

Newgen Software– Recommended Stock – Sell Call

Dear Investors,

We had recommended Newgen Software as a BUY on 16 October 2025 at a price of 877, with a 12-month investment horizon and a target price of 1,150, implying an upside potential of ~31%. Following a healthy Q2FY26 performance, the stock rallied sharply to around price of 1,040, delivered a return of ~18.8% within two weeks of our recommendation.

However, post the Q3FY26 results and subsequent management commentary, we have reassessed our investment thesis and revised our stance to SELL. The company's Q3FY26 performance was materially below both our expectations and management's own guidance, with revenue remaining flat on a QoQ basis and growing only ~5% YoY. Management highlighted that recent wins in mature markets, particularly the US, are predominantly subscription-led, resulting in delayed revenue recognition. In contrast, India and Middle East markets typically provide faster P&L conversion through upfront license deals. Unfortunately, management acknowledged that large license deal closures in India and EMEA remain unresolved, with continued uncertainty and fewer large deal wins compared to last year, leading to slower-than-expected revenue growth.

Additionally, management indicated that even where deal momentum exists, subscription-heavy contracts can take one to two quarters to meaningfully reflect in reported revenues. This is compounded by a broader industry-level slowdown in customer decision-making, as enterprises reassess technology spending amid increasing evaluation of AI-led in-house deployments. **Given the persistence of execution uncertainty, delayed revenue recognition and subdued near-term growth visibility, we advise investors to SELL and book losses at the closing price of 629 as of 20 January 2025, which is ~28% below our initial recommended buy price.**

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team