



IMV Equity Report: Majesco

From Research Desk

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<i>Stock</i>	<i>Industry</i>	<i>Recommendation</i>	<i>CMP</i>	<i>Targets</i>
<i>Majesco</i>	<i>Computer Software</i>	<i>Buy around 400</i>	<i>400</i>	<i>936+</i>

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Majesco : Recommendation: Buy

Majesco Ltd (MJCO) is the spin-off business unit of Mastek Ltd which got listed in NSE & BSE on 19th Aug 2015. Majesco is a core software solution provider to the US Property & Casualty/General Insurance ("P&C"), and Life, Annuities & Pensions ("L&A") insurance companies. MJCO provides services policy administration, claims management and billing and has a highly rated platform from leading US rating agencies like Gartner and Celent. The company recently got listed in NYSE after acquiring Cover-All technologies and Agile in the US. The combined entity has a revenue of US\$ 106 mn in FY15. Total 140 customers and employees 1850 insurance professionals having a global footprint in US, Canada, UK, Malaysia, Thailand and India. The company Insurance business has growth strongly in the past three years with Insurance grew at a CAGR of 22% and P&C clocked a CAGR of 36% in FY12-15. The company derives 88% revenues from US market and 6% from UK. Insurance business contributes is 96% of total business.

Stock Info	
BSE Code	539289
NSE Code	Majesco
Bloomberg	MJCO IN
CMP	400.00
Face Value	05.00
Market Cap(Cr.)	932.54
Book Value	118.42
EPS	5.41
PE Ratio	73.94
52 Week High	789.00
52 Week Low	331.00

Majesco posted a muted 2QFY17, with revenue down 4.6% QoQ in USD terms (US\$ 31.0mn vs. our estimate of US\$ 32.9mn), led by slowdown in top client. Encouraging part was robust 13.8% QoQ growth in TTM deal wins (US\$ 173.9mn) and gross margin expansion (+441 bps). IBM partnership for developing new cognitive applications on Watson is promising and will start yielding results from 4QFY17E.

The 12-month order backlog stands at US\$ 63.4mn (+11.8% QoQ). Growth will resume from 4Q led by Majesco cloud deal wins, cross-selling within tier-1 clients, IBM partnership and rising adoption of third-party software by US P&C insurance majors, notwithstanding quarterly swings.

Our positive stance on Majesco is based on (1) Strong growth in TCV and order backlog, (2) IBM partnership to give access to IBM's clients, and (3) possible turnaround in top account post US elections.

According to the management of the company, it foresees steady progress towards the execution of its growth oriented strategy outlined around market penetration, investment in solutions and platform for client successes and strategic focus on its cloud business.

Majesco sees good growth momentum in terms of new client wins, order backlog and revenue. The company is confident that its broad solution portfolio will continue to drive the growth. It would continue to focus on enhancing its capabilities and investing in its growth platform, sales and marketing going forward.

Investment Rationale

- Majesco North America contributes around 87.4% of total revenues. The company experienced strong momentum in terms of new client additions, revenue growth, successful client implementations, and growth in cloud business. It has added 16 new customer logos which is very significant in powering its market momentum and help to increase 12-month executable backlog.
- On a consolidated basis, it has reported net profit of Rs 5.21 crore in Q2 Sep 2016 compared with net loss of Rs 0.58 crore in Q2 Sep 2015. Net sales rose 12% to Rs 207.04 crore in Q2 Sep 2016 over Q2 Sep 2015.
- During the quarter, the company extended its working relationship with IBM Cloud platform that has been evolving over a number of years to provide its complete portfolio of P&C insurance software products to customers in a public cloud. Majesco offers its products on IBM.
- It has also completed the successful integration of Cover-All and Agile Technologies into Majesco business. The success was demonstrated by Majesco's client and talent retention, as well as the joint new logo wins for its newly combined offerings. As the industry consolidates, the company would continue to look for further accretive acquisition opportunities.

Conclusion

We recommend a buy in the stock of MAJESCO LTD for a Long-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs.348.00 and 52 week high of Rs.789. Buy around at 400 with the target of Rs.936.

Technical Aspect



Tuesday, 03 January 2016

On seeing daily chart, Majesco looks positive and any downside movement will be buying opportunity in it. Majesco has immediate hurdle at 410 and support at 360. Prices have recovered from bottom level of 331. It looks positive and could test 410 mark. Three consecutive closes + weekly close above 410 will see sharp upside rally in it. Chances are bright for upside move in Majesco and could test 650—710 and then to 936+ mark in near term. We'll expect positive momentum will remain continue. Majesco is trading below its 21DEMA and below 55DEMA which is at 399 and 416 respectively. Technical indicator RSI (14) is trading at 48.27 indicating an upside potential for the stock prices. Seeing technical and fundamentals we are hopeful for upside move in Majesco and likely to test our above targets in coming months.

Recommendation:

Traders can buy and accumulate

Majesco in around 400 and add more quantity in panic for the initial target of 650—710—936+.

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