

Successful Reboot is the Newgen Code

ET PROFILE

Newgen Software Technologies

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New Delhi: The initial public offer of homegrown product-technology company Newgen Software Technologies was subscribed eight times on the third and final day of its public market debut, in the process, providing its three risk capital backers with stellar exits.

The successful IPO is bound to bring great cheer to the country's often beleaguered venture capital industry, given their overall paucity in India. Both, IDG Ventures India and Ascent Capital, who held about 17% of Newgen stock, are expected to cumulatively earn more than ₹280 crore, on the back of their five-year-old ₹108-crore bet on the company.

"It's been a phenomenal achievement, given that they are based in India, and have most of their R&D here. In spite of that, they have been able to keep up with the best across the world," Sunil Kolangara, partner at Ascent Capital, told ET.

The IPO is the culmination of a 25-year-old journey by founders Diwakar Nigam and TS Varadarajan in 1992, who first met

during their student days in IIT Madras in the mid-70s, and then got together a few years later to set up Newgen Software.

However, a public market debut could have taken place almost a decade ago, but those plans were forced to be put on hold after the 2008 financial crisis brought global markets to their knees.

"It was a setback, and we had to go back to the drawing board. Customers had stopped payments, and that was possibly the only time the company faced a bit of an uncertain future," Nigam recounted.

While the company was soon back on its feet, it entered more developed markets, building out its client demographic across the board, it again, faced headwinds with the advent of the Middle East oil crisis of 2015.

"We saw how the top management faced the crisis and the uncertainty that followed, and it was no surprise that Newgen weathered the storm so well," Kolangara said.

The company had filed its draft prospectus with markets regulator Sebi on September 27 last year, and is expected to use the proceeds from the IPO to purchase office premises, as well as towards general corporate purposes.

On Thursday, the Newgen issue received bids for 25.9 million shares, against the 12.21 million shares on offer, excluding the anchor portion, according to data from the stock exchanges, with the book subscribed more than 2 times, driven by strong

demand from institutional and retail investors.

The company had already raised over ₹127 crore, ahead of its IPO, from anchor investors, a list that included, Goldman Sachs, hedge fund Forefront Alternative Investment Trust, Alchemy Capital Management, Malabar India Fund, BNP Paribas Arbitrage and Societe Generale.



THE STORY SO FAR

- **Newgen Software Technologies** was founded in 1992
- **Diwakar Nigam** and TS Varadarajan, who first met as students in IIT Madras in the mid-70s, got together a few years later to set up the company

The IPO is the culmination of a 25-year-old journey by the founders

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— **DIWAKAR NIGAM**, Managing Director, Newgen Software Technologies