The Financial Statements including the Consolidated Financial Statements and all other documents required to be attached to this Report have been uploaded on the website of the Company at <https://newgensoft.com>.

To comply with the provisions of Regulation 16(c) of SEBI (LODR) Regulations, the Board of Directors of the Company have adopted a Policy for determining Material Subsidiary. The policy on Material Subsidiary has been uploaded on the website of the Company <https://newgensoft.com>.

Deposits:

During the year under review, the Company has not accepted any fixed deposit within the meaning of Section 73 of the Companies Act, 2013 and the rules made thereunder.

Statutory Auditors:

The tenure of the Statutory Auditors of the Company M/s. B S R & Associates, LLP, Chartered Accountants, having Firm Registration number 116231W/W-100024 is upto five years with effect from conclusion of 24th Annual General Meeting held on August 22, 2016 till the conclusion of 29th Annual General Meeting.

Auditors' Report:

The Statutory Auditors' Report for the Financial Year 2017-18 does not contain any qualification, reservation or adverse remarks.

Secretarial Audit:

The Secretarial Audit Report from M/s Aijaz & Associates, Company Secretaries in Practice, New Delhi, for the Financial Year ended March 31, 2018 is enclosed herewith as "Annexure-2". The Secretarial Audit Report for the Financial Year 2017-18 does not contain any qualification, reservation or adverse remarks.

Employee Stock Options Schemes:

During the year under review, the Newgen ESOP Scheme 1999 and Newgen ESOP Scheme 2000 have been closed, no Options granted thereunder are outstanding. At present the Company has in place Newgen Employees Stock Option Scheme-2014 (Newgen ESOP 2014). The Scheme is operated through demat mode only. Newgen ESOP 2014 is administered by the Nomination & Remuneration Committee of the Board, through Newgen ESOP Trust. The information on Options granted, exercised and lapsed during the Financial Year 2017-18 and other particulars as required under Companies Act 2013 read with its rules and SEBI (Share Based Employee Benefits) Regulation, 2014 with regard to Employees' Stock Options is enclosed herewith as "Annexure-3".

Extract of the Annual Return:

As required under Section 92(3) of the Act, the extract of the Annual Return in Form No. MGT-9 is enclosed herewith as Annexure-4

Particulars of Employees and Related Disclosures:

The information required pursuant to Section 197(12) of the Companies Act 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI Regulations in respect of employees of the Company, is enclosed herewith as Annexure-5.

Directors and Key Managerial Personnel:

A) Changes in Directors and Key Managerial Personnel:

During the year under review, the Board of Directors appointed Mr. Saurabh Srivastava and Mr. Subramaniam Ramnath Iyer as Non-Executive Independent Directors for a period of five years with effect from August 30, 2017 and November 22, 2017 respectively, subject to the approval of shareholders at the ensuing 26th Annual General Meeting of the Company.

Mr. Sudhir Kumar Sethi and Mr. Sunil Kumar Kolangara who were appointed as Nominee Directors on behalf of IDGVI and Ascent Capital respectively, ceased to be Directors of the Company on September 18, 2017, consequent to the withdrawal of their nomination. Mr. Mohit Goyal has resigned from the Board of the Company on November 22, 2017.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. T.S. Varadarajan, Whole-time Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment in the ensuing Annual General Meeting.

KMPs and Senior Management Personnel of the Company are:

1. Mr. Diwakar Nigam – Chairman & Managing Director
2. Mr. T.S. Varadarajan – Whole-time Director
3. Ms. Priyadarshini Nigam - Whole-time Director
4. Mr. Surender Jeet Raj - Sr. Vice President (HR Operations)
5. Mr. Virender Jeet - Sr. Vice President (Sales and Marketing/Product)
6. Mr. Tarun Nandwani - Vice President (Customer Relations/Delivery)
7. Mr. Arun Kumar Gupta – Chief Financial Officer
8. Mr. Aman Mourya - Company Secretary & Compliance Officer

B) Declaration by Independent Director(s) and re- appointment, if any:

The Independent Directors have submitted required declarations that they fulfill the requirements as stipulated in Section 149(6) of the Companies Act, 2013 and SEBI (LODR) Regulations. Pursuant to Clause VII (1) of Schedule IV of the Companies Act, 2013. The

Independent Directors had a separate meeting on April 25, 2017 during Financial Year 2017-18.

C) Board Annual Evaluation:

Pursuant to the provisions of the Companies Act, 2013 and Regulation of SEBI (LODR) Regulations, the Board has carried out the annual performance evaluation of its own performance, Board Committee(s) and that of the Individual Director(s). The performance of the Board was evaluated by the Board itself after seeking inputs from all the individual directors on the basis of criteria such as structure & composition of Board Culture, effectiveness of Board processes, functioning, execution and performance of specific duties, obligations and governance etc. The performance of all the Committees was evaluated by the Board after seeking inputs from respective Committee members. The manner in which the annual performance evaluation has been stated in the Corporate Governance Report which forms a part of this Report.

In a separate meeting of Independent Directors held on 16th May 2018, performance of the non-independent directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of executive directors and non-executive directors.

D) Remuneration Policy:

The Board, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management Personnel and their remuneration. The Policy is available on the website of the Company at <https://newgensoft.com>. and is enclosed with this report as Annexure-6.

E) Meetings:

The number of meetings of the Board and various Committees of your Company are set out in the Corporate Governance Report which forms part of this Report. The intervening gap between Board Meetings was within the period prescribed under the provisions of Section 173 of the Act and the SEBI (LODR) Regulations.

Whistle Blower Policy / Vigil Mechanism for Directors and Employees:

The Company has adopted a Whistle Blower Policy and Vigil Mechanism that provides a mechanism to report violations, any unethical behaviour, suspected or actual fraud, violation of the Code of Conduct etc. During the year under review no case has been reported under Whistle Blower Policy of the Company.

Whistle Blower Policy / Vigil Mechanism is available on the website of the Company at <https://newgensoft.com>.

CSR Initiative:

The brief outline of the Corporate Social Responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure-7 of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. As part of its initiatives under "Corporate Social Responsibility (CSR)", the Company has undertaken projects in the areas of Digital Literacy Education, Livelihood, besides personality development of the students. Other details regarding Company's CSR activities and CSR Policy are available on the website of the Company at <https://newgensoft.com>.

Risk Management:

The Company has framed a Risk Management Policy and plan for enabling the Company to identify elements of major risks as contemplated by the provisions of Section 134 of the Companies Act 2013. The Company recognizes that these risks need to be managed and mitigated to protect the interest of the stakeholders and to achieve business objectives. This risk management policy is aimed at effectively mitigating the Company's various business and operational risks, through strategic action plan.

Internal Control Systems and their Adequacy:

Your Company has in place adequate Internal Financial Controls. The Report on Internal Financial Controls issued by the Statutory Auditor is attached with the Auditor Report on the Financial Statements of the Company and it does not report any weakness. Your Board has also reviewed the internal processes, systems and the internal financial and operational controls were also tested by Grant Thornton, Internal Auditor on behalf of the Board. The Directors' Responsibility Statement contains a confirmation as regards adequacy of the internal financial and controls. For more details, please refer MD&A section.

Corporate Governance:

Your Company is committed to maintain the highest standards of the Corporate Governance and adhere to the Corporate Governance requirements as set out by SEBI. The report on Corporate Governance as stipulated under the SEBI (LODR) Regulations forms an integral part of this Report and the same is enclosed herewith as Annexure - 8. The requisite certificate from Independent Company Secretaries confirming compliances with the conditions of Corporate Governance is also attached with the Corporate Governance Report.

Management Discussion and Analysis:

The Management Discussion and Analysis (MD&A), highlighting the important aspects of the business of the Company is enclosed as Annexure 9 to this Report.

Particulars of Loans, Guarantees or Investments Under Section 186 of the Companies Act, 2013:

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013. The details of the investments made by Company have been set out in the financial statements.

Particulars of Contracts or Arrangements with Related Parties:

All Related Party Transactions with the subsidiary Companies are on an arm's length basis and were in the ordinary course of business. Information on transactions with related parties pursuant to section 134(3)(h) of Companies Act, 2013 read with rule 8(2) of Companies (Accounts) Rules, 2014 are given in Annexure-10 in form AOC-2.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

The particulars as prescribed under section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 are as follows:

a) Details of Conservation of energy

The operations of your Company do not consume high levels of energy. Nevertheless, adequate measures have been taken to conserve energy by using energy-efficient computers and related equipment with the latest technologies. Your Company is on a constant look out for newer and efficient energy conservation technologies and introduces them appropriately. As the cost of energy consumed by your Company forms a very small portion of the total costs, the impact of changes in energy cost on total costs is not significant.

b) Research and Development:

The Company has made and will continue to make, significant investments in software product research and development and related product opportunities. For fiscals 2017, 2016 and 2015, the Company spent 8.55%, 7.92% and 7.91% (as a proportion of our total expenditure) respectively on research and development. For fiscal 2018 under review, the Company had spent 8.67% (as a proportion of the total expenditure) on research and development. We believe that the industry, in which we compete, witnesses rapid technological advances in software development due to constantly evolving customer preferences and requirements. The Company believes that emphasis on R&D has enabled us to remain up-to-date with the technological developments, as well as to cater to the evolving needs of our customers.

c) Technology Absorption, Adaptation and Innovation:

Your Company realizes the importance of innovation and constant improvement in key areas of business. We are focused on driving innovation and adopting solutions in line with rapidly evolving technological trends. Our inherent culture of innovation has enabled us to develop a track record of product innovation, expand the range of our offerings and improve the delivery of our products and services. We have a dedicated team of skilled individuals with technical background and domain expertise in each of our industry verticals with a focus on evolving technologies. These teams follow a structured innovation and solutions development process and work with delivery functions to identify the key concerns of our customers and generate solutions, ideas and concepts to address such concerns.

d) Foreign exchange Earnings and Outgo:

TABLE 2

(₹ In Lakhs)

Particulars	March 31, 2018	March 31, 2017
Foreign Exchange Earnings	27885.83	21363.76
Foreign Exchange Outgo	5116.78	3957.23

Directors' Responsibility Statement:

In terms of Section 134 (5) of the Companies Act, 2013 (the "Act"), the Directors would like to state that:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- II. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of the Company for the year under review.
- III. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- IV. The Directors have prepared the annual accounts on a going concern basis.
- V. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

VI. The Directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

Number of Complaints Relating to Child Labour, Forced Labour, Involuntary Labour, Sexual Harassment in the Last Financial Year and Pending, as on the end of the Financial Year:

The Company has in place a policy on Prevention of Sexual Harassment, Prohibition and Redressal of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. Taking a step further, Newgen has formed an Internal Complaints Committee where employees can register their complaints against sexual harassment. This is supported by the Sexual Harassment Policy which ensures a free and fair enquiry process with clear timelines.

During the year under review, two complaints on sexual Harassment were reported out of which one is pending as at the end of the Financial Year 2017-18.

During the year under review, no case/ complaint was reported under Child labour/ forced labour/ involuntary labour and Discriminatory employment related matters.

Cautionary Statements:

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statements.

Appreciation:

Your Company's organisational culture upholds professionalism, integrity and continuous improvement across all functions, as well as efficient utilisation of the Company's resources for sustainable and profitable growth.

Your Board acknowledges with gratitude and places on record its appreciation for the dedication and commitment of your Company's employees at all levels which has continued to be our major strength. Your Board also thanks the shareholders, investors, customers, business partners, bankers and other stakeholders for their confidence in the Company and its management and looks forward for their continuous support.

For and on behalf of the Board of Directors

Date: May 17, 2018

Place: New Delhi

Diwakar Nigam

Chairman & Managing Director

DIN: 00263222