

Majesco Software and Solutions India Private Limited

Instrument	Amount (Rs. Crore)	Rating Action
Short-term fund based	30.00 (revised from Rs. 51.00 crore)	[ICRA]A2+ reaffirmed
Long/short-term non fund based	Nil (Rs. 0.50 crore)	-
Long/short-term unallocated limits	21.50	[ICRA]A-(Stable)/[ICRA]A2+ assigned

ICRA has reaffirmed the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) assigned to the Rs. 30.00 crore¹ (revised from Rs. 51.00 crore) short-term fund based limits of Majesco Software and Solutions India Private Limited (MSSIPL)². ICRA has also assigned the long-term/short-term rating of [ICRA]A- (pronounced ICRA A minus)/[ICRA]A2+ to Rs. 21.50 crore unallocated limits of the company. The outlook on the long term rating is 'Stable'.

Rating Rationale

ICRA has taken a consolidated view of Majesco Limited ('Majesco') on account of Majesco Software and Solutions India Private Limited ('MSSIPL') being a step-subsiary of Majesco Limited and offshore delivery centre for the Majesco group with the group companies being its key clients, thus there are strong financial and operational linkages between MSSIPL and its parent/group companies.

The ratings reaffirmation continues to factor in the position of Majesco as one of the leading vendors in the USA Property & Casualty (P&C) insurance market and proven track record of the management in the insurance domain with healthy client addition over the years. ICRA takes note that Majesco's suite of products for the USA P&C insurance market has been rated highly by Gartner and Celent (independent research and consulting firms). The ratings also take into account the successful integration of Cover-All Technologies, Inc & Agile Technologies, Inc into the business. The ratings also factor in the low gearing and comfortable liquidity of the company along with access to the capital markets in both India and USA in case of exigencies.

The ratings, however, continues to remain constrained by the dependence on a single vertical i.e. insurance and low single digit operating margins of the group owing to high investment in research and development (R&D) and high selling, general and administrative Expenses (SG&A) expenses. ICRA notes that continuous investment is required in product development (R&D) coupled with gestation period resulting in low profitability since product development is completely expensed out. Also, SG&A expenses remain high due to spending towards creation of Majesco brand and building sales strength. However, any product or cost overruns or delay in rollout could impact revenue growth and profitability. The ratings are further tempered by high competitive intensity in business from other players providing complete suite of policy, billing and claims in insurance solution and uncertainties over macroeconomic environment in key markets of USA and UK which could lead to lowering of IT budget resulting in demand compression and pricing pressure remain constraints. The rating also factor in the exposure to currency fluctuation, however efficient hedging policy of the company mitigates the same.

Number of insurance players in USA are still on legacy systems and their need to migrate to modern systems and cloud platform is expected to drive growth for Majesco. Sustained revenue growth and improvement in profitability in light of significant investments expected in product development and selling and distribution would remain critical going forward to maintain its credit profile. Also given the company's intent for acquisitions in future to acquire new customers and capabilities and expand its reach, funding mix for such acquisitions if any shall remain a key monitorable.

Company Profile

The company was incorporated in October, 2014 after the Board of Directors of Mastek Limited in September 2014, approved the demerger of the Insurance Products and Services business of Mastek Limited into a new

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



company to be named as Majesco Limited followed by transfer of the offshore insurance operations business by Majesco Limited to Majesco Software and Solutions India Private Limited (MSSIPL), a wholly owned subsidiary of Majesco Software and Solutions Inc (MSS Inc). Thus, the Vertical Solutions business rests with Mastek Limited while the Insurance products and Services business is housed in Majesco Limited. Majesco offers core software solutions for Property & Casualty (“P&C”), Life & Annuity (“L&A”), and Group and Employee benefits insurance carriers, to manage policy administration, claims management and billing functions. In addition, the company offers a variety of other technology-based solutions that enable organizations to automate business processes and comply with policies and regulations across their organizations.

Recent Results

As per consolidated financials, Majesco Limited reported an operating income of Rs. 757.15 crore and profit after tax of Rs. 7.31 crore during FY 2016 and an operating income of Rs. 431.20 crore and profit after tax of Rs. 8.82 crore during H1 FY2017. Majesco Software and Solutions India Private Limited reported an operating income of Rs. 208.69 crore and net loss of Rs. 0.75 crore during FY2016.

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