

Current	Previous
CMP : Rs.587	
Rating : BUY	Rating : BUY
Target : Rs.899	Target : Rs.899

(Rs Mn)	Q4FY16	Q3FY16	Q4FY15	Q/Q %	Y/Y %	INSPL Est	Var %
Sales	2,216	1,980	1,349	11.9%	64.3%	2223.35	-0.3%
EBITDA	27	-27	1	-201.1%	3958.9%	3.63	649.3%
PAT	-20	79	-56	-124.9%	-64.7%	49.3	-140.0%

## Revenue Highlights

- Q4FY16 revenue increased 64.3% Y/Y to Rs.2.21 bn (v/s Rs.1.35 bn in Q4FY15). We estimated Rs.2.22 bn of revenue in Q4FY16. The growth was primarily driven by favorable momentum in Majesco's P&C business and new customer wins. Revenue increased 11.9% Q/Q compared to Rs.1.98 bn in Q3FY15.
- During the quarter, MJCO's key geographies delivered growth – US grew by 13.6% Q/Q followed by others 3.5% Q/Q; partially offset by 1.2% Q/Q decline in UK.
- License revenue increased 43.7% Q/Q (10% of Rev) followed by Cloud (+17.1% Q/Q | 19.0% of Rev), and Professional Services (+9.9% Q/Q | 58% of Rev). During the quarter, Support (15.0% of Rev) de-grew by 2.9% Q/Q to Rs.294 mn.
- P&C business now accounts for 77% of total revenue and delivered 5.7% Q/Q growth followed by Consulting, which accounts for 12% of revenue and grew by 11.9% Q/Q. The Non-Insurance and Life & Annuities segment also grew by 14.5%/37.4% Q/Q and contributed 2%/21% to the overall Revenue.

## Profitability Highlights

- MJCO reported operating loss of Rs.10 mn (v/s Profit of Rs.55 mn in Q4FY15). The reasons for operating level loss was: (1) Salary hike - 10% offshore and 4% onsite, and (2) 59.9% Y/Y increase in SG&A expenses. This was partially offset by 32.5% Y/Y decline in other expenditure.
- As a result, the company reported positive EBITDA of Rs 27 mn (1.2% of revenue) as compared to Rs 1 mn (0.0% of revenue) in Q4FY15.
- During the quarter, Other income and finance expenditure stood at Rs.22/18 mn (v/s Rs.29/9 mn in Q4FY15).
- On account of tax expenses of Rs.30 mn and minority of -Rs.17 mn MJCO reported Net loss of Rs20 mn as compared to a net loss of 56 mn in Q4FY15.

## Operating Highlights

- The company added three new clients during the quarter resulting in a total of 17 new client wins for the fiscal year. In addition, Majesco expanded its relationship with a number of existing client accounts, including two tier 1 insurers highlighting progress with our cross sale strategy.
- 12-month backlog at t March 31, 2016 was \$71.9 million as \$63.0 million at December 31, 2015 up 14.1% reflecting strong growth momentum.
- Majesco announced its expanding partnership ecosystem with the additions of Business Agility and Splice software strengthening the portfolio of offerings to clients and cloud business model.

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## Outlook

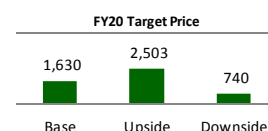
- In our view the company's performance was largely in line with our estimate. As expected the company started attracting business through cross selling. Further, MJCO'S marketing initiatives started paying results, getting good rating and recognition from top independent agencies.
- The disappointment on EBITDA and PAT front was expected on account of integration of AGILE and COVERALL.
- The overall story remains intact post consolidation MJCO has emerged as one of the leading third party insurance vendors.

## Valuations

- At CMP of Rs.587, MJCO is trading at EV/Sales of 1.2x/1.0x its FY17E/FY18E estimate. We maintain BUY with target price to Rs.899/Rs.1,632 (Valuing 2.3x/3.1x EV/Sales FY18E/FY20E) on MJCO.

Table: EV/Sales (x)

Target Price Calculation (Rs Mn)	FY15	FY16	FY17E	FY18E	FY19E	FY20E
Forward Sales	4,860	7,396	10,332	12,569	14,644	17,182
Debt (as on Q3FY16)	785	785	785	785	785	785
Cash (as on Q3FY16)	628	628	628	628	628	628
Forward Multiple (at CMP)		1.5x	1.1x	0.9x	0.8x	0.6x



	FY18E		FY20E	
	TP	Base	Upside	Downside
Multiple (x)	2.3x	3.1x	4.1x	2.4x
Rev CAGR (5Yrs)	37.3%	28.7%	32.7%	15.5%
EV	29,533	53,350	81,799	24,345
Less: Holding Co. Discount (30%)	8,860	16,005	24,540	7,304
Less: Debt	785	785	785	785
Add: Cash	628	628	628	628
<b>Shareholder Value</b>	<b>20,516</b>	<b>37,188</b>	<b>57,103</b>	<b>16,885</b>
O/Shares	22.8	22.8	22.8	22.8
<b>TP</b>	<b>899</b>	<b>1,630</b>	<b>2,503</b>	<b>740</b>

Profit & Loss Account (Consolidated)	FY15				FY16			
	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16
Income from operations	1,011	1,156	1,344	1,349	1,478	1,842	1,929	2,146
Other operating income	0	0	0	0	24	32	50.5	69.7
<b>Total Sales</b>	<b>1,011</b>	<b>1,156</b>	<b>1,344</b>	<b>1,349</b>	<b>1,502</b>	<b>1,874</b>	<b>1,980</b>	<b>2,216</b>
Q/Q Gr %	NA	14.4%	16.3%	0.4%	11.3%	24.8%	5.6%	11.9%
Y/Y Gr %	NA	NA	NA	NA	48.6%	62.1%	47.3%	64.3%
<b>Expenses</b>								
Employee benefits expense	765	782	833	935	982	1,284	1,387	1,402
Travelling and conveyance expenses	90	92	98	110	115	125	154	176
Depreciation and amortisation expens	46	47	50	56	58	41	42	38
Other expenses	248	253	270	303	319	451	466	611
<b>Total expenses</b>	<b>1148</b>	<b>1174</b>	<b>1250</b>	<b>1404</b>	<b>1,475</b>	<b>1,901</b>	<b>2048</b>	<b>2226</b>
<b>Operating Profit</b>	<b>(137)</b>	<b>(18)</b>	<b>94</b>	<b>(55)</b>	<b>27</b>	<b>(27)</b>	<b>(69)</b>	<b>(10)</b>
Other income	19	12	24	29	43	14	12	22
Finance costs	2	(0)	2	9	5	9	10	18
Exceptional items - (loss) / gain, net	-	-	-	-	(19)	(20)	(6)	(0)
<b>PBT</b>	<b>(120)</b>	<b>(5)</b>	<b>116</b>	<b>(36)</b>	<b>45</b>	<b>(42)</b>	<b>(73)</b>	<b>(7)</b>
Tax expense								
- Income tax - current					28	21		21.2
- Deferred tax charge / (credit)					1	(55)		8.9
- Total	(69)	8	31	23	28	(34)	(175)	30
<b>Net Profit</b>	<b>(52)</b>	<b>(14)</b>	<b>85</b>	<b>(59)</b>	<b>17</b>	<b>(8)</b>	<b>101</b>	<b>(37)</b>
Minority interest	-	-	-	-	1	(2)	22	(17)
India Business	3	3	3	3			-	-
<b>Net Profit</b>	<b>(49)</b>	<b>(11)</b>	<b>88</b>	<b>(56)</b>	<b>15</b>	<b>(6)</b>	<b>79</b>	<b>(20)</b>
<b>EBITDA</b>	<b>(92)</b>	<b>29</b>	<b>144</b>	<b>1</b>	<b>85</b>	<b>13</b>	<b>(27)</b>	<b>27</b>
<b>Margin %</b>	<b>-9.1%</b>	<b>2.5%</b>	<b>10.7%</b>	<b>0.0%</b>	<b>5.7%</b>	<b>0.7%</b>	<b>-1.4%</b>	<b>1.2%</b>
<b>PAT</b>	<b>-48.6</b>	<b>-10.5</b>	<b>88.1</b>	<b>-55.8</b>	<b>15.2</b>	<b>-5.8</b>	<b>79.2</b>	<b>-19.7</b>
<b>Margin %</b>	<b>-4.8%</b>	<b>-0.9%</b>	<b>6.6%</b>	<b>-4.1%</b>	<b>1.0%</b>	<b>-0.3%</b>	<b>4.0%</b>	<b>-0.9%</b>

Source: Company Filing; IndiaNivesh Research

Revenues analysis (%)	FY16				Q/Q % Ch	% of Rev
	Q1FY16	Q2FY16	Q3FY16	Q4FY16		
<b>Segment Revenue (Rs mn)</b>						
North America	1,277	1,644	1,730	1,965	13.6%	89%
UK	125	139	162	161	-1.2%	7%
Others	100	91	88	91	3.5%	4%
<b>Total</b>	<b>1,502</b>	<b>1,874</b>	<b>1,980</b>	<b>2,216</b>	<b>11.9%</b>	<b>100%</b>

**Segment Results PBTI**

North America	3	(70)	(51)	96	NM	4%
UK	17	25	76	22	-71.7%	1%
Others	(3)	(9)	9	10	11.2%	0%
<b>Total</b>	<b>18</b>	<b>(54)</b>	<b>34</b>	<b>128</b>	<b>276.7%</b>	<b>6%</b>

Vertical (Rs Mn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q/Q % Ch	% of Rev
License	131	98	156	224	43.7%	10%
Professional Services	941	1,205	1,156	1271	9.9%	57%
Cloud	265	270	365	427	17.1%	19%
Support (Maintenance)	165	301	303	294	-2.9%	13%
<b>Total</b>	<b>1,502</b>	<b>1,874</b>	<b>1,980</b>	<b>2216</b>	<b>11.9%</b>	<b>100%</b>

Service Offering (Rs Mn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q/Q % Ch	% of Rev
Property & Casualty	997	1,261	1,373	1707	24.3%	77%
Consulting	148	184	228	0	-100.0%	0%
Life & Annuities	299	370	332	456	37.4%	21%
Non-Insurance	57	59	47	54	14.5%	2%
<b>Total</b>	<b>1,502</b>	<b>1,874</b>	<b>1,980</b>	<b>2,216</b>	<b>11.9%</b>	<b>100%</b>

Clients Detail (No's)	FY16				Q/Q % Ch
	Q1FY16	Q2FY16	Q3FY16	Q4FY16	
Active Clients during the Quarter	152	155	159	164	3.1%
New Client Additions	7	3	4	5	25.0%
New Cross-Sell / Upsell to existing clients	0	3	2	1	-50.0%
Clients accounting for >5% of Revenue	5	2	2	1	-50.0%
% of Revenue - Top 5 Clients	29.7%	28.4%	26.7%	30.0%	
% of Revenue - Top 10 Clients	46.5%	43.9%	40.7%	43.0%	
Order Book (Rs Mn)	3,596	3,988	4,221	4,850	14.9%

Manpower Metrics (No's)	FY16			
	Q1FY16	Q2FY16	Q3FY16	Q4FY16
North America	1,611	1,671	1,736	1,959
UK	199	209	178	172
Asia Pacific	133	127	142	128
Domestic	85	91	96	116
Corporate Services( Including trainees)	67	66	90	90
<b>Total</b>	<b>2,095</b>	<b>2,164</b>	<b>2,242</b>	<b>2,465</b>
ONSITE	533	541	573	504
OFFSHORE	1,562	1,623	1,669	1,961
<b>Total</b>	<b>2,095</b>	<b>2,164</b>	<b>2,242</b>	<b>2,465</b>
TECHNICAL	1,903	1,967	2,031	2,251
TECHNICAL SUPPORT	77	75	80	89
MARKETING	46	55	53	83
SUPPORT	69	67	78	42
<b>Total</b>	<b>2,095</b>	<b>2,164</b>	<b>2,242</b>	<b>2,465</b>

## Financial Statements:

## Income Statement

Y E March (Rs m)	FY15	FY16	FY17e	FY18e	FY19e	FY20e
Net sales	4,860	7,396	10,332	12,569	14,644	17,182
Y/Y Ch %	-3.0	52.2	39.7	21.7	16.5	17.3
COGS	3,764	5,625	7,103	7,929	9,032	10,279
SG&A	1,075	1,847	2,752	3,072	3,499	3,982
<b>EBITDA</b>	<b>21</b>	<b>-77</b>	<b>478</b>	<b>1,568</b>	<b>2,112</b>	<b>2,920</b>
Y/Y Ch %	-97.1	-459.6	-723.3	228.4	34.7	38.2
EBITDA Margin %	0.4	-1.0	4.6	12.5	14.4	17.0
Depreciation	151	178	169	189	215	245
<b>EBIT</b>	<b>-130</b>	<b>-255</b>	<b>308</b>	<b>1,379</b>	<b>1,897</b>	<b>2,675</b>
EBIT Margin %	-2.7	-3.4	3.0	11.0	13.0	15.6
Interest	13	43	37	43	49	51
Other Income (Inc Forex)	84	267	108	119	133	135
Extra Ordinary Exps/(Income)	-	-	-	-	-	-
<b>PBT</b>	<b>-59</b>	<b>-31</b>	<b>379</b>	<b>1,455</b>	<b>1,981</b>	<b>2,760</b>
Tax	-6	-150	110	422	574	800
Effective tax rate %	10.7	479.3	29.0	29.0	29.0	29.0
<b>Reported PAT</b>	<b>-53</b>	<b>119</b>	<b>269</b>	<b>1,033</b>	<b>1,406</b>	<b>1,959</b>
Y/Y Ch %	-111.0	-325.2	126.4	283.7	36.1	39.3
Minority	-6	7	144	396	545	754
<b>Adj. PAT (APAT)</b>	<b>-47</b>	<b>112</b>	<b>126</b>	<b>638</b>	<b>861</b>	<b>1,205</b>
RPAT Margin %	-1.0	1.5	1.2	5.1	5.9	7.0
Y/Y Ch %	-109.7	-338.3	12.5	407.8	35.1	40.0

Source: Company filings; IndiaNivesh Research

## Balance Sheet

Y E March (Rs m)	FY15	FY16	FY17e	FY18e	FY19e	FY20e
Share Capital	114	115	115	115	115	115
Reserves & Surplus	2,463	2,644	2,770	3,407	4,268	5,474
<b>Net Worth</b>	<b>2,577</b>	<b>2,759</b>	<b>2,885</b>	<b>3,522</b>	<b>4,384</b>	<b>5,589</b>
Minority	657	723	867	1262	1808	2562
Long-term loans	641	919	1079	1229	1229	1229
Others	254	519	519	519	519	519
<b>Total Liabilities</b>	<b>4,129</b>	<b>4,921</b>	<b>5,350</b>	<b>6,533</b>	<b>7,940</b>	<b>9,899</b>
<b>Net Block</b>	<b>459</b>	<b>669</b>	<b>749</b>	<b>810</b>	<b>885</b>	<b>990</b>
Goodwill	1,901	1925	1925	1925	1925	1925
Long Term Inv & Others	76	131	131	131	131	131
<b>Current Assets</b>	<b>2,746</b>	<b>3,632</b>	<b>4,573</b>	<b>6,129</b>	<b>7,715</b>	<b>9,997</b>
Sundry Debtors	896	1,520	1,897	2,342	2,808	3,484
Cash & Bank Balance	1224	1272	1334	2154	3003	4280
Inventories	0	0	0	0	0	0
Others	627	840	1,343	1,634	1,904	2,234
<b>Current Liabilities</b>	<b>1,054</b>	<b>1,436</b>	<b>2,029</b>	<b>2,463</b>	<b>2,717</b>	<b>3,145</b>
Trade Payables	1,137	1,728	2,321	2,755	3,009	3,436
Provisions	-83	-292	-292	-292	-292	-292
<b>Net Current Assets</b>	<b>1,692</b>	<b>2,196</b>	<b>2,544</b>	<b>3,666</b>	<b>4,998</b>	<b>6,852</b>
<b>Total assets</b>	<b>4,128</b>	<b>4,921</b>	<b>5,350</b>	<b>6,533</b>	<b>7,939</b>	<b>9,899</b>

Source: Company filings; IndiaNivesh Research

## Cash Flow

Y E March (Rs m)	FY15	FY16	FY17e	FY18e	FY19e	FY20e
Operating Profit	-130	-255	308	1,379	1,897	2,675
Depreciation	151	178	169	189	215	245
Changes in Working Capital	343	-194	-287	-302	-482	-578
Interest Paid	-13	-43	-37	-43	-49	-51
<b>Cash Flow After Chang in WC</b>	<b>351</b>	<b>-314</b>	<b>154</b>	<b>1,223</b>	<b>1,581</b>	<b>2,292</b>
Tax	6	150	-110	-422	-574	-800
Others	84	267	108	119	133	135
<b>Cash flow from operations</b>	<b>441</b>	<b>103</b>	<b>152</b>	<b>920</b>	<b>1,139</b>	<b>1,627</b>
Capital expenditure (net)	-203	-467	-250	-250	-290	-350
<b>Free Cash Flow</b>	<b>238</b>	<b>-364</b>	<b>-98</b>	<b>670</b>	<b>849</b>	<b>1,277</b>
Other income	0	0	0	0	0	0
Investments	0	0	0	0	0	0
<b>Cash flow from investments</b>	<b>-203</b>	<b>-467</b>	<b>-250</b>	<b>-250</b>	<b>-290</b>	<b>-350</b>
Long-Term Debt (Decrease) Increase	-41	544	160	150	0	0
Dividend paid (incl tax)	0	0	0	0	0	0
Share Issue / Repurchase & Others	2	66	0	-0	0	0
<b>Cash flow from Financing</b>	<b>-39</b>	<b>610</b>	<b>160</b>	<b>150</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>	<b>199</b>	<b>246</b>	<b>62</b>	<b>820</b>	<b>849</b>	<b>1,277</b>
<b>Cash at the beginning of the year</b>	<b>1,025</b>	<b>1,026</b>	<b>1,272</b>	<b>1,334</b>	<b>2,154</b>	<b>3,003</b>
<b>Cash at the end of the year</b>	<b>1,224</b>	<b>1,272</b>	<b>1,334</b>	<b>2,154</b>	<b>3,003</b>	<b>4,280</b>

Source: Company filings; IndiaNivesh Research

## Key Ratios

Y E March	FY15	FY16	FY17e	FY18e	FY19e	FY20e
Adj. EPS (Rs)	-2.1	4.9	5.5	27.9	37.7	52.8
Cash EPS (Rs)	4.6	12.7	12.9	36.2	47.2	63.6
DPS (Rs)	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	113.0	121.0	126.5	154.4	192.2	245.0
ROCE %	-4.0	-6.9	7.8	29.0	33.8	39.2
ROE %	-1.8	4.0	4.4	18.1	19.6	21.6
EBITDA Margin %	0.4	-1.0	4.6	12.5	14.4	17.0
Net Margin %	-1.0	1.5	1.2	5.1	5.9	7.0
PER (x)	-285.1x	119.6x	106.3x	20.9x	15.5x	11.1x
P/BV (x)	5.2x	4.8x	4.6x	3.8x	3.0x	2.4x
P/CEPS (x)	127.7x	46.0x	45.3x	16.1x	12.4x	9.2x
EV/Sales (x)	2.5x	1.6x	1.2x	1.0x	0.8x	0.7x
Dividend Yield %	-	-	-	-	-	-
m cap/sales (x)	2.6x	1.7x	1.2x	1.0x	0.9x	0.7x
net debt/equity (x)	-0.2x	-0.1x	-0.1x	-0.3x	-0.4x	-0.5x
net debt/ebitda (x)	-27.3x	4.6x	-0.5x	-0.6x	-0.8x	-1.0x
Debtors (Days)	66	74	67	68	70	74
Creditors (Days)	84	84	82	80	75	73

Source: Company filings; IndiaNivesh Research