

Majesco  
Form 10-Q  
November 07, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-37466

**Majesco**

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(Exact Name of Registrant as Specified in Its Charter)

**California**

**77-0309142**

(State or other jurisdiction of

(IRS Employer

incorporation or organization)

Identification No.)

**412 Mount Kemble Ave., Suite 110C**

**07960**

**Morristown, NJ**

(Zip code)

(Address of principal executive offices)

**(973) 461-5200**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐  
Non-accelerated filer ☒ Smaller reporting company ☒  
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at October 30, 2018</b>
Common Stock, \$0.002 par value per share	36,665,737 shares

**MAJESCO**

**INDEX TO FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****Majesco and Subsidiaries****Consolidated Balance Sheets (Unaudited)****(All amounts are in thousands of US Dollars except share data and as stated otherwise)**

	September 30, 2018	March 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,315	\$ 9,152
Short term investments	2,743	-
Restricted cash	48	53
Accounts receivable, net	18,051	19,103
Unbilled accounts receivable	10,144	9,997
Prepaid expenses and other current assets	10,030	9,494
Total current assets	53,331	47,799
Property and equipment, net	2,261	2,755
Intangible assets, net	5,473	6,535
Deferred income tax assets	7,615	7,171
Other assets	54	50
Goodwill	32,216	32,216
Total Assets	\$ 100,950	\$ 96,526
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Loan from bank	\$ 4,834	\$ 5,269
Current maturities of long term loan	3,333	3,333
Accounts payable	2,960	2,353
Accrued expenses and other current liabilities	25,640	22,032
Software hire purchase obligations	69	203
Deferred revenue	10,999	12,201
Total current liabilities	47,835	45,391
Term loan – bank	3,333	5,000
Vehicle loan	91	34
Other liabilities	1,634	928
Total Liabilities	\$ 52,893	\$ 51,353

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Commitments and contingencies

STOCKHOLDERS' EQUITY

Preferred stock, par value \$0.002 per share – 50,000,000 shares authorized as of September 30, 2018 and March 31, 2018, no shares issued and outstanding as of September 30, 2018 and March 31, 2018	\$ -	\$ -
Common stock, par value \$0.002 per share – 450,000,000 shares authorized as of September 30, 2018 and March 31, 2018; 36,654,488 shares issued and outstanding as of September 30, 2018 and 36,600,457 shares issued and outstanding as of March 31, 2018	73	73
Additional paid-in capital	76,650	75,022
Accumulated deficit	(26,418 )	(30,283 )
Accumulated other comprehensive (loss) income	(2,248 )	361
Total Stockholders' Equity	48,057	45,173
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 100,950	\$ 96,526

See accompanying notes to the Consolidated Financial Statements.

**Majesco and Subsidiaries****Consolidated Statements of Operations (Unaudited)****(All amounts are in thousands of US Dollars except per share data and as stated otherwise)**

	<b>Three</b>	<b>Three</b>	<b>Six</b>	<b>Six</b>
	<b>Months</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>30,</b>	<b>30,</b>	<b>30,</b>	<b>30,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	\$ 34,039	\$ 30,347	\$ 67,588	\$ 58,269
Cost of revenue	16,971	16,738	34,441	32,754
Gross profit	\$ 17,068	\$ 13,609	\$ 33,147	\$ 25,515
Operating expenses				
Research and development expenses	\$ 4,664	\$ 4,206	\$ 9,486	\$ 8,135
Selling, general and administrative expenses	9,456	10,432	18,947	20,745
Total operating expenses	\$ 14,120	\$ 14,638	\$ 28,433	\$ 28,880
Income/(Loss) from operations	\$ 2,948	\$ (1,029)	) \$ 4,714	\$ (3,365)
Interest income	19	8	25	13
Interest expense	(104)	) (146)	) (228)	) (267)
Other income (expenses), net	430	-	609	(43)
Gain on reversal of accrued contingent liability	835	-	835	-
Income /(Loss) before provision for income taxes	\$ 4,128	\$ (1,167)	) \$ 5,955	\$ (3,662)
(Benefit)/Provision for income taxes	1,299	(451)	) 2,091	(1,296)
Net Income/(Loss)	\$ 2,829	\$ (716)	) \$ 3,864	\$ (2,366)
Earnings (Loss) per share:				
Basic	\$ 0.08	\$ (0.02)	) \$ 0.11	\$ (0.06)
Diluted	\$ 0.07	\$ (0.02)	) \$ 0.10	\$ (0.06)
Weighted average number of common shares outstanding				
Basic	36,634,019	36,527,666	36,617,505	36,518,768
Diluted	38,664,803	36,527,666	38,936,340	36,518,768

See accompanying notes to the Consolidated Financial Statements.



**Majesco and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Unaudited)**

**(All amounts are in thousands of US Dollars)**

	Three Months ended September 30, 2018	Three Months ended September 30, 2017	Six Months ended September 30, 2018	Six Months ended September 30, 2017
Net Income/(Loss)	\$ 2,829	\$ (716	) \$ 3,864	\$ (2,366 )
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(658 )	107	(1,238 )	296
Unrealized gains on cash flow hedges	(712 )	(134 )	(1,371 )	(125 )
Other comprehensive income/(loss)	\$ (1,370 )	\$ (27 )	\$ (2,609 )	\$ 171
Comprehensive Income/(Loss)	\$ 1,459	\$ (743	) \$ 1,255	\$ (2,195 )

See accompanying notes to the Consolidated Financial Statements.

**Majesco and Subsidiaries****Consolidated Statements of Cash Flows (Unaudited)****(All amounts are in thousands of US Dollars)**

	Six Months ended September 30, 2018	Six Months ended September 30, 2017
Net cash flows from operating activities		
Net income/(loss)	\$ 3,864	\$ (2,366 )
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Depreciation on property and equipment	791	1,145
Amortization of intangibles	1,047	1,419
Stock-based compensation	1,351	1,432
Profit on sale of assets	(4 )	(13 )
Deferred income taxes	(444 )	(3,332 )
Change in Assets and Liabilities:		
Decrease / (increase) in accounts receivable, billed and unbilled	(21 )	(4,878 )
Decrease / (increase) in prepaid expenses and other current assets	(1,236 )	(1,168 )
Decrease / (increase) in other non-current assets	(10 )	192
Increase / (decrease) in accounts payable	635	(351 )
Increase / (decrease) in accrued expenses and other liabilities	3,108	1,970
(Increase) / decrease in deferred revenue and other non-current liabilities	(623 )	(90 )
<b>Net cash provided/(used) by operating activities</b>	<b>\$ 8,458</b>	<b>\$ (6,040 )</b>
Net cash flows from investing activities		
Purchase of property and equipment	\$ (482 )	\$ (597 )
Proceeds from the sale of property and equipment	(5 )	(286 )
Proceeds from sale of tangible assets	57	35
Proceeds of investments	(14,757 )	(13,549 )
Proceeds from sale of investments	12,014	13,688
Net cash used by investing activities	\$ (3,173 )	\$ (709 )
Net cash flows from financing activities		
Payment of capital lease obligations	\$ (134 )	\$ (263 )
Repayment of term loans	(1,667 )	-
Repayment of working capital loan	(30,953 )	(40,944 )
Net proceeds of working capital loan	30,575	46,379
Net cash (used) / provided by financing activities	\$ (2,179 )	\$ 5,172
Effect of foreign exchange rate changes on cash and cash equivalents	57	210
Net increase / (decrease) in cash and cash equivalents	\$ 3,163	\$ (1,367 )
Cash and cash equivalents, beginning of the period	9,152	11,635

Cash and cash equivalents at end of the period	\$ 12,315	\$ 10,268
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See accompanying notes to the Consolidated Financial Statements.

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## **Majesco and Subsidiaries**

### **Notes to Consolidated Financial Statements (Unaudited)**

**(All amounts are in thousands of US Dollars except per share data and as stated otherwise)**

#### **1.DESCRPTION OF BUSINESS**

Majesco (“Majesco” or the “Company”) is a global provider of core insurance platform solutions, consulting services and other insurance solutions for business transformation for the insurance industry. Majesco offers core insurance platform solutions for property and casualty/general insurance (“P&C”), and life, annuities, pensions and group/benefits (“L&A and Group”) providers, enabling them to automate and manage business processes across the end-to-end insurance value chain and comply with policies and regulations across their organizations. In addition, Majesco offers a variety of other technology-based solutions for distribution management, digital, data and cloud. Our consulting service solutions provide enterprise consulting, applications development management and testing for insurers. Our portfolio of solutions enable our customers to respond to evolving market needs, growth and innovation opportunities and regulatory changes, which enables agility, innovation and speed while improving the effectiveness and efficiency of their business operations.

Majesco’s customers are insurers, managing general agents and other risk providers from the P&C, L&A and Group insurance segments worldwide. Majesco delivers proven platform solutions for policy, rating, underwriting, billing, claims, distribution management, digital and data and analytics as well as consulting services for enterprise consulting, digital, data, testing and application development and maintenance.

Majesco, along with its subsidiaries (hereinafter referred to collectively as the “Group”), operates in the United States, Canada, Mexico, the United Kingdom, Malaysia, Singapore, Thailand and India.

#### **2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a.Basis of Presentation**

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933, as amended. The

March 31, 2018 consolidated balance sheet was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 filed with the U.S. Securities and Exchange Commission (the “SEC”) on June 22, 2018 (the “Annual Report”), but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments, consisting only of normal recurring adjustments except as otherwise noted, considered necessary for a fair statement of results of operations and financial position have been included. The results for the interim periods presented are not necessarily indicative of the results expected for any future period. The following information should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report.

Mastek Ltd. maintained benefit and stock-based compensation programs at the parent company level. After the demerger from Mastek Ltd., which became effective on June 1, 2015, the Group employees who participated in those programs were allotted options of Majesco’s parent company, Majesco Limited, in the same proportion in addition to the existing options of Mastek Ltd., which these employees already had. The consolidated balance sheets do not include any outstanding equity related to the stock-based compensation programs of Mastek Ltd., but include outstanding equity related to the equity-based compensation programs of Majesco Limited.

## **b. Significant Accounting Policies**

For a description of all significant accounting policies, see Note 2, Summary of Significant Accounting Policies, of the notes to the consolidated financial statements included in our Annual Report. There have been no material changes to our significant accounting policies since the filing of the Annual Report.

## **c. Principles of Consolidation**

The Group's consolidated financial statements include the accounts of Majesco and its wholly-owned subsidiaries, Cover-All Systems, Inc., Majesco Canada Ltd., Majesco Software and Solutions Inc. ("MSSI"), Majesco Sdn. Bhd., Majesco UK Limited, Majesco (Thailand) Co., Ltd., Majesco Software and Solutions India Private Limited ("MSSIPL") and Majesco Asia Pacific Pte Ltd. as of September 30, 2018. All material intercompany balances and transactions have been eliminated in consolidation.

## **d. Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, income taxes, goodwill, and stock-based compensation.

## **3. RECENT ACCOUNTING PRONOUNCEMENTS**

### ***Recent Accounting Developments***

#### **Accounting for Leases (Topic 842)**

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The standard will become

effective for the Company beginning April 1, 2019. Based on its current assessment, the Company does not expect the adoption of this update to have a material impact on its consolidated financial statements.

### **Simplifying the Test for Goodwill Impairment (Topic 350)**

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, “Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which removes the requirement for an entity to calculate the implied fair value of goodwill (as part of step 2 of the current goodwill impairment test) in measuring a goodwill impairment loss. The standard will be effective for the Company beginning April 1, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Based on its current assessment, the Company does not expect the adoption of this update to have a material impact on its consolidated financial statements.

### **Income Statement, Reporting Comprehensive Income (Topic 220): Reclassification of Certain Effects from Accumulated Other Comprehensive Income**

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement, Reporting Comprehensive Income (Topic 220): Reclassification of Certain Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”), which allows a reclassification of stranded tax effects from accumulated other comprehensive income to retained earnings, as a result of the Tax Cuts and Jobs Act. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard for its 2020 fiscal year and subsequent periods.

## Emerging Growth Company

We are an “emerging growth company” and “smaller reporting company” under the federal securities laws and are subject to reduced public company reporting requirements. In addition, Section 107 of the Jumpstart Our Business Startups Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have taken advantage of the extended transition period for complying with new or revised accounting standards. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group’s financial instruments consist primarily of cash and cash equivalents, short term investments in time deposits, restricted cash, accounts receivable, unbilled accounts receivable, accounts payable and accrued liabilities. The carrying amounts of cash and cash equivalents, short term investments in time deposits, restricted cash, accounts receivable, unbilled accounts receivable, accounts payable and accrued liabilities as of the reporting date approximate their fair market value due to the relatively short period of time of original maturity tenure of these instruments.

### *Basis of Fair Value Measurement*

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The current accounting guidance for fair value measurements defines a three-level valuation hierarchy for disclosures as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.



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Level 3: Unobservable inputs that are supported by little or no market activity, which require the Group to develop its own assumptions.

The following table sets forth the financial assets, measured at fair value, by level within the fair value hierarchy as of September 30, 2018 and March 31, 2018:

	As of	
	September 30, 2018	March 31, 2018
Assets		
Level 2		
Derivative financial instruments (included in the following line items in the Consolidated Balance Sheets)		
Prepaid expenses and other current assets	\$ 1	\$ 194
Other assets	1	46
Other liabilities	(639 )	(17 )
Accrued expenses and other liabilities	(1,201 )	(127 )
	\$ (1,838 )	\$ 96
Level 3		
Contingent consideration		
Accrued expenses and other liabilities	\$ -	\$ (835 )
	\$ -	\$ (835 )
Total	\$ (1,838 )	\$ (739 )

The following table presents the change in level 3 instruments:

	As of and for the three months ended	
	September 30, 2018	September 30, 2017
Opening balance	\$ (835 )	\$ (774 )
Additions	-	-
Total gain/(losses) recognized in Statement of Operations	835	(19 )
Settlements	-	-
Closing balance	\$ -	\$ (793 )

	As of and for the six months ended	
	September 30, 2018	September 30, 2017
Opening balance	\$ (835 )	\$ (756 )
Additions	-	-
Total gain/ (losses) recognized in Statement of Operations	835	(37 )
Settlements	-	-
Closing balance	\$ -	\$ (793 )

Contingent consideration pertaining to the acquisition of the consulting business of Agile Technologies, LLC, a New Jersey limited liability company (“Agile”), as of December 31, 2015 has been classified under level 3 as the fair valuation of such contingent consideration and has been calculated using one or more of the significant inputs which are not based on observable market data. The fair value of the contingent consideration was estimated using a discounted cash flow technique with significant inputs that are not observable in the market. The significant inputs not supported by market activity included the Group’s probability assessments of expected future cash flows related to its acquisition of the consulting business of Agile during the earn-out period, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the asset purchase agreement (the “Agile Agreement”) dated December 12, 2014, as amended on January 26, 2016.

The total gain/(losses) attributable to changes in the estimated contingent consideration payable for the acquisition of the consulting business of Agile were \$835 and \$835 for the three and six months ended September 30, 2018 and \$(79) for the fiscal year ended March 31, 2018. The Group paid \$1,100 to Agile as earn-out consideration in the fiscal year ended March 31, 2018. The Group paid \$1,100 to Agile as earn-out consideration in the fiscal year ended March 31, 2017.

During the quarter ended September 30, 2018, the Company and the promoters of Agile determined that the final earn-out targets under the Agile Agreement would not be met and that no further contingent consideration would therefore be due under the Agile Agreement. Accordingly, the accrued outstanding balance has been reversed in the

income statement during the period ended September 30, 2018.

We use foreign currency forward contracts and par forward contracts to hedge our risks associated with foreign currency fluctuations related to certain commitments and forecasted transactions. The use of hedging instruments is governed by our policies which are approved by our Board of Directors. We designate these hedging instruments as cash flow hedges. Derivative financial instruments we enter into that are not designated as hedging instruments in hedge relationships are classified as financial instruments at fair value in the statement of operations.

The fair value of derivative financial instruments is determined based on observable market inputs and valuation models. The derivative financial instruments are valued based on valuations received from the relevant counter-party (i.e., bank). The fair value of the foreign exchange forward contract and foreign exchange par forward contract not valued by a bank has been determined as the difference between the forward rate on the reporting date and the forward rate on the original transaction, multiplied by the transaction's notional amount (with currency matching).

## 5. software HIRE purchase agreements

The Group acquired software under a hire purchase arrangement which is stated at the present value of the minimum installment payments. The gross stated amount for such software is \$430 and \$430 and related accumulated depreciation is \$150 and \$107, respectively, as of September 30, 2018 and March 31, 2018.

Depreciation expenses in respect of assets held under hire purchase were \$22 and \$43 for the three and six months ended September 30, 2018, compared to \$43 and \$0 for the three and six months ended September 30, 2017.

The following is a schedule of the future minimum installment payments under hire purchase, together with the present value of the net minimum installment payments as of September 30, 2018.

Period ended September 30,	Amount
2019	\$ 70
Total minimum installment payments of hire purchase	\$ 70
Less: Interest portion	1
Present value of net minimum installments of hire purchase	\$ 69

## 6. BORROWINGS

### MSSIPL Facilities

On June 30, 2015, the Group's subsidiary, MSSIPL, entered into a secured Pre Shipment in Foreign Currency and Post Shipment in Foreign Currency ("PCFC") facility with Yes Bank under which MSSIPL may request three months pre-export advances and advances against export collection bills. The maximum borrowing limit was initially 300 million Indian rupees. The interest rate on this PCFC facility was initially three months LIBOR plus 275 basis points. The interest rate on this PCFC facility is determined at the time of each advance. This PCFC facility is secured by a first pari passu charge over the current assets of MSSIPL. Excess outstanding beyond 100 million Indian rupees is to be backed by 100% fixed deposit receipts in MSSIPL or Majesco Limited. On September 27, 2016, MSSIPL extended this PCFC facility to June 17, 2017.

On September 13, 2017, MSSIPL entered into an addendum facility letter (the "2017 Addendum") to its addendum facility letter dated September 27, 2016 with respect to the PCFC facility with Yes Bank dated June 30, 2015. The 2017 Addendum further extended the maturity date of the PCFC facility to May 22, 2018 and reduced the maximum

borrowing limit from 300 million Indian rupees to 130 million Indian rupees, or approximately \$1,793 based upon the exchange rate on September 30, 2018. In addition, the 2017 Addendum also amended the interest rate of the PCFC facility to LIBOR plus 150 basis points plus 2%. The interest rate on the PCFC facility is determined at the time of each advance. There is no outstanding balance against this loan as of September 30, 2018. The Group did not extend the term of this facility.

On May 9, 2017, MSS IPL and Standard Chartered Bank entered into an Export Invoice Financing Facility, Working Capital Overdraft Facility, Short Term Loans Facility, Bonds and Guarantees Facility and Pre Shipment Financing Under Export Orders Facility (collectively, the “Combined Facility”) pursuant to which Standard Chartered Bank agreed to a Combined Facility of up to 200 million Indian rupees (or approximately \$2,917 based upon the exchange rate on September 30, 2018). The Export Invoice Financing Facility is for the financing of MSS IPL’s sale of goods, as evidenced by MSS IPL’s invoice to the customer. Each amount drawn is required to be repaid within 90 days. The interest on this facility is based on the marginal cost of funds based lending rate (“MCLR”) plus a margin to be agreed with Standard Chartered Bank at the time of each drawdown. The MCLR is to be determined on the date of each disbursement and be effective until repayment or maturity date. Interest will accrue from the utilization date to the date of repayment or payment of that utilization. The Working Capital Overdraft Facility and the Short Term Loans Facility are for working capital purposes and subject to sub-limits. The interest on these facilities is based on the MCLR plus a margin to be agreed with Standard Chartered Bank at the time of each borrowing. The MCLR is to be determined on the date of each disbursement and be effective until repayment or maturity. Interest will accrue from the draw down date up to the repayment or maturity date. The Bonds and Guarantees Facility is for the issuance of guarantees and subject to commissions as agreed with Standard Chartered Bank from time to time. The Pre Shipment Financing Under Export Orders Facility is for the purchase of raw material, processing, packing, transportation, warehousing and other expenses and overheads incurred by MSS IPL to ready goods for sale. The interest on this facility is based on the MCLR plus a margin to be agreed with Standard Chartered Bank at the time of each borrowing. The MCLR is to be determined on the date of utilization and be effective until repayment. Interest will accrue from the utilization date up to the repayment date.

The interest under the Combined Facility may be changed by Standard Chartered Bank upon the occurrence of certain market disruption events. The Combined Facility is secured by a first pari passu security interest over the current assets of MSS IPL. MSS IPL was in compliance under the terms of this Combined Facility as of September 30, 2018.

There are no outstanding loans under this Combined Facility as of September 30, 2018.

### **Term Loan Facility**

On March 23, 2016, Majesco entered into a Loan Agreement (the “Loan Agreement”) with HSBC pursuant to which HSBC agreed to extend loans to Majesco in the amount of up to \$10,000 and Majesco issued a promissory note to HSBC in the maximum principal amount of \$10,000 or any lesser amount borrowed under the Loan Agreement (the “Note”, and together with the “Loan Agreement”, the “Facility”). The outstanding principal balance of the loan bears interest based on LIBOR plus a margin in effect on the first day of the relevant interest period. Until January 1, 2018, only interest was payable under the loan. Commencing on January 1, 2018, and on each January 1 and July 1 thereafter until July 1, 2020, installments of principal in the amount of \$1,667 will be due and payable semi-annually. All principal and interest outstanding under the Note is due and payable on March 1, 2021. The Facility is unsecured and supported by a letter of credit issued by a bank of \$10,000, which is secured by a cash pledge of the Group’s parent company, Majesco Limited. As of September 30, 2018, the Group had \$6,667 outstanding under this Facility. As of September 30, 2018, the Group was in compliance with the terms of this Facility.

The Facility contains affirmative covenants that require Majesco to furnish financial statements to HSBC and cause Majesco Limited to maintain (1) a Net Debt-to-EBITDA Ratio (as defined in the Loan Agreement) of not more than (a) 5.00 to 1.00 as of the last day of its 2017 fiscal year and (b) 2.50 to 1.00 as of the last day of each fiscal year thereafter, and (2) a Debt Service Coverage Ratio (as defined in the Loan Agreement) of not less than 1.50 to 1.00 as of the last day of each fiscal year. The Facility contains restrictive covenants on Majesco, including restrictions on declaring or paying dividends upon and during the continuation of an event of default, incurring additional indebtedness, selling material portions of its assets or undertaking other substantial changes to the business, purchasing or holding securities for investment, and extending credit to any person outside the ordinary course of business. The Facility also restricts any transfer or change in, or assignment or pledge of the ownership or control of Majesco which would cause Majesco Limited to directly own less than 51% of the issued and outstanding equity interests in Majesco. The Facility also restricts Majesco Limited from incurring any Net Debt (as defined in the Loan Agreement) in excess of \$25,000 at any time prior to April 1, 2017. The Facility also contains a customary events of default provision and indemnification provisions whereby Majesco will indemnify HSBC against all losses or damages related to the Facility; provided, however, that Majesco shall not have any indemnification obligations to HSBC for any claims caused by HSBC’s gross negligence or willful misconduct. Majesco used the loan proceeds to repay existing indebtedness and for capital expenditures, working capital and other general corporate purposes.

## **Receivable Purchase Facility**

On January 13, 2017, Majesco and its subsidiaries MSSI and Cover-All Systems jointly and severally entered into a Receivable Purchase Agreement with HSBC pursuant to which HSBC may advance funds against receivables at an agreed advance rate. The outstanding aggregate amount of all advances may not exceed a \$10,000 facility limit. The facility bears interest at two (2%) per cent plus the ninety (90) day LIBOR rate. HSBC will also receive an arrangement fee equal to 0.20% of the facility limit and a facility review fee equal to 0.20% of the facility limit. Majesco will serve as HSBC's agent for the collection of receivables, and Majesco will collect and otherwise enforce payment of the receivables. HSBC has a security interest in accounts of MSSI and Cover-All Systems. The term of the Receivable Purchase Agreement is for a minimum period of twelve (12) months and shall continue unless terminated by either party. Either party may terminate the Receivable Purchase Agreement at any time upon sixty (60) days' prior written notice to the other party. The Receivable Purchase Agreement will provide additional liquidity to the Group for working capital and other general corporate purposes. As of September 30, 2018, Majesco had \$4,814 outstanding under this facility. Majesco used proceeds from this facility repay existing indebtedness and for capital expenditures, working capital and other general corporate purposes.

## Auto loan

MSSIPL has obtained an auto loan from HDFC Bank for the purchase of a vehicle. This loan is secured by the hypothecation of the vehicle. The outstanding balance of the auto loan as of September 30, 2018 is \$110.

## 7.DERIVATIVE FINANCIAL INSTRUMENTS

The following table provides information of fair values of derivative financial instruments:

	Asset		Liability	
	Noncurrent*	Current*	Noncurrent*	Current*
As of September 30, 2018				
Designated as Cash Flow Hedges				
Foreign exchange forward contracts	\$ 1	\$ 1	\$ 639	\$ 1,201
Total	\$ 1	\$ 1	\$ 639	\$ 1,201
As of March 31, 2018				
Designated as Cash Flow Hedges				
Foreign exchange forward contracts	\$ 46	\$ 194	\$ 17	\$ 127
	\$ 46	\$ 194	\$ 17	\$ 127

The noncurrent and current portions of derivative assets are included in 'Other assets' and 'Prepaid expenses and other current assets,' respectively, and the noncurrent and current portions of derivative liabilities are included in 'Other liabilities' and 'Accrued expenses and other current liabilities,' respectively, in our consolidated balance sheet.

## Cash Flow Hedges and Other Derivatives

We use foreign currency forward contracts and par forward contracts to hedge our risks associated with foreign currency fluctuations related to certain commitments and forecasted transactions. The use of hedging instruments is governed by our policies which are approved by our Board of Directors. We designate these hedging instruments as cash flow hedges. Derivative financial instruments we enter into that are not designated as hedging instruments in hedge relationships are classified as financial instruments at fair value in the statement of operations.



The aggregate contracted USD notional amounts of the Group's foreign exchange forward contracts (sell) outstanding amounted to \$31,975 and \$18,250 as of September 30, 2018 and March 31, 2018, respectively. The aggregate contracted Great Britain Pound ("GBP") notional amounts of the Group's foreign exchange forward contracts (sell) outstanding amounted to GBP 525 and GBP 1,155 as of September 30, 2018 and March 31, 2018, respectively.

The outstanding forward contracts as of September 30, 2018 mature between one month and 36 months. As of September 30, 2018, the Group estimates that \$(1,303), net of tax, of the net (loss)/gains related to derivatives designated as cash flow hedges recorded in accumulated other comprehensive income (loss) is expected to be reclassified into earnings within the next 36 months.

The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

The following table provides information on the amounts of pre-tax gains/(losses) recognized in and reclassified from Accumulated Other Comprehensive Income (“AOCI”) of derivative instruments designated as cash flow hedges:

	Amount of Gain/(Loss) recognized in AOCI (effective portion)	Amount of Gain/(Loss) reclassified from AOCI to Statement of Operations (Revenue)
For the six months ended September 30, 2018		
Foreign exchange forward contracts	\$ (1,675 )	\$ (259 )
Total	\$ (1,675 )	\$ (259 )
For the six months ended September 30, 2017		
Foreign exchange forward contracts	\$ (112 )	\$ (78 )
Total	\$ (112 )	\$ (78 )

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income by component were as follows:

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Before tax	Tax effect	Net of Tax	Before tax	Tax effect	Net of Tax
Other comprehensive income						
Foreign currency translation adjustments						
Opening balance	\$(287 )	\$ -	\$(287 )	\$(155 )	\$ -	\$(155 )
Change in foreign currency translation adjustments	(658 )	-	(658 )	106	-	106
Closing balance	\$(945 )	\$ -	\$(945 )	\$(49 )	\$ -	\$(49 )
Unrealized gains/(losses) on cash flow hedges						
Opening balance	\$(833 )	\$ 35	\$(798 )	\$ 103	\$(35 )	\$ 68
Unrealized gains/(losses) on cash flow hedges	(807 )	443	(364 )	(147)	50	(97 )
Reclassified to Revenue	(198 )	57	(141 )	(57 )	20	(37 )
Net change	\$(1,005 )	\$ 500	\$(505 )	\$(204 )	\$ 70	\$(134 )
Closing balance	\$(1,838 )	\$ 535	\$(1,303 )	\$(101 )	\$ 35	\$(66 )

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	Six months ended September 30, 2018			Six months ended September 30, 2017		
	Before tax	Tax effect	Net of Tax	Before tax	Tax effect	Net of Tax
Other comprehensive income						
Foreign currency translation adjustments						
Opening balance	\$293	\$ -	\$293	\$(345)	\$ -	\$(345 )
Change in foreign currency translation adjustments	(1,238)	-	(1,238)	296	-	296
Closing balance	\$(945 )	\$ -	\$(945 )	\$(49 )	\$ -	\$(49 )
Unrealized gains/(losses) on cash flow hedges						
Opening balance	\$96	\$(28 )	\$68	\$89	\$(30 )	\$59
Unrealized gains/(losses) on cash flow hedges	(1,675)	488	(1,187)	(112)	38	(74 )
Reclassified to Revenue	(259 )	75	(184 )	(78 )	27	(51 )
Net change	\$(1,934)	\$ 563	\$(1,371)	\$(190)	\$ 65	\$(125 )
Closing balance	\$(1,838)	\$ 535	\$(1,303)	\$(101)	\$ 35	\$(66 )

## **9. INCOME TAXES**

The Group recognized income tax provisions of \$1,299 and \$2,091 for the three and six months ended September 30, 2018 and recognized income tax benefits of \$(451) and \$(1,297) for the three and six months ended September 30, 2017.

The effective tax rate is 31% and 35% for the three and six months ended September 30, 2018, which differs from the statutory U.S. federal income tax rate of 21% mainly due to equity-based compensation, the impact of different tax jurisdictions and prior year tax credits.

## **10. EMPLOYEE STOCK OPTION PLAN**

### **Majesco 2015 Equity Incentive Plan**

In the three and six months ended September 30, 2018, we recognized \$406 and \$858, respectively, in equity-based compensation expense in our consolidated financial statements compared to \$428 and \$783 in the three and six months ended September 30, 2017.

In June 2015, Majesco adopted the Majesco 2015 Equity Incentive Plan (the “2015 Plan”). On May 9, 2018, the Board of Directors of Majesco approved an increase of 2,000,000 shares in the amount of shares available for issuance under the 2015 Plan from 3,877,263 shares to 5,877,263 shares. This increase was approved by the shareholders of Majesco at the 2018 annual meeting. Under the 2015 Plan, options and stock awards for the purchase of up to 5,877,263 shares may be granted by the Compensation Committee of the Board of Directors to our employees, consultants and directors at an exercise or grant price determined by the Compensation Committee of the Board of Directors on the date of grant. Options may be granted as incentive or nonqualified stock options with a term of not more than ten years. The 2015 Plan allows the grant of restricted or unrestricted stock awards or awards denominated in stock equivalent units or any combination of the foregoing, which may be paid in common stock or other securities, in cash, or in a combination of common stock or other securities and cash. On September 30, 2018, an aggregate of 2,661,413 shares were available for grant under the 2015 Plan.

Majesco uses the Black-Scholes-Merton option-pricing model (“Black-Scholes”) to measure fair value of the share-based awards. The Black-Scholes model requires us to make significant judgments regarding the assumptions used within the model, the most significant of which are the expected stock price volatility, the expected life of the option award, the risk-free interest rate of return and dividends during the expected term.

- Expected volatility is based on peer entities as historical volatility data for Majesco's common stock is limited.

In accordance with ASC 718, Majesco uses the simplified method for estimating the expected term when measuring the fair value of employee stock options using the Black-Scholes option pricing model. Majesco believes the use of the simplified method is appropriate due to the employee stock options qualifying as "plain-vanilla" options under the criteria established by SAB Topic 14.

- The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yields for an equivalent term at the time of grant.

- Majesco does not anticipate paying dividends during the expected term.

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<b>Variables (range)</b>	<b>As of September 30,</b>			
	<b>2018</b>		<b>2017</b>	
Expected volatility	41%–50%		41%–50%	
Weighted-average volatility	41	%	41	%
Expected dividends	0	%	0	%
Expected term (in years)	3-5		3-5	
Risk-free interest rate	2.5	%	0.46	%

As of September 30, 2018, there was \$3,272 of total unrecognized compensation costs related to non-vested share-based compensation arrangements previously granted by Majesco. That cost is expected to be recognized over a weighted-average period of 2 years.

A summary of the outstanding common stock options under the 2015 Plan is as follows:

	<b>Shares</b>	<b>Exercise Price Per Share</b>	<b>Weighted-Average Remaining Contractual Life</b>	<b>Weighted-Average Exercise Price</b>
Balance, April 1, 2018	3,278,143	\$ 4.79 – 7.72	7.69 years	\$ 5.27
Granted	60,000	5.25-5.79	9.64 years	5.70
Exercised	(53,508 )	4.92 – 6.22	-	4.96
Cancelled	(175,625 )	4.85 – 6.22	-	5.22
Expired	-	-	-	-
Balance, September 30, 2018	3,109,010	\$ 4.79 – 7.72	7.22 years	\$ 6.95

Of the stock options outstanding, an aggregate of 1,695,324 were exercisable as of September 30, 2018.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

We follow FASB ASC 718, Accounting for Stock Options and Other Stock-Based Compensation. Among other items, ASC 718 requires companies to record the compensation expense for share-based awards issued to employees and directors in exchange for services provided. The amount of the compensation expense is based on the estimated fair

value of the awards on their grant dates and is recognized over the required service periods. Our share-based awards include stock options and restricted stock awards. For restricted stock awards, the calculation of compensation expense under ASC 718 is based on the intrinsic value of the grant.

## Warrants

As of September 30, 2018, there were warrants to purchase 25,000 shares of common stock outstanding. A summary of the terms of the outstanding warrants as of September 30, 2018 is as follows:

	<b>Outstanding and Exercisable Warrants</b>	<b>Exercise Price Per Warrant</b>	<b>Weighted-Average Remaining Contractual Life</b>	<b>Weighted-Average Exercise Price</b>
Balance, September 30, 2018	25,000	\$ 7.00	2.3 years	\$ 7.00

On September 1, 2015, Majesco issued to Maxim Partners LLC a five year warrant to purchase 25,000 shares of common stock of Majesco at an exercise price of \$7.00 per share. The warrant was issued in connection with the engagement of the holder to perform certain advisory services to the Group. The number of shares issuable upon exercise of the warrant may be reduced under certain circumstances of non-performance under the services agreement. The warrant may be exercised at any time after September 1, 2016 and will expire, if unexercised, on September 1, 2020. The warrant contains certain anti-dilution adjustment protection in case of certain future issuances of securities, stock dividends, split and other transactions affecting Majesco's securities. The holder of the warrant is entitled to piggyback registration rights in case of certain registered securities offerings by Majesco.

### **Employee Stock Option Scheme of Majesco Limited — Plan 1**

Certain employees of the Group participate in the Group's parent company, Majesco Limited's, employee stock option plan. The plan, termed as "ESOP plan 1," became effective June 1, 2015, the effective date of the demerger from Mastek Ltd. Group employees who were issued options in the earlier ESOP plans of Mastek Ltd. were given options of Majesco Limited following the demerger. Under the plan, Majesco Limited also grants newly issued options to the employees of MSS IPL from time to time. During the three months ended September 30, 2018, options to purchase 39,600 shares of common stock were granted under ESOP plan 1 of Majesco Limited. The options were granted at the market price on the grant date.

As of September 30, 2018, the total future compensation cost related to non-vested options not yet recognized in the Statement of Operations was \$702, and the weighted average period over which these awards are expected to be recognized was 3.06 years. The weighted average remaining contractual life of options expected to vest as of September 30, 2018 is 8.71 years.

Majesco Limited calculated the fair value of each option grant on the date of grant using the Black-Scholes option-pricing method with the following assumptions:

	<b>As of September 30,</b>			
	<b>2018</b>		<b>2017</b>	
Weighted-average volatility	34	%	49.47	%
Expected dividends	0.00	%	0.00	%
Expected term (in years)	2-5 Years		6 Years	
Risk-free interest rate	7.20-7.70	%	6.59	%

The summary of outstanding options of Majesco Limited as of September 30, 2018 is as follows:



	<b>No of Options Outstanding</b>	<b>Exercise Price Per Share</b>	<b>Weighted-Average Remaining Contractual Life</b>	<b>Weighted-Average Exercise Price</b>
Balance, September 30, 2018	822,927	\$0.10 - \$3.00	5.81	1.20
	617,498	\$3.10 - \$6.00	8.37	4.75
	85,500	\$6.10 - \$9.00	9.68	7.93
	1,525,925			

Of the stock options of Majesco Limited outstanding and held by Group employees, an aggregate of 1,138,675 are exercisable as of September 30, 2018.

### **Majesco Performance Bonus Plan**

Majesco established the Majesco Performance Bonus Plan (the “Performance Bonus Plan”). The Performance Bonus Plan is administered by the Compensation Committee of the Board of Directors of Majesco. The purpose of the Performance Bonus Plan is to benefit and advance the interests of the Group by rewarding selected employees of the Group for their contributions to the Group’s financial success and thereby motivate them to continue to make such contributions in the future by granting them performance-based awards that are fully tax deductible to the Group.

During the three and six months ended September 30, 2018, we accrued \$2,925 and \$5,979 in incentive compensation expense in our consolidated financial statements compared to \$1,179 and \$1,174, respectively, during the three and six months ended September 30, 2017.

## Majesco Employee Stock Purchase Plan

Majesco established the Majesco Employee Stock Purchase Plan (the “ESPP”). The ESPP is intended to be qualified under Section 423 of the Internal Revenue Code. If a plan is qualified under Section 423, employees who participate in the ESPP enjoy certain tax advantages. The ESPP allows employees to purchase shares of Majesco common stock at a discount, without being subject to tax until they sell the shares, and without having to pay any brokerage commissions with respect to the purchases.

The purpose of the ESPP is to encourage the purchase of Majesco common stock by our employees, to provide employees with a personal stake in our business and to help us retain our employees by providing a long range inducement for such employees to remain in our employ.

The ESPP provides employees with the right to purchase shares of common stock through payroll deductions. The total number of shares available for purchase under the ESPP is 2,000,000. The ESPP Plan became effective January 1, 2016. As of September 30, 2018, we had issued and sold 109,064 shares under the ESPP.

## 11. EARNINGS PER SHARE

The basic and diluted earnings/ (loss) per share were as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	2018	2017
Net Income/ (Loss)	\$ 2,829	\$ (716	) \$ 3,864	\$ (2,366 )
Basic weighted average outstanding equity shares	36,634,019	36,527,666	36,617,505	36,518,768
Adjustment for dilutive potential ordinary shares				
Options under Majesco 2015 Equity Plan	2,030,784	0	2,318,835	0
Dilutive weighted average outstanding equity shares	38,664,803	36,527,666	38,936,340	36,518,768
Earnings per share:				
Basic	\$ 0.08	\$ (0.02	) \$ 0.11	\$ (0.06 )

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Diluted	\$ 0.07	\$ (0.02	) \$ 0.10	\$ (0.06	)
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Basic earnings per share amounts are calculated by dividing net income for the three and six months ended September 30, 2018 and 2017 attributable to common shareholders by the weighted average number of ordinary shares outstanding during the same periods.

Diluted earnings per share amounts are calculated by dividing the net income attributable to common shareholders by the sum of the weighted average number of shares of common stock outstanding during the three and six months periods plus the weighted average number of shares of common stock that would be issued upon the conversion of all the dilutive potential shares of common stock into shares of common stock.

The calculation of diluted earnings per share excluded 155,816 and 155,816 shares and options for the three and six months ended September 30, 2018, respectively, and 3,303,559 and 3,303,559 shares and options for the three and six months ended September 30, 2017, respectively, granted to employees, as their inclusion would have been antidilutive.

## 12. RELATED PARTIES TRANSACTIONS

### *Reimbursement of Expenses*

The Group reimburses expenses incurred by Majesco Limited attributable to shared resources with Majesco Limited that are in the process of being separated after the Reorganization, including air travel, travel insurance, telephone costs, utility charges, insurance costs, administrative personnel costs, software and hardware costs and third party license costs, less receivables from Majesco Limited for similar expenses. The amount receivable/(payable) from Majesco Limited for reimbursement of expenses as on September 30, 2018 and September 30, 2017 is \$0 and \$(307), respectively.

The Group also reimburses the insurance premium paid by Majesco Limited for the insurance policy at the Majesco Limited group level pertaining to the employees of MSS IPL. During the three and six months ended September 30, 2018 MSS IPL paid \$68 and \$68, respectively, to Majesco Limited toward such insurance premium.

### *Leases*

MSS IPL entered into an operating lease for its operation facilities in Mahape, India, as lessee, with Majesco Limited, Majesco's parent company, as lessor. The approximate aggregate annual rent payable to Majesco Limited under this lease agreement is \$1,337. The lease became effective on June 1, 2015 and expires on May 31, 2020.

MSS IPL also entered into a lease for facilities for its operations in Pune, India, with Mastek Ltd. as lessor. The lease became effective on June 1, 2015 and expires on May 31, 2020. MSS IPL has also entered into a supplementary lease for its operations in Pune, India, with Mastek Ltd. as lessor. The supplementary lease became effective on April 1, 2016 and expires on May 31, 2020. The approximate aggregate annual rent payable to Mastek Ltd. under the foregoing lease agreements is \$404. On June 1, 2018, MSS IPL gave notice to Mastek Ltd. of its termination of both leases with an effective termination date of November 30, 2018.

	As of September 30, 2018	As of September 30, 2017
Security deposits paid to Majesco Limited by MSS IPL for use of Mahape premises	\$ 579	\$ 643
Security deposits paid to Mastek Ltd. by MSS IPL for use of Pune premises	\$ 182	\$ 202

Rental expenses paid by MSS IPL to Majesco Limited for the use of premises for the three and six months ended September 30, 2018 were \$343 and \$669, respectively. Rental expenses paid by MSS IPL to Mastek Ltd. for the use of premises for the three and six months ended September 30, 2018 were \$104 and \$205, respectively.

*Joint Venture Agreement*

On September 24, 2015, MSS IPL and Mastek (UK) Limited, a wholly-owned subsidiary of Mastek Ltd. (“Mastek UK”), entered into a Joint Venture Agreement (the “Joint Venture Agreement”) pursuant to which the two companies agreed to work together to deliver services to third parties, which services comprise the delivery of development, integration and support services to third parties by use of Mastek Ltd.’s development, integration and support methodologies and tools. The Joint Venture Agreement became effective on September 24, 2015 and will remain in force, unless terminated by either party upon three months’ notice in writing to the other of its intention to terminate the Joint Venture Agreement. The consideration for each party’s performance of its obligations under the Joint Venture Agreement is the performance of the other’s obligations under the same agreement, being services to the other. The services comprise, in the case of Mastek Ltd., Mastek Ltd.’s development, integration and support methodologies and tools and business development services. In the case of MSS IPL, the services comprise the provision of leading edge technical expertise and advice. The parties will also exchange technical and business information.

### *Services Agreements*

On March 1, 2016, Majesco and Digility Inc., a Delaware corporation (“Digility”) wholly-owned by Mastek UK, entered into a Services Agreement (the “Digility Services Agreement”) pursuant to which Majesco provided certain management and operational support services to Digility, including managed office accommodation and facilities, managed office IT infrastructure and networks, and corporate support services. The charges for these services consisted of an initial set-up fee of \$1, a monthly fee of \$4 and a pass through of actual costs of providing the services incurred in excess of the monthly fee. The Digility Services Agreement was effective as of March 1, 2016 and was terminated on August 31, 2017. Service charges received from Digility for the three and six months ended September 30, 2018 were \$0 and \$0, respectively, and \$8 and \$19 for the three and six months ended September 30, 2017, respectively.

On August 2, 2016, Majesco Limited and MSS IPL entered into a master service agreement, effective as of June 30, 2016, pursuant to which MSS IPL will provide software development services to Majesco Limited. Under this agreement, MSS IPL will charge Majesco Limited cost plus a margin for the services rendered. Software development charges charged by MSS IPL under the agreement for the three and six months ended September 30, 2018 were \$359 and \$694, respectively, and \$269 and \$530 for the three and six months ended September 30, 2017, respectively.

On July 25, 2018, Majesco Limited and MSS IPL entered into an Intra Group Services Agreement (the “Intra-Group Agreement”). Pursuant to the terms of the Intra-Group Agreement, Majesco Limited will provide certain sales and marketing services to MSS IPL in the Asia Pacific region (collectively, the “Services”). In consideration for the Services, MSS IPL will pay Majesco Limited all direct and indirect operating costs of Majesco Limited incurred for the provision of the Services and which shall be allocated to MSS IPL on the basis of gross revenues plus a 10% mark-up. The mark-up will be subject to a periodic review. The Intra-Group Agreement will be effective as of April 1, 2018 and will remain in effect until terminated. Each party may terminate the Intra-Group Agreement at any time upon sixty days prior written notice to the other. Expenses charged by Majesco Limited under the Intra-Group Agreement for the three and six months ended September 30, 2018 were \$17 and \$74, respectively, and \$0 and \$0 for the three and six months ended September 30, 2017, respectively.

### *Sublease*

On March 1, 2016, Majesco and Digility entered into a Sublease Agreement (the “Sublease Agreement”), pursuant to which Majesco sublets the premises located on the first floor of 685 Route 202/206, Bridgewater, New Jersey to Digility. Digility paid for any costs charged by the landlord, Route 206 Associates, a New Jersey partnership, for additional services requested by Digility. The term of the Sublease Agreement commenced on March 1, 2016 and expired on July 31, 2017. Rental charges received from Digility for the three and six months ended September 30, 2018 were \$0 and \$0, respectively, and for the three and six months ended September 30, 2017 were \$1 and \$5,

respectively.

#### *Guarantee*

During the three and six months ended September 30, 2018, Majesco paid \$8 and \$18, respectively, to Majesco Limited as arrangement fees and guarantee commission for the guarantee given by Majesco Limited to HSBC for the facilities taken by Majesco and its subsidiaries. During the three and six months ended September 30, 2017, Majesco paid \$13 and \$25, respectively, to Majesco Limited as arrangement fees and guarantee commission for the guarantee given by Majesco Limited to HSBC for the facilities taken by Majesco and its subsidiaries.

### **13.SEGMENT INFORMATION**

The Group operates in one segment as software solutions provider for the insurance industry. The Group's chief operating decision maker (the "CODM") is its Chief Executive Officer. The CODM manages the Group's operations on a consolidated basis for purposes of allocating resources. When evaluating the Group's financial performance, the CODM reviews all financial information on a consolidated basis. A majority of the Group's principal operations and decision-making functions are located in the United States.

The following table sets forth revenues by country based on the billing address of the customer:

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>
USA	\$ 30,216	\$ 27,264
UK	1,683	1,397
Canada	168	179
Malaysia	1,518	1,180
Others	454	327
	<b>\$ 34,039</b>	<b>\$ 30,347</b>

	<b>Six months ended September 30, 2018</b>	<b>Six months ended September 30, 2017</b>
USA	\$ 60,086	\$ 52,100
UK	3,111	2,877
Canada	330	402
Malaysia	2,917	2,282
Others	1,144	608
	<b>\$ 67,588</b>	<b>\$ 58,269</b>

The following table sets forth the Group's property and equipment, net by geographic region:

	<b>As of September 30, 2018</b>	<b>As of March 31, 2018</b>
USA	\$ 893	\$ 1,195
India	1,192	1,332
Canada	10	16
UK	5	7
Malaysia	161	205
	<b>\$ 2,261</b>	<b>\$ 2,755</b>

We provide a considerable volume of services to a number of significant customers. Therefore, the loss of a significant customer could materially reduce our revenues. The Group had one customer for both the three and six months ended September 30, 2018, and no customers for both the three and six months ended September 30, 2017 that accounted for 10% or more of total revenue. The Group had one customer as of September 30, 2018 and one customer as of September 30, 2017 that accounted for 10% or more of total accounts receivable and unbilled accounts



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receivable. Presented in the table below is information about our major customers:

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Amount	% of combined revenue		Amount	% of combined revenue	
Customer A						
Revenue	\$ 4,716	13.9	%	\$ 2,627	9	%
Accounts receivable and unbilled accounts receivable	\$ 8,106	28.7	%	\$ 2,632	10	%
Customer B						
Revenue	\$ 1,682	4.9	%	\$ 1,828	6	%
Accounts receivables and unbilled accounts receivable	\$ 1,023	3.6	%	\$ 1,606	6	%

	Six months ended September 30, 2018			Six months ended September 30, 2017		
	Amount	% of combined revenue		Amount	% of combined revenue	
Customer A						
Revenue	\$ 9,347	13.8	%	\$ 3,822	7	%
Accounts receivable and unbilled accounts receivable	\$ 8,216	29.1	%	\$ 2,632	10	%
Customer B						
Revenue	\$ 3,390	5	%	\$ 3,398	6	%
Accounts receivables and unbilled accounts receivable	\$ 1,023	3.6	%	\$ 1,606	6	%

## 14.COMMITMENTS

### *Capital Commitments*

The Group had outstanding contractual commitments of \$3 and \$20 as of September 30, 2018 and March 31, 2018, respectively, for capital expenditures relating to the acquisition of property, equipment and new network infrastructure.

### *Operating Leases*

The Group leases certain office premises under operating leases. Many of these leases include a renewal option on a periodic basis at the Group's option, with the renewal periods ranging from two to five years. Rental expense for operating leases amounted to \$807 and \$1,607 for the three and six months ended September 30, 2018, respectively, compared to \$835 and \$1,699 for the three and six months ended September 30, 2017, respectively. The schedule for future minimum rental payments over the lease term in respect of operating leases is set out below.

Year ending March 31,	Amount
2019	\$ 1,663
2020	3,473
2021	1123
2022	688
2023	708
Thereafter	706
<b>Total minimum lease payments</b>	<b>\$ 8,361</b>

***Facility Leases***

Our subsidiary in India, MSS IPL, has entered into a lease for its operations in Mahape, India, as lessee, with Majesco Limited as lessor. The approximate aggregate annual rent payable to Majesco Limited under this lease agreement is \$1,337. The lease became effective on June 1, 2015 and expires on May 31, 2020. MSS IPL paid Majesco Limited \$343 and \$326, respectively, in rent under the lease during the three months ended September 30, 2018, and \$668 and \$653 during the three and six months ended September 30, 2017, respectively. MSS IPL may terminate the lease after three years with six months' prior written notice to Majesco Limited. Majesco Limited may terminate the lease after five years with six months' prior written notice to MSS IPL.

MSS IPL also entered into a lease for its operations in Pune, India, with Mastek Ltd. as lessor. The approximate aggregate annual rent payable to Mastek Ltd. under this lease agreement is \$294. The lease became effective on June 1, 2015 and expires on May 31, 2020. MSS IPL has also entered into a supplementary lease for its operations in Pune, India, with Mastek Ltd. as lessor. The approximate aggregate annual rent payable to Mastek Ltd. under this supplementary lease agreement is \$110. The lease became effective on April 1, 2016 and expires on May 31, 2020. MSS IPL paid Mastek Ltd. \$104 and \$205 in rent under the leases during the three and six months ended September 30, 2018, respectively, and \$102 and \$205 in rent under the leases during the three and six months ended September 30, 2017, respectively. MSS IPL may terminate the lease after three years with six months' prior written notice to Mastek Ltd. Mastek Ltd. may terminate the lease after five years. On June 1, 2018, MSS IPL gave notice to Mastek Ltd. of its termination of both leases with an effective termination date of November 30, 2018.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion together with "Selected Financial Data," and the consolidated financial statements and related notes included in our Annual Report on Form 10-K for our fiscal year ended March 31, 2018 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes for the quarter ended September 30, 2018 included in Part I, Item I of this Quarterly Report on Form 10-Q. The statements in this discussion regarding expectations of our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described below in "Special Note Regarding Forward-Looking Statements" and in Part II, Item 1A "Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

*All US dollar currency amounts in this MD&A are in thousands unless indicated otherwise. Except where the context requires otherwise, references in this MD&A to "Majesco," "Group," "we" or "us" are to Majesco and its subsidiaries on a worldwide consolidated basis after giving effect to the Majesco Reorganization.*

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact could be deemed forward-looking statements. Statements that include words such as "may," "will," "might," "projects," "expects," "plans," "believes," "anticipates," "targets," "intends," "hopes," "can," "should," "could," "would," "goal," "potential," "approximately," "estimate," "pro forma," "continue" or "pursue" or the like, these words or other words or expressions of similar meaning may identify forward-looking statements. For example, forward-looking statements include any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing.

These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and the other documents referred to and relate to a variety of matters, including, but not limited to, other statements that are not purely statements of historical fact. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of management, are not guarantees of performance and are subject to significant risks and uncertainty. These forward-looking statements should not be relied upon as predictions of future events and Majesco cannot assure you that the events or circumstances discussed or reflected in these statements will be achieved or will occur. Furthermore, if such forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by Majesco or any other person that we will achieve our objectives and plans in any

specified timeframe, or at all.

These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in “Item 1A. Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report. Important factors that could cause actual results to differ materially from those described in forward-looking statements contained herein include, but are not limited to:

- our ability to achieve increased market penetration for our product and service offerings and obtain new customers;
- our ability to raise future capital as needed to fund our growth and innovation plans;
- growth prospects of the property & casualty and life & annuity insurance industry;
- the strength and potential of our technology platform and our ability to innovate and anticipate future customer needs;
- our ability to protect our intellectual property rights;
- our ability to compete successfully against other providers and products;
- our dependence on certain key customers and the risk of loss of these customers;

- security breaches affecting our systems, software, applications, and products;
- the unauthorized access, acquisition, disclosure, theft or compromise of proprietary or personal customer or consumer data and information;
- the risk of telecommunication or technological disruptions;
- our exposure to additional scrutiny and increased expenses as a result of being a public company;
- our ability to identify and complete acquisitions, manage growth and successfully integrate acquisitions;
- our financial condition, financing requirements and cash flow;
- market expectations regarding our potential growth and ability to implement our short and long-term strategies;
- the risk of loss of strategic relationships;
- the success of our research and development investments;
- changes in economic conditions, political conditions and trade protection measures and licensing requirements in the United States and in the foreign jurisdictions in which we operate;
- changes in laws or regulations affecting the insurance industry in particular;
- changes in tax laws, including to the transfer pricing regime;
- restrictions and changes in laws on immigration;
- our inability to achieve sustained profitability;
- our ability to obtain, use or successfully integrate third-party licensed technology;

- our ability and cost of retaining and recruiting key personnel or the risk of loss of such key personnel;
- the adverse outcome of legal proceedings against us;
- the risk that our customers internally develop new competitive products; and
- the impact of new accounting standards and changes we may need to make in anticipation or as a result of these standards.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

## Overview

We are a global provider of core insurance platform solutions, consulting services and other insurance solutions for business transformation for the insurance industry. We operate in the United States, India, Canada, the United Kingdom, Malaysia, Thailand, Singapore and Mexico. We offer core insurance platform solutions for property & casualty/general insurance (“P&C”), and life, annuities, pensions and group/benefits (“L&A and Group”) providers, enabling them to automate and manage business processes across the end-to-end insurance value chain and comply with policies and regulations across their organizations. In addition, we offer a variety of other technology-based solutions for distribution management, digital, data and cloud. Our consulting services solutions provide enterprise consulting, application development management and testing for insurers. Our portfolio of solutions enable our customers to respond to evolving market needs, growth and innovation opportunities and regulatory changes, enabling agility, innovation and speed while improving the effectiveness and efficiency of their business operations.

Long-term, strong customer relationships are a key component of our success given the long-term nature of our contracts, opportunity for deeper relationships with our portfolio of solutions, and the importance of customer references for new sales. Our customers range from some of the largest global tier one insurance carriers in the industry to mid-market insurers, managing general agents, startups and greenfields, including specialty, mutual and regional carriers. As of September 30, 2018, we served approximately 160 insurance customers on a worldwide basis.

We generates revenue from our global IP led business as well as from engagements in the insurance services space. The IP business is primarily driven through either an on-premise deployment or deployment of the platform on the cloud. While the on-premise model generates revenues from the licensing of our proprietary software (perpetual or annual license fees), related implementation and support and maintenance fees pursuant to contracts with customers, we have been witnessing a significant shift in the business model with customers preferring the cloud model which offers a speed to value benefit together with low upfront investments. The revenues from the cloud model are led by an implementation/configuration contract and followed by monthly subscriptions once the platform is in production for the customer to use. The implementation contracts for both the models are on a time and material or fixed bid basis. License fees, support and maintenance and cloud subscription fees are usually managed through multi-year agreements which are typically over a period of five to seven years. Insurance services revenues is primarily driven by professional services offered in the areas of transformation consulting, data, digital, testing and application development and management.

### *Three Months Ended September 30, 2018 Highlights*

A few of our highlights of our three months ended September 30, 2018 were:



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- Revenues of \$34 million with a gross profit of 50.1% of revenue;
- \$4.7 million (13.7% of revenue) in research and development expenses;
- \$9.5 million (27.8% of revenue) in sales, general and administrative expenses;
- Net income of \$2.8 million; and
- Adjusted EBITDA of \$4.4 million, representing 13.1% of revenue.

### *Six Months Ended September 30, 2018 Highlights*

A few of our highlights of our six months ended September 30, 2018 were:

- Revenues of \$67.6 million with a gross profit of 49.04% of revenue;
- \$9.5 million (14% of revenue) in research and development expenses;
- \$19 million (28% of revenue) in sales, general and administrative expenses;
- Net income of \$3.9 million; and
- Adjusted EBITDA of \$7.9 million, representing 11.7% of revenue.

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## **Use of Non-GAAP Financial Measures**

In evaluating our business, we consider and use EBITDA as a supplemental measure of operating performance. We define EBITDA as earnings before interest, taxes, depreciation and amortization. We present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. We define Adjusted EBITDA as EBITDA before equity-based compensation and a one-time reversal of accrual for contingent consideration liability.

The terms EBITDA and Adjusted EBITDA are not defined under U.S. generally accepted accounting principles (“U.S. GAAP”) and are not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and when assessing our operating performance, investors should not consider EBITDA or Adjusted EBITDA in isolation, or as a substitute for net income (loss) or other consolidated income statement data prepared in accordance with U.S. GAAP. Among other things, EBITDA and Adjusted EBITDA do not reflect our actual cash expenditures. Other companies may calculate similar measures differently than us, limiting their usefulness as comparative tools. We compensate for these limitations by relying on U.S. GAAP results and using EBITDA and Adjusted EBITDA only supplementally.

For an unaudited reconciliation of U.S. GAAP net income to EBITDA and Adjusted EBITDA for the three and six months ended September 30, 2018 and September 30, 2017, see “— Results of Operations — Three and Six Months Ended September 30, 2018 Compared to Three and Six Months Ended September 30, 2017”.

## ***Agile Asset Acquisition***

On January 1, 2015, we acquired substantially all of the insurance consulting business of Agile Technologies, LLC, a New Jersey limited liability company (“Agile”), a business and technology management consulting firm. We estimate the total consideration for the Agile asset acquisition will amount to approximately \$8,500, with a total maximum of \$9,200 possible depending on earn-out payments. Of the estimated approximately \$8,500 total consideration, (1) \$1,000 was paid in connection with the execution of the acquisition agreement and \$2,000 was paid in connection with the closing of the acquisition with available cash on hand, (2) approximately \$39 will be paid in cash as deferred payments over three years to certain former Agile employees who became employees of Majesco in connection with the acquisition and (3) up to \$5,100 will be paid by way of earn-out over three years based on the satisfaction of certain time milestones and performance targets, with maximum potential aggregate earn-out payments of up to \$5,800 if performance targets are exceeded.

On January 26, 2016, we amended the asset purchase and sale agreement with Agile and its members to amend the terms and conditions of the earn-out. The amendment added in the calculation of revenue for purposes of determining the earn-out for 2015 five percent of the initial order book revenue of Majesco software (intellectual property) deals closed by the Agile Division and 40% of revenue and EBITDA for Data Center of Excellence projects that have been signed in calendar year 2015. For determining the earn-out for 2016 and 2017, the amendment provides that the earn-out performance metrics will be determined at the Majesco level and not the Agile Division level and will be based only on revenue and EBITDA goals of Majesco as reported in Majesco's consolidated financial statements. The amendment also provides that 50% of the earn-out in the amount of \$583 will be fixed with the remainder of the earn-out (the "Variable Earn-Out") payable to Agile on a percentage basis as calculated below only if Majesco achieves 90% of corporate revenue and EBITDA goals for 2016 and 2017. No Variable Earn-Out will be payable for achieving less than 90% of the corporate revenue and EBITDA goals for 2016 and 2017, respectively, and any additional earn-out will not exceed 20% of the Variable Earn-Out. For revenue and EBITDA between 90% and 120% of Majesco's revenue and EBITDA goals, Majesco will pay Agile a Variable Earn-Out calculated on a percentage basis. The amendment also adjusts the earn-out periods determination over a period of three years with the first year commencing on January 1, 2015 and ending on December 31, 2015; the second year commencing on April 1, 2016 and ending on March 31, 2017; and the third year commencing on April 1, 2017 and ending on March 31, 2018. We paid approximately \$1,100, \$1,100 and \$1,500 as earn-out to Agile in fiscal 2018, 2017 and 2016, respectively. We have no further obligations with respect to earnout payments.

During the quarter ended September 30, 2018, the Company and the promoters of Agile determined that the final earnout targets under the Agile Agreement would not be met and that no further contingent consideration would therefore be due under the Agile Agreement. Accordingly, the accrued outstanding balance has been reversed in the income statement during the period ended September 30, 2018.

Through this acquisition, we acquired the insurance-focused IT consulting business of Agile, as well as business process optimization capabilities and additional technology services including data architecture strategy and services. In connection with this acquisition, over 55 insurance technology professionals and other personnel formerly employed or engaged by Agile became our employees or independent contractors. This acquisition also resulted in the addition of approximately 20 customers to our customer base. In connection with this acquisition, we assumed office leases under which Agile was lessee in New Jersey, Georgia and Ohio, and acquired certain trademarks, service marks, domain names and business process framework of Agile.

### ***Cover-All Merger***

On June 26, 2015, Cover-All Technologies Inc. (“Cover-All”), a provider of core insurance software and business analytics solution primarily focused on commercial lines for the property and casualty insurance industry listed on the NYSE American, merged with and into Majesco, with Majesco as the surviving corporation, in a stock-for-stock transaction. In the merger, each share of Cover-All common stock issued and outstanding immediately prior to the effective time of the merger (other than treasury shares) was automatically cancelled and extinguished and converted into the right to receive 0.21641 shares of common stock of Majesco. This exchange ratio resulted in holders of issued and outstanding Cover-All common stock and outstanding options and restricted stock units and other equity awards of Cover-All holding in the aggregate approximately 16.5% of the total capitalization of the combined company immediately following consummation of the merger.

Cover-All’s customers include insurance companies, agents, brokers and managing general agents throughout the United States and Puerto Rico. Cover-All’s software solutions and services are designed to enable customers to introduce new products quickly, expand their distribution channels, reduce costs and improve service to their customers. Cover-All’s business analytics solution enables customers to leverage their information assets for real time business insights and for better risk selection, pricing and financial reporting. In 2013, Cover-All announced the general availability of Cover-All Dev Studio, a visual configuration platform for building new and maintaining existing pre-built commercial insurance products for Cover-All Policy. In 2011, Cover-All expanded its portfolio of insurance solutions by acquiring the assets of a recognized claims solution provider, Ho’ike Services, Inc. (doing business as BlueWave Technology).

We always look at additional acquisitions to complement our service offerings and growth strategy. Our success, in the near term, will depend, in large part, on our ability to: (a) successfully integrate our acquisitions into our business,

(b) build up momentum for new sales, (c) cross-sell to existing customers and (d) exceed customer satisfaction through our state of the art products and solutions.

### ***Inflation***

Although we cannot accurately determine the amounts attributable thereto, our net revenues and results of operations have been affected by inflation experienced in the U.S., India and other economies in which we operate through increased costs of employee compensation and other operational expenses during the three and six months ended September 30, 2018 and September 30, 2017. To the extent permitted by the marketplace for our products and services, we attempt to recover increases in costs by periodically increasing prices. However, there can be no assurance that we will be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

### ***Currency Fluctuations***

We are affected by fluctuations in currency exchange rates with respect to our contracts. We hedge a substantial portion of our foreign currency exposure. For more information, see “Item 3. Quantitative and Qualitative Disclosures about Market Risk.”

## Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include revenue recognition, intangible assets, software development costs, and goodwill.

### *Revenue Recognition*

Revenues are recognized when all of the following general revenue recognition criteria are met:

**Persuasive evidence of an arrangement exists.** Evidence of an arrangement consists of a written contract signed by both the customer and management prior to the end of the reporting period.

**Delivery or performance has occurred.** The Group's software product has met the milestones contained in the software development contract, professional services are rendered, and any customer acceptance provisions have been satisfied.

**Fees are fixed or determinable.** Fees from customer arrangements are generally at a contractually fixed price or based upon agreed upon time and material rates.

**Collectability is probable.** Collectability is assessed on a customer-by-customer basis, based primarily on creditworthiness as determined by credit checks and analysis, as well as customer payment history. If it is determined prior to revenue recognition that collection of an arrangement fee is not probable, revenues are deferred until collection becomes probable or cash is collected, assuming all other revenue recognition criteria are satisfied.

We recognize some license revenue upon delivery, provided that collection is determined to be probable and no significant obligations remain. Some license revenues are not accounted separately from software services revenues as professional services are essential to the software functionality and include significant modification or customization to or development of the underlying software code. Since these software arrangements do not qualify as a separate unit of accounting, the software license revenues are recognized using the percentage of completion method. When contracts contain multiple software and software-related elements (for example, software license, and maintenance and professional services) wherein Vendor-Specific Objective Evidence ("VSOE") exists for all undelivered elements, we account for the delivered elements in accordance with the "Residual Method." VSOE of fair value for post-contract

customer support services is established by a stated renewal rate charged in stand-alone sales. VSOE of fair value of hosting services is based upon stand-alone sales of those services. Revenue from support services is recognized ratably over the life of the contract. Revenue from professional consulting services is recognized when the service is provided.

In addition, we have made further investments to create a robust and market-leading cloud platform that is well positioned to take advantage of significant opportunities in the insurance marketplace. We invoice customers a subscription based fee for our cloud platform. Revenue from subscription fees is recognized ratably over the life of the contract.

**Time and Material Contracts** — Professional services revenue consists primarily of revenue received for assisting with the development, implementation of our software, on-site support, and other professional consulting services. In determining the accounting for professional services revenue, we look at the nature of our software products; whether they are ready for use by the customer upon receipt; the nature of our implementation services, which typically do involve significant customization to or development of the underlying software code; and whether milestones or acceptance criteria exist that affect the realization of the services rendered. Substantially all of our professional services arrangements are billed on a time and materials basis and, accordingly, are recognized as the services are performed. If there is significant uncertainty about the project completion or receipt of payment for professional services, revenue is deferred until the uncertainty is sufficiently resolved. Payments received in advance of rendering professional services are deferred and recognized when the related services are performed. Work performed and expenses incurred in advance of invoicing are recorded as unbilled receivables. These amounts are billed in the subsequent month.

**Fixed Price Contracts** — For arrangements that do not qualify for separate accounting for the license and professional services revenues, including arrangements that involve significant modification or customization of the software, that include milestones or customer specific acceptance criteria that may affect collection of the software license fees or where payment for the software license is tied to the performance of professional services, software license revenue is generally recognized together with the professional services revenue using the percentage-of-completion method. Under the percentage-of completion method, revenue recognized is equal to the ratio of costs expended to date to the anticipated total contract costs, based on current estimates of costs to complete the project. If there are milestones or acceptance provisions associated with the contract, the revenue recognized will not exceed the most recent milestone achieved or acceptance obtained. If the total estimated costs to complete a project exceed the total contract amount, indicating a loss, the entire anticipated loss would be recognized in the current period.

Revenue is shown net of applicable service tax, sales tax, value added tax and other applicable taxes. We account for reimbursements received for out of pocket expenses incurred as revenues in the combined Statement of Operations.

### ***Goodwill and Other Intangible Assets***

Goodwill represents the cost of the acquired businesses in excess of the estimated fair value of assets acquired, identifiable intangible assets and liabilities assumed. Goodwill is not amortized but is tested for impairment at the reporting unit level at least annually or as circumstances warrant. If impairment is indicated and the carrying value of the goodwill of a reporting unit exceeds the implied fair value of that goodwill, then goodwill is written-down. There are no indefinite-lived intangible assets.

Intangible assets other than goodwill are amortized over their estimated useful lives on a straight line basis. The estimated useful life of an identifiable intangible asset is based on a number of factors, including the effects of obsolescence, demand, competition, the level of maintenance expenditures required to obtain the expected future cash flows from the asset and other economic factors (such as the stability of the industry, known technological advances, etc.).

The estimated useful lives of intangible assets are as follows:

Non-compete agreements    3 years

Leasehold benefit            Ascertainable life or primary period of lease whichever is less

Internal-use Software        1-5 years



Intellectual Property Rights 1-5 years

Customer contracts 1-3 years

Customer relationships 6-8 years

Technology 6 years

***Impairment of Long-Lived Assets and Intangible Assets***

We review long-lived assets and certain identifiable intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During this review, we re-evaluate the significant assumptions used in determining the original cost and estimated lives of long-lived assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate or whether there has been an impairment of long-lived assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets' recovery. If impairment exists, we adjust the carrying value of the asset to fair value, generally determined by a discounted cash flow analysis.

### ***Property and Equipment***

Property and equipment are stated at actual cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives. The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed of are removed from the stated values and the resulting gains and losses are included in the consolidated Statement of Operations. Maintenance and repairs are charged to Consolidated Statement of Operations when incurred. Advance paid towards acquisition of long-lived assets and cost of assets not put to use before the balance sheet date are disclosed under the caption “capital work in progress”.

The estimated useful lives of tangible assets are as follows:

Owned Buildings            25 – 30 years

Leasehold Improvements 5 years or over the primary period of lease whichever is less

Computers                    2 years

Plant and Equipment      2–5 years

Furniture and Fixtures    5 years

Vehicles                      5 years

Office Equipment          2–5 years

### **Results of Operations**

#### ***Three and Six Months Ended September 30, 2018 Compared to Three and Six Months Ended September 30, 2017***

The following table summarizes our consolidated statements of operations for the three and six months ended September 30, 2018 and September 30, 2017, including as a percentage of revenues:

### **Statement of Operations Data**

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(U.S. Dollars; dollar amounts in thousands):	Three Months Ended			
	30,	%	September 30, 2017	%
	2018			
Total Revenues	\$34,039		\$ 30,347	
Total cost of revenues	16,971	50 %	16,738	55 %
Total gross profit	17,068		13,609	
Operating expenses:				
Research and development expenses	4,664	14 %	4,206	14 %
Selling, general and administrative expenses	9,456	28 %	10,432	34 %
Restructuring costs	-		-	
Total operating expenses	14,120		14,638	
Income from operations	2,948		(1,029	)
Interest income	19		8	
Interest expense	(104	)	(146	)
Other income (expenses), net	430		-	
Gain on reversal of accrued contingent liability	835			
Income/(Loss) before provision for income taxes	4,128		(1,167	)
Income taxes loss/(benefit)	1,299		(451	)
Net income/ (loss)	\$2,829	8 %	\$ (716	) (2 )%

(U.S. Dollars; dollar amounts in thousands):	Six Months Ended			
	September 30, 2018	%	September 30, 2017	%
Total Revenues	\$67,588		\$ 58,269	
Total cost of revenues	34,441	51 %	32,754	56 %
Total gross profit	33,147		25,515	
Operating expenses:				
Research and development expenses	9,486	14 %	8,135	14 %
Selling, general and administrative expenses	18,948	28 %	20,745	36 %
Total operating expenses	28,434		28,880	
Income from operations	4,713		(3,365)	)
Interest income	25		13	
Interest expense	(228 )		(267)	)
Gain on reversal of accrued contingent liability	835		-	
Other income (expenses), net	610		(43)	)
Income/(Loss) before provision for income taxes	5,955		(3,662)	)
Income taxes loss/(benefit)	2,091		(1,296)	)
Net income/ (loss)	\$3,864	6 %	\$ (2,366)	) (4 )%

The following table represents revenues by each subsidiary and corresponding geographical region:

(U.S. Dollars; dollar amounts in thousands):	Three Months Ended			
	September 30, 2018	%	September 30, 2017	%
Geography: North America				
Legal Entity				
Majesco	\$10,340	30 %	\$ 9,015	30 %
Majesco Software and Solutions Inc.	13,111	38 %	11,669	38 %
Majesco Canada Ltd., Canada	168	1 %	179	1 %
Cover-All Systems, Inc.	6,766	20 %	6,580	21 %
	\$30,385	89 %	\$ 27,443	90 %
Geography: The United Kingdom				
Legal Entity				
Majesco UK Limited, UK	\$1,683	5 %	\$ 1,397	5 %
Geography: Other				
Legal Entity				
Majesco Sdn. Bhd., Malaysia	\$1,518	5 %	\$ 1,180	4 %
Majesco (Thailand) Co. Ltd., Thailand	-	-	-	-
Majesco Asia Pacific Pte Ltd., Singapore	293	1 %	-	-
Majesco Software and Solutions India Private Limited, India	160	0 %	327	1 %
	\$1,971	6 %	\$ 1,507	5 %
Total Revenues	\$34,039		\$ 30,347	



(U.S. Dollars; dollar amounts in thousands):	Six Months Ended			
	September 30, 2018	%	September 30, 2017	%
Geography: North America				
Legal Entity				
Majesco	\$20,714	31 %	\$ 16,347	28 %
Majesco Software and Solutions Inc.	26,045	38 %	23,340	40 %
Majesco Canada Ltd., Canada	330	0 %	402	1 %
Cover-All Systems, Inc.	13,328	20 %	12,413	21 %
	\$60,417	89 %	\$ 52,502	90 %
Geography: The United Kingdom				
Legal Entity				
Majesco UK Limited, UK	\$3,111	5 %	\$ 2,877	5 %
Geography: Other				
Legal Entity				
Majesco Sdn. Bhd., Malaysia	\$2,917	4 %	\$ 2,282	4 %
Majesco (Thailand) Co. Ltd., Thailand	-	-	-	-
Majesco Asia Pacific Pte Ltd., Singapore	710	1 %	-	-
Majesco Software and Solutions India Private Limited, India	433	1 %	608	1 %
	\$4,060	6 %	\$ 2,890	5 %
Total Revenues	\$67,588		\$ 58,269	

### Revenues

Revenues for the three months ended September 30, 2018 were \$34,039 compared to \$30,347 for the three months ended September 30, 2017, reflecting an increase of 12.2%. The increase during the quarter was primarily due to ramp up in new logos and growth in existing accounts.

Revenues for the six months ended September 30, 2018 were \$67,588 compared to \$58,269 for the six months ended September 30, 2017, reflecting an increase of 16%. The increase during the quarter was primarily due to increasing cloud revenue, ramp up in new logos, and continued new business engagements from existing accounts.

### Gross Profit

Gross profit was \$17,068 for the three months ended September 30, 2018 compared with \$13,609 for the three months ended September 30, 2017, an increase of 25%. The increase in margin has been primarily due to a changing revenue mix in favor of cloud business and improved delivery efficiencies. Gross profit percentage for the three months ended September 30, 2018 increased to 50.1% of revenue from 44.8% of revenue for the three months ended September 30,

2017.

Gross profit was \$33,147 for the six months ended September 30, 2018 compared with \$25,515 for the six months ended September 30, 2017, an increase of 30%. Changing revenue mix in favor of cloud business and improved delivery efficiencies continued to drive better margins. Gross profit percentage for the six months ended September 30, 2018 increased to 49% of revenue from 43.8% of revenue for the six months ended September 30, 2017.

Salaries and consultant fees were approximately \$12,713 for the three months ended September 30, 2018 compared to \$12,076 for the three months ended September 30, 2017. This represents an increase of 5% in salaries and consultant fees. As a percentage of revenues, salaries and consultant fees decreased from 39.8% for the three months ended September 30, 2017 to 37.35% for the three months ended September 30, 2018.

Salaries and consultant fees were approximately \$25,112 for the six months ended September 30, 2018 compared to \$23,233 for the six months ended September 30, 2017. This represents an increase of 8% in salaries and consultant fees. As a percentage of revenues, salaries and consultant fees decreased from 39.9% for the six months ended September 30, 2017 to 37.2% for the six months ended September 30, 2018.

### ***Operating Expenses***

Operating expenses were \$14,120 for the three months ended September 30, 2018 compared to \$14,638 for the three months ended September 30, 2017. The decrease in operating expenses was primarily due to a decrease in selling and general expenses of \$(976) to some extent offset by an increase in research and development (“R&D”) costs of \$458. We continued to invest in R&D to increase the depth as well as range of our offering portfolio. As a percentage of revenues, operating expenses decreased to 41.5% for the three months ended September 30, 2018 from 48.0% for the three months ended September 30, 2017.

Operating expenses were \$28,433 for the six months ended September 30, 2018 compared to \$28,880 for the six months ended September 30, 2017. The decrease in operating expenses was primarily due to a decrease in selling and general expenses of \$(1,797) to some extent offset by an increase in R&D costs of \$1,350. We continued to invest in R&D to increase the depth as well as range of our offering portfolio. As a percentage of revenues, operating expenses decreased to 42.1% for the six months ended September 30, 2018 from 49.6% for the six months ended September 30, 2017.

### ***Income/(Loss) from Operations***

Income/(Loss) from operations was \$2,948 for the three months ended September 30, 2018 compared to \$(1,029) for the three months ended September 30, 2017. As a percentage of revenues, net gain from operations was 8.7% for the three months ended September 30, 2018 compared to a net loss of 3.4% for the three months ended September 30, 2017. Net income was significantly higher due to the overall improved performance on revenue and profitability and included gain on account of the reversal of contingent earnout consideration of \$840, no longer required.

Income/(Loss) from operations was \$4,714 for the six months ended September 30, 2018 compared to \$(3,365) for the six months ended September 30, 2017. As a percentage of revenues, net gain from operations was 7% for the six months ended September 30, 2018 compared to a net loss of 5.8% for the six months ended September 30, 2017.

### ***Other Income***

Other income (expense), net was \$430 for the three months ended September 30, 2018 compared to \$0 for the three months ended September 30, 2017. The increase is mainly due to a currency exchange gain in the three months ended September 30, 2018.



Other income (expense), net was \$610 for the six months ended September 30, 2018 compared to \$(44) for the six months ended September 30, 2017. The increase is mainly due to a currency exchange loss in the six months ended September 30, 2018.

***Tax provision***

We recognized income tax provision of \$1,299 and \$2,092 for the three and six months ended September 30, 2018, respectively, and recognized income tax (benefit) of \$(451) and \$(1,297) for the three and six months ended September 30, 2017, respectively.

The effective tax rate is 31% and 35% for the three and six months ended September 30, 2018, , respectively, which differs from the statutory U.S. federal income tax rate of 27.3% mainly due to equity-based compensation, the impact of different tax jurisdictions and tax refunds of prior periods.

***Net income/( loss)***

Net income was \$2,829 for the three months ended September 30, 2018 compared to net loss of \$(716) for the three months ended September 30, 2017. Net income per share, basic and diluted, was \$0.08 and \$0.07, respectively, for the three months ended September 30, 2018 compared to net loss per share, basic and diluted, of \$(0.02) and \$(0.02), respectively, for the three months ended September 30, 2017.

Net income was \$3,864 for the six months ended September 30, 2018 compared to net loss of \$(2,366) for the six months ended September 30, 2017. Net income per share, basic and diluted, was \$0.11 and \$0.10, respectively, for the six months ended September 30, 2018 compared to net loss per share, basic and diluted, of \$(0.06) and \$(0.06), respectively, for the six months ended September 30, 2017.

### ***Adjusted EBITDA***

Adjusted EBITDA, a non-GAAP metric, was \$4,449 for the three months ended September 30, 2018 compared to \$1,036 for the three months ended September 30, 2017. Adjusted EBITDA, a non-GAAP metric, was \$7,903 for the six months ended September 30, 2018 compared to \$623 for the six months ended September 30, 2017.

The following is an unaudited reconciliation of U.S. GAAP net income to EBITDA and Adjusted EBITDA for the three and six months ended September 30, 2018 and the three and six months ended September 30, 2017:

	Three Months ended	
(U.S. dollars, in thousands):	September 30, 2018	September 30, 2017
Net Income (loss)	\$2,829	\$ (716 )
Add:		
Provision (benefit) for income taxes	1,299	(451 )
Depreciation and amortization	810	1,288
Interest expense	104	145
Less:		
Interest income	(19 )	(8 )
Other income (expenses), net	(430 )	-
EBITDA	\$4,593	\$ 258
Add:		
Stock-based compensation	691	778
Less:		
Reversal of accrual for contingent consideration liability	(835 )	-
Adjusted EBITDA	4,449	1,036
Revenue	34,039	30,347
Adjusted EBITDA as a % of Revenue	13.07 %	3.41 %

	Six Months ended	
(U.S. dollars, in thousands):	September 30, 2018	September 30, 2017
Net Income (loss)	\$3,864	\$ (2,366 )

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Provision (benefit) for income taxes	2,092	(1,297	)
Depreciation and amortization	1,838	2,555	
Interest expense	228	267	
Less:			
Interest income	(25 )	(13	)
Other income (expenses), net	(610 )	45	
EBITDA	\$ 7,387	\$ (809	)
Add:			
Stock-based compensation	1,351	1,432	
Less:			
Reversal of accrual for contingent consideration liability	(835 )	-	
Adjusted EBITDA	7,903	623	
Revenue	67,588	58,269	
Adjusted EBITDA as a % of Revenue	11.69 %	1.07	%

## **Liquidity and Capital Resources**

Our cash and cash equivalent and short term investments position was \$15,058 at September 30, 2018 and \$10,969 at September 30, 2017.

Net cash generated / (used) by operating activities was \$8,458 for the six months ended September 30, 2018 and \$(6,040) for the six months ended September 30, 2017. We had accounts receivable of \$18,051 at September 30, 2018 and \$19,103 at March 31, 2018. The overall net cash and cash equivalent position has increased to \$3,514 during the six months ended September 30, 2018. Days outstanding decreased to 75 days at the end of September 30, 2018 as compared to 80 days at the end of March 31, 2018.

Net cash used by investing activities amounted to \$(3,173) for the six months ended September 30, 2018 compared to cash used of \$(709) for the six months ended September 30, 2017 primarily due to investments in short term investment, purchases of property, equipment and intangible assets during the six months ended September 30, 2018.

Net cash (used)/ generated by financing activities was \$(2,179) for the six months ended September 30, 2018, compared to net cash generated by financing activities of \$5,172 for the six months ended September 30, 2017 mainly due to repayment of borrowings under our debt facilities.

We believe that our cash flows from operations and available borrowings are sufficient to meet our liquidity requirements for the next twelve months, including capital expenditures.

### *Financing Arrangements*

#### **MSSIPL Facilities**

On June 30, 2015, our subsidiary, Majesco Software and Solutions India Pvt. Ltd. (“MSSIPL”), entered into a secured Pre Shipment in Foreign Currency and Post Shipment in Foreign Currency (“PCFC”) facility with Yes Bank under which MSSIPL may request three months pre-export advances and advances against export collection bills. The maximum borrowing limit was initially 300 million Indian rupees. The interest rate on this PCFC facility was initially three months LIBOR plus 275 basis points. The interest rate on this PCFC facility is determined at the time of each

advance. This PCFC facility is secured by a first pari passu charge over the current assets of MSS IPL. Excess outstanding beyond 100 million Indian rupees is to be backed by 100% fixed deposit receipts in MSS IPL or Majesco Limited. On September 27, 2016, MSS IPL extended this PCFC facility to June 17, 2017.

On September 13, 2017, MSS IPL entered into an addendum facility letter (the “2017 Addendum”) to its addendum facility letter dated September 27, 2016 with respect to the PCFC facility with Yes Bank dated June 30, 2015. The 2017 Addendum further extended the maturity date of the PCFC facility to May 22, 2018 and reduced the maximum borrowing limit from 300 million Indian rupees to 130 million Indian rupees, or approximately \$1,896 based upon the exchange rate on September 30, 2018. In addition, the 2017 Addendum also amended the interest rate of the PCFC facility to LIBOR plus 150 basis points plus 2%. The interest rate on the PCFC facility is determined at the time of each advance. There is no outstanding balance against this loan as of September 30, 2018. The Group did not extend the term of this facility.

On May 9, 2017, MSS IPL and Standard Chartered Bank entered into an Export Invoice Financing Facility, Working Capital Overdraft Facility, Short Term Loans Facility, Bonds and Guarantees Facility and Pre Shipment Financing Under Export Orders Facility (collectively, the “Combined Facility”) pursuant to which Standard Chartered Bank agreed to a Combined Facility of up to 200 million Indian rupees (or approximately \$2,917 based upon the exchange rate on September 30, 2018). The Export Invoice Financing Facility is for the financing of MSS IPL’s sale of goods, as evidenced by MSS IPL’s invoice to the customer. Each amount drawn is required to be repaid within 90 days. The interest on this facility is based on the marginal cost of funds based lending rate (“MCLR”) plus a margin to be agreed with Standard Chartered Bank at the time of each drawdown. The MCLR is to be determined on the date of each disbursement and be effective until repayment or maturity. Interest will accrue from the utilization date to the date of repayment or payment of that utilization. The Working Capital Overdraft Facility and the Short Term Loans Facility are for working capital purposes and subject to sub-limits. The interest on these facilities is based on the MCLR plus a margin to be agreed with Standard Chartered Bank at the time of each borrowing. The MCLR is to be determined on the date of each disbursement and be effective until repayment or maturity. Interest will accrue from the draw down date up to the repayment or maturity date. The Bonds and Guarantees Facility is for the issuance of guarantees and subject to commissions as agreed with Standard Chartered Bank from time to time. The Pre Shipment Financing Under Export Orders Facility is for the purchase of raw material, processing, packing, transportation, warehousing and other expenses and overheads incurred by MSS IPL to ready goods for sale. The interest on this facility is based on the MCLR plus a margin to be agreed with Standard Chartered Bank at the time of each borrowing. The MCLR is to be determined on the date of utilization and be effective until repayment. Interest will accrue from the utilization date up to the repayment date.

The interest under the Combined Facility may be changed by Standard Chartered Bank upon the occurrence of certain market disruption events. The Combined Facility is secured by a first pari passu security interest over the current assets of MSS IPL. MSS IPL was in compliance under the terms of this Combined Facility as of September 30, 2018.

There are no outstanding loans under this Combined Facility as of September 30, 2018.

### **Term Loan Facility**

On March 23, 2016, Majesco entered into a Loan Agreement (the “Loan Agreement”) with HSBC pursuant to which HSBC agreed to extend loans to Majesco in the amount of up to \$10,000 and Majesco issued a promissory note to HSBC in the maximum principal amount of \$10,000 or any lesser amount borrowed under the Loan Agreement (the “Note”, and together with the “Loan Agreement”, the “Facility”). The outstanding principal balance of the loan bears interest based on LIBOR plus a margin in effect on the first day of the relevant interest period. Until January 1, 2018, only interest was payable under the loan. Commencing on January 1, 2018, and on each January 1 and July 1 thereafter until July 1, 2020, installments of principal in the amount of \$1,667 will be due and payable semi-annually. All principal and interest outstanding under the Note is due and payable on March 1, 2021. The Facility is unsecured and supported by a letter of credit issued by a bank of \$10,000, which is secured by a cash pledge of the Group’s parent company, Majesco Limited. As of September 30, 2018, the Group had \$6,667 outstanding under this Facility. As of

September 30, 2018, the Group was in compliance with the terms of this Facility.

The Facility contains affirmative covenants that require Majesco to furnish financial statements to HSBC and cause Majesco Limited to maintain (1) a Net Debt-to-EBITDA Ratio (as defined in the Loan Agreement) of not more than (a) 5.00 to 1.00 as of the last day of its 2017 fiscal year and (b) 2.50 to 1.00 as of the last day of each fiscal year thereafter, and (2) a Debt Service Coverage Ratio (as defined in the Loan Agreement) of not less than 1.50 to 1.00 as of the last day of each fiscal year. The Facility contains restrictive covenants on Majesco, including restrictions on declaring or paying dividends upon and during the continuation of an event of default, incurring additional indebtedness, selling material portions of its assets or undertaking other substantial changes to the business, purchasing or holding securities for investment, and extending credit to any person outside the ordinary course of business. The Facility also restricts any transfer or change in, or assignment or pledge of the ownership or control of Majesco which would cause Majesco Limited to directly own less than 51% of the issued and outstanding equity interests in Majesco. The Facility also restricts Majesco Limited from incurring any Net Debt (as defined in the Loan Agreement) in excess of \$25,000 at any time prior to April 1, 2017. The Facility also contains customary events of default provision and indemnification provisions whereby Majesco will indemnify HSBC against all losses or damages related to the Facility; provided, however, that Majesco shall not have any indemnification obligations to HSBC for any claims caused by HSBC's gross negligence or willful misconduct. Majesco used the loan proceeds to repay existing indebtedness and for capital expenditures, working capital and other general corporate purposes.

### **Receivable Purchase Facility**

On January 13, 2017, Majesco and its subsidiaries Majesco Software and Solutions Inc. (“MSSI”), and Cover-All Systems, jointly and severally entered into a Receivable Purchase Agreement with HSBC pursuant to which HSBC may advance funds against receivables at an agreed advance rate. The outstanding aggregate amount of all advances may not exceed a \$10,000 facility limit. The facility bears interest at two (2%) per cent plus the ninety (90) day LIBOR rate. HSBC will also receive an arrangement fee equal to 0.20% of the facility limit and a facility review fee equal to 0.20% of the facility limit. Majesco will serve as HSBC’s agent for the collection of receivables, and Majesco will collect and otherwise enforce payment of the receivables. HSBC has a security interest in accounts of MSSI and Cover-All Systems. The term of the Receivable Purchase Agreement is for a minimum period of twelve (12) months and shall continue unless terminated by either party. Either party may terminate the Receivable Purchase Agreement at any time upon sixty (60) days’ prior written notice to the other party. The Receivable Purchase Agreement will provide additional liquidity to the Group for working capital and other general corporate purposes. As of September 30, 2018, Majesco had \$4,813 outstanding under this facility. Majesco used proceeds from this facility to repay existing indebtedness and for capital expenditures, working capital and other general corporate purposes.

### **Auto loan**

MSSIPL has obtained an auto loan from HDFC Bank for the purchase of a vehicle. This loan is secured by the hypothecation of the vehicle. The outstanding balance of the auto loan as of September 30, 2018 is \$110.

### ***Dividends and Redemption***

We have declared and paid a cash dividend on our common stock only for our fiscal year 2000. It has otherwise been our policy to invest earnings in growth rather than distribute earnings as common stock dividends. This policy, is expected to continue, but is subject to regular review by our Board of Directors.

### **Contractual Obligations**

In the normal course of our business, we are party to a variety of contractual obligations as summarized in our Annual Report. These contractual obligations are considered by us when assessing our liquidity requirements. There have been no material changes to our contractual obligations as disclosed in the Annual Report, other than those which occur in the ordinary course of business. We had borrowed \$0 under the PCFC facility, \$0 under the Combined



Facility, \$4,813 under our receivable purchase facility, \$110 under our auto loan and \$6,667 under our term loan with HSBC at September 30, 2018, compared to \$0, \$0, \$5,262, \$7 and \$8,333, respectively, as of March 31, 2018.

### **Off-Balance Sheet Arrangements**

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

### **Emerging growth company**

We are an “emerging growth company” and a “smaller reporting company” under the federal securities laws and are subject to reduced public company reporting requirements. In addition, Section 107 of the Jumpstart Our Business Startups Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have taken advantage of the extended transition period for complying with new or revised accounting standards. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

### **Item 3. Quantitative And Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We are exposed to market risk primarily due to fluctuations in foreign currency exchange rates and interest rates, each as described more fully below. We do not hold or issue derivative financial instruments for trading or speculative purposes.

#### ***Interest Rate Sensitivity***

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and investments. We do not use derivative financial instruments to hedge our interest rate exposure. Our cash and cash equivalents and short term investments as of September 30, 2018 were \$12,315 and \$2,743, respectively.

We invest primarily in highly liquid, money market funds and bank fixed deposits. Because of the short-term nature of the majority of the interest-bearing securities we hold, we believe that a 10% fluctuation in the interest rates applicable to our cash and cash equivalents and investments would not have a material effect on our financial condition or results of operations.

The rate of interest on our PCFC facility, our Combined Facility, our receivable purchase facility and our term loan with HSBC and our auto loan which were in effect as of September 30, 2018, are variable and are based on LIBOR plus a fixed margin. As of September 30, 2018, we had \$0, \$4,813 and \$0 in borrowings outstanding under our PCFC facility, our receivable purchase facility with HSBC and our Combined Facility, respectively. As of September 30, 2018, we had borrowed \$6,667 and \$110 under our term loan with HSBC and our auto loan, respectively. We believe that a 10% fluctuation in the interest rates applicable to our borrowings would not have a material effect on our financial condition or results of operations.

#### ***Foreign Currency Exchange Risk***

Our reporting currency is the U.S. dollar. However, payments to us by customers outside the U.S. are generally made in the local currency. Accordingly, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Canadian dollar, Indian rupee, British pound, Thai baht, Malaysian ringgit, Singapore dollar and Mexican peso. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy.

We generated approximately 11% and 10.16% of our gross revenues outside of the United States for the three months ended September 30, 2018 and 2017, respectively, compared to 11% and 12.68% for the six months ended September 30, 2018 and 2017, respectively. The effect of foreign exchange rate changes on cash and cash equivalents resulted in a (loss) of \$(63) and a gain of \$89 for the three months ended September 30, 2018 and September 30, 2017, respectively, compared to a gain of \$57 and \$210 for the six months ended September 30, 2018 and September 30, 2017, respectively. For the three months ended September 30, 2018 and September 30, 2017, we had a foreign exchange gain of approximately \$437 and \$4, respectively, compared to a foreign exchange gain/(loss) of \$616 and \$(66.66) for the six months ended September 30, 2018 and September 30, 2017, respectively.

We use foreign currency forward contracts and par forward contracts to hedge our risks associated with foreign currency fluctuations related to certain commitments and forecasted transactions. The use of hedging instruments is governed by our policies which are approved by our Board of Directors. We designate these hedging instruments as cash flow hedges. Derivative financial instruments we enter into that are not designated as hedging instruments in hedge relationships are classified as financial instruments at fair value through profit or loss.

The aggregate contracted U.S. dollar principal amounts of foreign exchange forward contracts (sell) outstanding as of September 30, 2018 amounted to \$31,975. The aggregate contracted Great Britain Pound (“GBP”) principal amounts of foreign exchange forward contracts (sell) outstanding as of September 30, 2018 amounted to GBP 525. The outstanding forward contracts as of September 30, 2018 mature between one month to 36 months. As of September 30, 2018, we estimate that \$(1,303), net of tax, of the net gains/(losses) related to derivatives designated as cash flow hedges recorded in accumulated other comprehensive income (loss) are expected to be reclassified into earnings within the subsequent 36 months. The outstanding foreign exchange forward contracts in U.S. dollars as of September 30, 2018 are designated as in hedge relationship and there will be no impact on our statement of operations due to a strengthening or weakening of 10% in the foreign exchange rates.

The fair value of derivative financial instruments is determined based on observable market inputs and valuation models. The derivative financial instruments are valued based on valuations received from the relevant counterparty (i.e., bank). The fair value of the foreign exchange forward contract and foreign exchange par forward contract has been determined as the difference between the forward rate on reporting date and the forward rate on the original transaction, multiplied by the transaction's notional amount (with currency matching). The following table provides information of fair values of derivative financial instruments:

	Assets		Liability	
	Noncurrent*	Current*	Noncurrent*	Current*
As of September 30, 2018				
Designated as hedging instruments under Cash Flow Hedges				
Foreign exchange forward contracts	\$ 1	\$ 1	\$639	\$ 1,201
Total	\$ 1	\$ 1	\$639	\$ 1,201

\* The noncurrent and current portions of derivative assets are included in 'Other Assets' and 'Prepaid Expenses And Other Current Assets,' respectively, and the noncurrent and current portions of derivative liabilities are included in 'Other Liabilities' and 'Accrued Expenses And Other Liabilities,' respectively in the Consolidated Balance Sheet.

For more information on foreign currency translation adjustments and cash flow hedges and other derivative financial instruments, see Notes 7 and 8 to our consolidated financial statements for the three and six months ended September 30, 2018.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2018. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of September 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1A. Risk Factors.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Annual Report. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

### Item 5. Other Information

At the 2018 annual meeting of shareholders of the Company held on August 13, 2018, shareholders of Majesco approved an amendment (the “Amendment”) to the Company’s 2015 Equity Incentive Plan pursuant to which the number of shares authorized for issuance thereunder increased from 3,877,263 shares to 5,877,263 shares. A copy of the Amendment is filed as Exhibit 10.2 hereto.

### Item 6. Exhibits.

Exhibit No.	Description
<u>10.1*+</u>	<u>Employment Letter Agreement between Majesco and Adam Elster dated as of September 20, 2018</u>
<u>10.2*+</u>	<u>Amendment to Majesco 2015 Equity Incentive Plan</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1*</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2*</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

101.1\*\* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 formatted in extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and March 31, 2018; (ii) Consolidated Statements of Operations for the three and six months ended September 30, 2018 and 2017 (Unaudited); (iii) Consolidated Statements of Cash Flows for the six months ended September 30, 2018 and 2017 (Unaudited); and (iv) Notes to Consolidated Financial Statements (Unaudited).

\* Filed herewith.

\*\* Furnished herewith.

+ Denotes a management contract or a compensatory plan.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **MAJESCO**

Date: November 7, 2018 By: /s/ Adam Elster  
Adam Elster, Chief Executive Officer

(Principal Executive Officer)

Date: November 7, 2018 By: /s/ Farid Kazani  
Farid Kazani, Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)