

# 2018 ANNUAL REPORT



**MAJESCO**

www.majesco.com



#### FORWARD LOOKING STATEMENTS

Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as anticipate, estimate, expect, project, intend, plan, believe and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Contents

## CORPORATE OVERVIEW

- 02 Message from the Co-Founder of Majesco Limited
- 05 The Shift to Digital Insurance 2.0
- 08 Majesco : Enabling our Customers Path to Digital Insurance 2.0
- 10 Leading the Way for Growth and Innovation
- 12 About Majesco
- 14 Leadership Team
- 16 Business & Operational Highlights FY18
- 19 Company Information

## STATUTORY REPORTS

- 21 Management Discussion and Analysis
- 30 Board of Directors' Report
- 58 Corporate Governance Report

## FINANCIAL STATEMENTS

- 70 Standalone Financial Statements
- 121 Consolidated Financial Statements
- 184 Key Statistics (Consolidated)

## SHAREHOLDERS' INFORMATION

- 185 Notice of the AGM
- 193 Proxy Form
- 194 Route Map to the Venue of AGM



**Ketan Mehta**  
Co-Founder and Non-Executive Director  
of Majesco Limited

# Message from the Co-Founder of Majesco Limited

Dear Fellow Shareholders,

Fiscal 2018 was a transformative year for Majesco. While the Insurance industry has not embraced digital transformation as quickly as other industries like Retail, Banking, Travel and Hospitality, it is changing rapidly. During last year, we saw growing momentum towards digital transformation across Property & Casualty (P&C), Life & Annuity (L&A) and Group & Voluntary Benefits carriers. As a result, demand for our cloud based platform solutions increased. Majesco experienced accelerating business momentum and we increased quarterly revenue and adjusted EBITDA sequentially during the last three quarters of fiscal 2018. We ended the year with record quarterly revenues, a strong 12-month executable backlog and improving profitability. I am specifically pleased that we have made good progress in transitioning our business model towards the cloud. Cloud business as portion of our operating revenue increased from 19.3% to 29.8% during last year. As our financial results show, we have significantly improved our business execution and enhanced our competitive advantage, while the market dynamics for our platform solutions and services remained strong.

The disruption taking place in the insurance industry is creating significant opportunities for Majesco. The insurance industry is in the early stages of what we call Digital Insurance 2.0 that is underpinned to meet new customer expectations as well as new products and services to meet their unique needs. Carriers across the industry are creating innovative new business models, products and services that leverage broad ecosystems and technology innovations such as cloud computing, artificial intelligence, machine learning and new data sources. As a result of these changes, insurers are focusing on “speed to value” and looking for platform solutions that will enable them to quickly develop, “test and learn” and launch new products.

Majesco is at the forefront of the shift to Digital Insurance 2.0, and during the year we announced several new initiatives further strengthening our position as a leading platform company in the insurance industry.

We announced and released significant updates for both the Majesco P&C Core Suite and Majesco L&A and Group Core Suite providing further platform and out-of-the box digital capabilities. Moreover, we announced Majesco Digital1<sup>st</sup> Insurance, a ground-breaking digital and microservices based cloud-only platform solution set designed to enable the next era of new business models, new products and customer engagement. One important component is Majesco Digital1<sup>st</sup> EcoExchange, the next generation marketplace and partner ecosystem hub for easy integration and a true “plug and play” with traditional and InsurTech partner apps that are easy to access and use. The new microservices platform and marketplace of partners offer cutting-edge capabilities designed to rapidly develop and deploy innovative digital solutions in days rather than months or years. Insurance carriers across all tiers as well as incumbent insurer green-fields and InsurTech startups throughout the P&C and L&A and Group markets are recognizing Majesco for our leading solutions that enable growth and innovation strategies by consistently delivering “speed to value”.

During the year, I am proud to report 24 clients successfully went into production with Majesco’s solutions, many using our enhanced delivery playbook focused on quality and “speed to value”. This was demonstrated further by the year-over-year increase in Majesco’s net promoter scores (NPS) from our customers. It is a privilege to contribute to our customers’ success by providing software and services that support their tactical and strategic plans for growth, innovation and market expansion.





We are pleased with the progress of IBM partnership. Months ago, we signed one of the largest cloud deals in the industry with MetLife for digital transformation and the joint IBM and Majesco team is working together to execute this program. Our IBM partnership continues to gain momentum with a growing pipeline and we are actively pursuing several opportunities to Tier 1 and Tier 2 insurance carriers in the Life, Annuity, Group, Property and Casualty markets.

Just like our clients, Majesco has been experiencing a significant transformation in our business model to meet these new industry demands – led by our platform strategy and its meaningful increase in cloud-based revenues. For the fiscal 2018, new client wins globally included nine deals in North America, three in the India & Asia Pacific region and one in the United Kingdom. In fact, seven of Majesco's last nine IP deals in North America during FY18 have been on the cloud and four of these nine deals have been for incumbent green-fields and InsurTech start-ups. For fiscal 2018, contribution of total cloud based revenue to our operating revenue has expanded to 29.8% from 19.3% in fiscal 2017, which reflects a growth of 50.7% over last year. We expect these trends will continue as a result of the market dynamics and our leading cloud-based product offerings. During fiscal 2018, Adjusted EBITDA as a percent of revenue increased from a negative 0.7% in the first quarter to positive 9.4% for the fourth quarter. The improvement in profitability reflects the positive mix shift as a result of growing cloud-based revenues and the benefits of Majesco's financial model that is positioned to leverage fixed operating expenses.

We ended the year with a 12-month executable order backlog of \$92.6 million, which represents a 40.9% increase in dollar terms over the same period a year ago.

Delivering and delighting our customers today is the foundation for continued growth and success. It requires a fully engaged, highly energized and knowledgeable staff. I would like to thank our employees for their customer focus, teamwork and support.

On behalf of everyone at Majesco, we sincerely thank our customers for their confidence and trust. We will continue to direct our energy, innovation and effort to proving that their confidence was well placed.

I also take this opportunity to thank my fellow Board members for their guidance and support. I also want to thank you, all our shareholders including institutional investors, for your continuing support, your confidence and above all your trust.

I am enthused with our progress and excited to support our customers' transition to Digital Insurance 2.0. This transition will continue to drive opportunities to grow our business in fiscal 2019 and beyond.

Ketan Mehta  
Co-Founder and Non-Executive Director

**“Each business is a victim of Digital Darwinism, the evolution of consumer behavior when society and technology evolve faster than the ability to exploit it. Digital Darwinism does not discriminate.”**

**“Engage or Die!” Now it’s clear that businesses must also “Adapt or Die!”**

**– Brian Solis**



Brian Solis, a digital analyst and anthropologist, studies the effects of disruptive technology on business and society, calling it “digital Darwinism.” Darwinism, as noted in the Merriam Webster dictionary is “a theory that inherent dynamic forces allow only the fittest persons or organizations to prosper in a competitive environment or situation.” Solis borrowed Darwinism to describe how organizations adapt to changing customer behavior and rapidly changing technology through digital transformation, noting that the effect of digital Darwinism on business is real, and it is demonstrated through evolutionary changes in people in their views, expectations, and decision making.

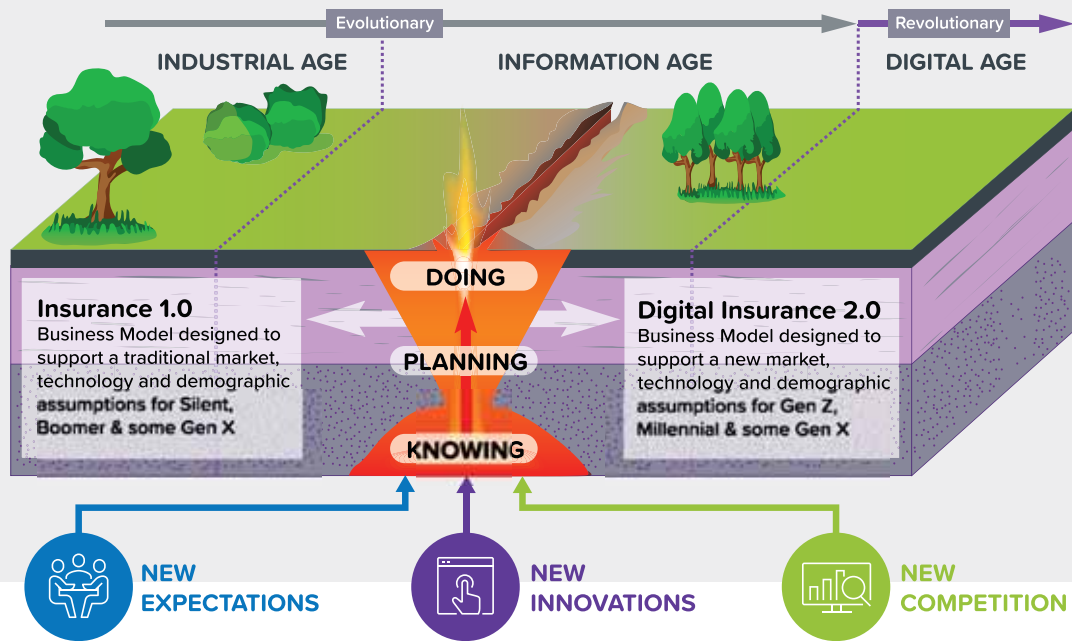
**And we are seeing it rapidly unfold in the insurance industry...**

- The \$7 trillion insurance industry is two decades late for its date with the disruption that has rocked Banking, Retail, Travel, Hospitality, Music and other industries.
- Digital companies like Amazon, Uber, Netflix, Apple and others are resetting the bar for customer engagement, resulting in Insurance facing permanent changes in customer behavior, expectations, new digital technology and a shifting of boundaries.
- The insurance industry is an opportunity so compelling that recent institutional and strategic investment exceeds \$19 billion into over 1,500 InsurTech start-up companies.
- The InsurTech companies are developing innovative business models and products that are leading the way to Digital Insurance 2.0.<sup>1</sup>
- Insurance companies investing more in technology are performing 6% better than their peers and growing twice as fast.<sup>2</sup>

The cumulative impact of the current state of insurance disruption is pressuring insurers to rapidly adapt and innovate by shifting from a decades-old business model, Insurance 1.0, to a new business model, Digital Insurance 2.0, an exemplification of “digital Darwinism.”

<sup>1</sup> “Venture Scanner Insurance Technology Startup Highlights—Q4 2017,” *Venture Scanner via Medium*, <https://medium.com/insurtech-vc/venture-scanner-insurance-technology-startup-highlights-q4-2017-4707ee42a09c>, January 17, 2018

<sup>2</sup> Macquarie

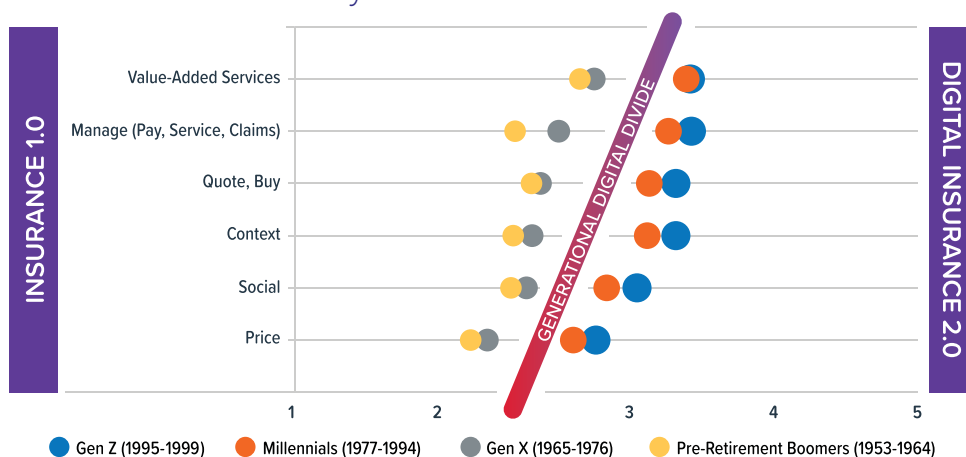


## The Shift to Digital Insurance 2.0

Nearly every insurance company, from the largest to the smallest, is talking about transforming their business for the Digital Age, recognizing that every entity and part of the insurance value chain is being challenged for its existence. Digitalization is a top priority for insurers globally. It is reshaping the business of insurance. New customer expectations, new innovations and new competition are powering a focus on growth and innovation underpinned by speed to value. This is echoed by leading industry analysts who agree that the top insurance initiatives include speed to market, customer experience, digital insurer, data and analytics, innovation and core modernization as top priorities.

Reinforcing this further, [Majesco's 2018 Strategic Priorities](#) research found that insurers who reported higher levels of growth in the past year were also much more likely to focus on strategic initiatives aimed at innovation, including developing new business models, introducing new products, and expanding channels to meet new customer expectations and a new generation of insurance buyers, all foundational areas of Digital Insurance 2.0.

### A Widening Generation Gap Between Current and Future Buyers Based on New Attributes



It's a whole new game in insurance. Digital technologies, new competitors (with vastly different business models, products and economics) and customers are rapidly embracing digital engagement approaches. They are open to new, innovative products and services, and they will disrupt, disaggregate and dislocate the insurance industry's traditional Insurance 1.0 business model.



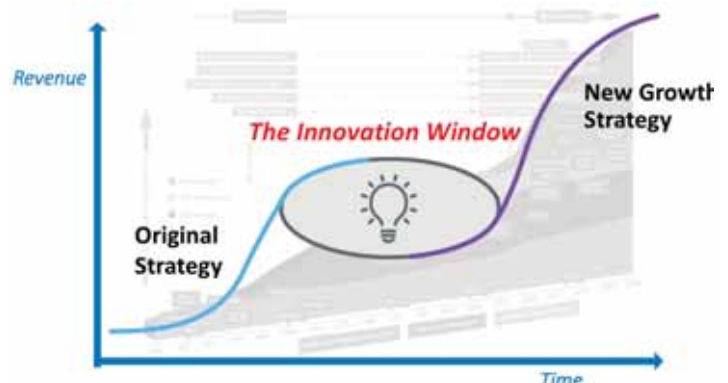


## The Shift to Growth and Innovation

In a “winner take all” digital world, rethinking outdated business assumptions and traditional business models is mandatory. Optimizing and digitizing the existing business will only get you so far. Attempting to overlay innovative new products, channels or other capabilities on an existing Insurance 1.0 business model built over the last 30+ years would be like “paving the cow path.” Legacy systems prevent incumbents from successfully delivering on Digital Insurance 2.0 thanks to their long release cycles, batch processing, difficult upgrades and increasing costs that reduce speed to value. Compounding this dilemma, many companies are hesitant to embark on a full business transformation because of the high risk due to multi-year time commitments and tens of millions of dollars in cost.

Insurers must become digital insurgents, with a Digital Insurance 2.0 business model that leverages and innovates on a new insurance business platform to find the next growth wave and winning strategy in the new game of insurance. This is represented by overlaying the classic S-Curve on Majesco’s Disruption Model, which reflects the industry disruption and shift to innovation as a means for growth. Both InsurTech startups and incumbent insurers are seeking the next S-Curve in insurance to stay relevant, survive and grow.

Survival and winning will require architecting and building a Digital Insurance 2.0 business model focused on growth and innovation. It will make today’s model obsolete. As traditional industry assumptions fall away, the future of insurance will be influenced by a new architecture for insurance systems: platforms and ecosystems. Getting out ahead of the curve is more important than ever, before the divide between Insurance 1.0 and Digital Insurance 2.0 is too large to overcome.



Source: Dave Power, “Innovation Strategy: 4 Key Tactics of Top Growth Companies,” Harvard Extension School,  
<https://www.extension.harvard.edu/professional-development/blog/innovation-strategy-4-key-tactics-top-growth-companies>



# Shifting to Platforms and EcoSystems

Since the beginning of automation, the insurance industry has seen fundamental design, architecture and technology shifts in insurance core software solutions. First, we had the monolithic solutions running on the mainframe from the 1960's to early 2000's. This was followed with the best of breed components in the early 2000's for policy, billing and claims based on J2EE and service oriented architecture, but with each system still using different business, data and technology architectures. Next, in the early 2010's, came the loosely coupled "suites," inclusive of the policy, billing and claims components but with a consistent and common business, data and technology architecture.

Yet, through these transitions, the industry maintained a product-focused business architecture view, emphasizing policy, billing and claims capabilities and with implementation primarily on-premise or in a private hosted environment, often a "pseudo cloud environment."

Today's digital shift requires cloud-based platforms which provide the great promise to address new challenges and opportunities that enable insurers to disrupt their markets before they are disrupted. This requires a new thinking of industry solutions, one that transitions from products to platforms underpinned by three key attributes: ecosystem-friendly, centered on customer experience, and enabled by cloud computing.

Recognizing that large transformation projects were waning and a platform approach would appeal to Boards as they consider the best route to deploy capital to enable change, build flexibility and mitigate risk, Majesco realigned its business strategy to provide a leading Insurance Industry Platform enabling insurance carriers to outperform with innovative, on demand digital capabilities.

Subsequently we aligned our product strategy with over \$200M in R&D investment in products, processes, people and partnerships to bring together powerful insurance platforms and ecosystems for Digital Insurance 2.0.

Majesco's portfolio of platforms is the future because platforms are the core of revolutionized business models. They combine sought-after technologies. They fit an industry that has been trying to become consumer-centric. And they are increasingly proven with over 100 customers using our next generation core systems (37 of whom are cloud customers), over 25 partners in the ecosystem, and ever-growing interest in the digital platforms.

These platforms run key business applications and services in order to match the reality and requirements of the current business environment that is characterized by constant disruption, heavy competition and growing market demands, including untapped markets with under- or unmet needs.

Incumbents with outdated technologies are at a huge disadvantage because they are unable to respond with the flexibility, agility and speed that has become the hallmark of Digital Insurance 2.0 companies.

Fundamentally, to succeed in the digital age, an insurer's strategy must focus on the following attributes:

- Customer experience and engagement is priority #1
- Business innovation is mandatory
- Ecosystems extend value
- Speed to value is the differentiator



# The path to Digital Insurance 2.0 will enable insurers to:



Accelerate digital transformation to become digital era market leaders



Optimize the customer journey with deeper, personalized engagement



Accelerate innovation with new business models and products



Accelerate ecosystem opportunities and value



Avert disruption or extinction by new competition within and outside the industry

Majesco's platform strategy brings together powerful platforms to create your path to Digital Insurance 2.0

## Majesco: Enabling our Customers Path to Digital Insurance 2.0

Each insurer's path to cloud-based Digital Insurance 2.0 platforms will evolve differently, whether they be incumbents, startups or greenfields. Being open to operationalize around the cloud platform's promise as a new business model paradigm acknowledges the role innovation will continue to play as insurers encounter future insurance ecosystems.

While the software platform solutions are critical, the implementation is equally important, with a focus on speed to value. Majesco's enhanced Delivery Playbook incorporated emerging best practices and approaches that enabled acceleration of implementations, while ensuring quality, changing the paradigm to achieve speed to value in months versus years.

**Majesco platforms, processes, people and ecosystem are at the forefront of this shift, providing growth, innovation and value to our customers, including:**

- Realization of a digital operating business model
- Optimization of the customer journey with deeper, personalized engagement
- Acceleration of innovation with new business models and products
- Leveraging "test and learn" platform capabilities to rapidly evaluate new ideas
- Extending business value with ecosystem capabilities and opportunities



### Homesite Insurance – Novarica Impact Award for Digital Initiative

Homesite was selected for a 2017 Novarica Impact Award for the Digital Initiative category. Homesite Insurance launched a sales portal with Majesco CloudInsurer using Majesco Policy for P&C and Majesco Billing core systems. The initiative was completed in a little over a year, enabled product bundling, delivered up to 40% premium cost savings to customers, and facilitated expansion for other lines of business to support their growth strategy. Selection for this recognition was made by members of the Novarica Insurance Technology Research Council, a knowledge-sharing group of hundreds of insurer CIOs.

"We are honored to be recognized for the Novarica Impact Award for Digital Initiative. Providing innovative, best-in-class digital customer engagement is crucial in today's small business marketplace. Our continued expansion to a multi-line business on the Majesco CloudInsurer platform has been key to our growth strategy, helping us keep pace with customer demands, launch of innovative products and services and operational excellence. We look forward to continuing our partnership with Majesco to continue to deliver on this strategy."

- Dustin Hubbard, Vice President, Commercial IT for Homesite