Majesco
Form 10-Q
February 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2017

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

(Exact Name of Registrant as Specified in Its Charter)

California	**77-0309142**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
412 Mount Kemble Ave., Suite 110C **Morristown, NJ**	**07960**
(Address of principal executive offices)	(Zip code)

(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes x No ¨

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 x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company x

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 x

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

Class	**Outstanding at January 29, 2018**
Common Stock, $0.002 par value per share	36,543,425 shares

MAJESCO

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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 per share data and as stated otherwise)

	December 31, 2017	March 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,776	$ 11,635
Short term investments	689	829
Restricted cash	54	53
Accounts receivables, net	14,664	12,227
Unbilled accounts receivable	10,101	8,563
Prepaid expenses and other current assets	8,150	5,961
Total current assets	44,434	39,268
Property and equipment, net	2,902	3,659
Intangible assets, net	7,231	8,708
Deferred income tax assets	7,205	5,874
Other assets	168	289
Goodwill	32,216	32,216
Total Assets	$ 94,156	$ 90,014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Capital lease obligations	$ 136	$ 310
Loans from banks	2,952	2,561
Accounts payable	3,007	2,923
Accrued expenses and other liabilities	19,958	14,911
Deferred revenue	12,009	10,982
Total current liabilities	38,062	31,687
Capital lease obligations, net of current portion	133	288
Term loan – bank	10,000	10,000
Other	2,257	2,191
Total Liabilities	$ 50,452	$ 44,166
Commitments and contingencies		
STOCKHOLDERS' EQUITY		

Preferred stock, par value $0.002 per share – 50,000,000 shares authorized as of December 31, 2017 and March 31, 2017, NIL shares issued and outstanding as of December 31, 2017 and March 31, 2017	$ -	$ -
Common stock, par value $0.002 per share – 450,000,000 shares authorized as of December 31, 2017 and March 31, 2017; 36,543,425 shares issued and outstanding as of December 31, 2017 and 36,508,203 shares issued and outstanding as of March 31, 2017	73	73
Additional paid-in capital	73,801	71,343
Accumulated deficit	(30,718)	(25,282)
Accumulated other comprehensive loss	548	(286)
Total Stockholders' Equity	43,704	45,848
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 94,156	$ 90,014

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)

	Three Months ended December 31, 2017	Three Months ended December 31, 2016	**Nine Months ended December 31, 2017**	Nine Months ended December 31, 2016
Revenue	$ 31,769	$ 30,012	$ 90,037	$ 93,612
Cost of revenue	16,864	15,310	49,617	48,701
Gross profit	$ 14,905	$ 14,702	$ 40,420	$ 44,911
Operating expenses				
Research and development expenses	$ 4,533	$ 3,952	$ 12,669	$ 13,011
Selling, general and administrative expenses	10,274	10,558	31,018	31,871
Total operating expenses	$ 14,807	$ 14,510	$ 43,687	$ 44,882
Income/(Loss) from operations	$ 98	$ 192	$ (3,267)	$ 29
Interest income	5	9	18	27
Interest expense	(111)	(143)	(378)	(485)
Other income (expenses), net	(122)	208	(165)	222
Income /(Loss) before provision for income taxes	$ (130)	$ 266	$ (3,792)	$ (207)
(Benefit)/Provision for income taxes	2,939	57	1,643	(84)
Net Income/(Loss)	$ (3,069)	$ 209	$ (5,435)	$ (123)
Earnings (Loss) per share:				
Basic	$ (0.08)	$ 0.01	$ (0.15)	$ 0.00
Diluted	$ (0.08)	$ 0.01	$ (0.15)	$ 0.00
Weighted average number of common shares outstanding				
Basic	36,536,797	36,487,496	36,524,799	36,471,151
Diluted	36,536,797	38,231,104	36,524,799	36,471,151

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 December 31, 2017	Three Months ended December 31, 2016	Nine Months ended December 31, 2017	Nine Months ended December 31, 2016
Net Income/(Loss)	$ (3,069)	$ 209	$ (5,435)	$ (123)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	291	(309)	587	(679)
Unrealized gains/(loss) on cash flow hedges	372	(26)	246	(59)
Other comprehensive income (loss)	$ 663	$ (335)	$ 833	$ (738)
Comprehensive (Loss)	$ (2,406)	$ (126)	$ (4,602)	$ (861)

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)

	Nine Months ended December 31, 2017	Nine Months ended December 31, 2016
Net cash flows from operating activities		
Net Loss	$ (5,435)	$ (123)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation on property and equipment	1,671	2,827
Amortization of intangibles	2,078	639
Stock-based compensation	2,312	960
Profit on sale of assets	(13)	(6)
Unrealized gain / (loss) on derivative instruments	246	(59)
Deferred income taxes	(1,322)	(533)
Change in Assets and Liabilities:		
Decrease / (increase) in accounts receivable, billed and unbilled	(3,467)	7,241
Decrease / (increase) in prepaid expenses and other current assets	(2,116)	937
Decrease / (increase) in other non-current assets	122	105
Increase / (decrease) in accounts payable	66	(1,034)
Increase / (decrease) in accrued expenses and other liabilities	4,752	1,523
(Increase) / decrease in deferred revenue and other non-current liabilities	1,075	715
Net cash (used) provided by operating activities	$ (31)	$ 13,192
Net cash flows from investing activities		
Purchase of property and equipment	$ (909)	$ (1,992)
Purchase of intangible assets	(584)	(537)
Proceeds from sale of tangible assets	35	66
Proceeds from the sale of investment	15,700	23,315
Purchase of investment	(15,524)	(24,228)
Decrease in restricted cash	-	(6)
Net cash (used) by investing activities	$ (1,282)	$ (3,382)
Net cash flows from financing activities		
Payment of capital lease obligations	$ (329)	$ (102)
Repayment of loans	(1,957)	(9,351)
Receipt of loan proceeds	2,318	12,800
Net cash provided by financing activities	$ 32	$ 3,347
Effect of foreign exchange rate changes on cash and cash equivalents	422	(680)
Net (decrease)/increase in cash and cash equivalents	$ (859)	$ 12,477
Cash and cash equivalents, beginning of the period	11,635	5,520
Cash and cash equivalents at end of the period	$ 10,776	$ 17,997

See accompanying notes to the Consolidated Financial Statements.

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. DESCRIPTION OF BUSINESS

Majesco is a global provider of core insurance software, consulting services and other insurance technology solutions for business transformation for the insurance industry. We offer core insurance software solutions for property and casualty/general insurance ("P&C"), life and annuity ("L&A") and pensions group/employee benefits providers, allowing them to manage policy administration, claims management and billing functions. In addition, we offer a variety of other technology-based solutions that are designed to enable organizations to automate and innovate business processes across the end-to-end insurance value chain and comply with policies and regulations across their organizations. Our solutions enable customers to respond to evolving market needs and regulatory changes, while improving the efficiency of their core operations, thereby increasing revenues and reducing costs.

Majesco's customers are insurers, managing general agents and other risk providers from the P&C, L&A and group insurance segments worldwide. Other risk providers s are self insurers or reinsurers.

Majesco was previously 100% owned (directly or indirectly) by Mastek Ltd., a publicly traded limited company domiciled in India whose equity shares are listed on the Bombay Stock Exchange and the National Stock Exchange (India). Mastek Ltd. underwent a demerger through a scheme of arrangement under India's Companies Act, 1956, pursuant to which its insurance related business was separated from Mastek Ltd.'s non-insurance related business and the insurance related operations of Mastek Ltd. that were not previously directly owned by Majesco were contributed to Majesco (the "Reorganization"). The Reorganization was completed on June 1, 2015.

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

Merger with Cover-All Technologies Inc.

On June 26, 2015, Cover-All Technologies Inc. ("Cover-All"), an insurance software company listed on the NYSE American (then, NYSE MKT), merged with and into Majesco in a 100% stock-for-stock merger, with Majesco surviving the merger.

In connection with the merger, Majesco's common stock was listed on the NYSE American (then, NYSE MKT) and began trading on the NYSE American (then, NYSE MKT) on June 29, 2015. Pursuant to the merger, Cover-All's stockholders and holders of its options and restricted stock units received equity or equity interests in Majesco representing approximately 16.5% of the total capitalization of the combined company in the merger.

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, or U.S. GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of SEC Regulation S-X. The March 31, 2017 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, 2017 filed with the SEC on June 16, 2017 (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 and Majesco Asia Pacific Pte Ltd. as of December 31, 2017. 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 and Auditing Development

Improvements on Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Improvements on Employee Share-Based Payment Accounting (Topic 718)" ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements,

as well as classification in the statement of cash flows. The new standard is effective for annual periods beginning after December 15, 2016 and interim periods within those years. The standard became effective for the Company on April 1, 2017. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which provides guidance for revenue recognition. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date", deferring the effective date of this standard. As a result, the ASU and related amendments will be effective for the Company for its fiscal year beginning April 1, 2018, including interim periods within that fiscal year.

Subsequently, the FASB issued ASU No. 2016-08, "Principal Versus Agent Consideration (or Reporting Revenue Gross versus Net)" in March 2016, ASU No. 2016-10, Identifying Performance Obligations and Licensing in April 2016, and ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients in May 2016. These amendments clarified certain aspects of Topic 606 and will also be effective for the Company for its fiscal year beginning April 1, 2018.

The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Topic 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. Topic 606 also provides guidance on the recognition of costs related to obtaining customer contracts.

Preliminarily, the Company plans to adopt these ASUs (collectively, Topic 606) on April 1, 2018. Topic 606 permits two methods of adoption: retrospectively to each prior reporting period presented (the "Full Retrospective Method"), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the "Modified Retrospective Method"). The Company currently intends to apply the Modified Retrospective Method. Although the Company does not expect a material impact on revenues upon adoption, we expect that the new standard will expand disclosure, specifically around the quantitative and qualitative information about the Company's underlying performance obligations.

Business Combinations (Topic 805): Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805)": Clarifying the Definition of a Business, which provides a more robust framework to use in determining when a set of assets and activities is a business. The standard will be effective for the Company beginning April 1, 2018. 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.

Statement of Cash Flows (Topic 230): Restricted Cash

In November 2016, the FASB issued ASU 2016-18," Statement of Cash Flows (Topic 230)": Restricted Cash, which requires the statement of cash flows to report changes in cash, cash equivalents, and restricted cash. The standard will be effective for the Company beginning August 1, 2018. 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.

Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)": Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The standard will be effective for the Company beginning April 1, 2018. 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 Tax Consequences of an Intra-Entity Transfer of Assets Other Than Inventory (Topic 740)

In October 2016, the FASB issued ASU 2016-16, "Income Taxes — Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)", which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard must be adopted using a modified retrospective transition method which is a cumulative-effective adjustment to retained earnings as of the beginning of the first effective reporting period. The standard will be effective for the Company beginning April 1, 2018. 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.

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 be 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.

Emerging Growth Company

The Group is an “emerging growth company” under the federal securities laws and is subject to reduced public company reporting requirements. Section 107 of the JOBS 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 (the “Securities Act”), 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. The Group has 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 fully with public company accounting standards’ effective dates.

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, derivative financial instruments, accounts receivable, unbilled accounts receivable, accounts payable, contingent consideration liability 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.
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 December 31, 2017 and March 31, 2017:

	As of December 31, 2017	March 31, 2017
Assets		
Level 2		

Derivative financial instruments (included in the following line items in the Consolidated Balance Sheets)		
Prepaid expenses and other current assets	$ 375	$ 99
Other assets	$ 126	-
Other liabilities	(12)	(10)
Accrued expenses and other liabilities	(27)	-
	$ 462	$ 89
Level 3		
Contingent consideration		
Other liabilities	$ -	$ -
Accrued expenses and other liabilities	(813)	(756)
	$ (813)	$ (756)
Total	$ (351)	$ (667)

The following table presents the change in level 3 instruments:

	As of and for the three months ended	
	December 31, 2017	December 31, 2016
Opening balance	$ (793)	$ (670)
Additions	-	-
Total losses recognized in Statement of Operations	(20)	(41)
Settlements	-	-
Closing balance	$ (813)	$ (711)

	As of and for the nine months ended	
	December 31, 2017	December 31, 2016
Opening balance	$ (756)	$ (593)
Additions	-	-
Total losses recognized in Statement of Operations	(57)	(118)
Settlements	-	-
Closing balance	$ (813)	$ (711)

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 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 losses attributable to changes in the estimated contingent consideration payable for the acquisition of the consulting business of Agile were $(20) and $(57) for the three and nine months ended December 31, 2017, respectively, and $(163) for the fiscal year ended March 31, 2017. The Group paid $1.1 million to Agile as earn-out consideration in the fiscal year ended March 31, 2017. The Group paid $1.5 million to Agile as earn-out consideration in the fiscal year ended March 31, 2016.

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. CAPITAL LEASE OBLIGATIONS

The Group leases a vehicle and furniture under capital leases which are stated at the present value of the minimum lease payments. The gross stated amounts for such capital leases are nil and $101 and related accumulated depreciation recorded under capital leases is nil and $42, respectively, as of December 31, 2017 and March 31, 2017. At the termination of the leases, the Group has an option to receive title to the assets at no cost or for a nominal payment.

Depreciation expenses in respect of assets held under capital leases were $5 and $5 for the three and nine months ended December 31, 2017 compared to $6 and $20 for the three and nine months ended December 31, 2016, respectively.

There are no future minimum lease payments under capital leases as of December 31, 2017.

The Group acquired software under a hire purchase arrangement which is stated at the present value of the minimum instalment payments. The gross stated amount for such software is $431 and $459 and related accumulated depreciation is $86 and $23, respectively, as of December 31, 2017 and March 31, 2017.

Depreciation expenses in respect of assets held under hire purchase were $22 and $65 for the three and nine months ended December 31, 2017, compared to $6 and $20 for the three and nine months December 31, 2016, respectively.

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 December 31, 2017.

Period ended December 31,	Amount
2018	$ 139
2019	139
Total minimum installment payments of hire purchase	$ 278
Less: Interest portion	9
Present value of net minimum installments of hire purchase	$ 269

6. BORROWINGS

Line of Credit

On March 25, 2011, the Group entered into a secured revolving working capital line of credit facility (the "Credit Facility") with ICICI Bank Limited ("ICICI") under which the maximum borrowing limit was $5,000. The interest rate on the Credit Facility at March 31, 2016 was the three-month LIBOR plus 350 basis points and increased to the three-month LIBOR plus 375 basis points with the second extension of this facility described below. The Credit Facility was guaranteed by Mastek Ltd., subject to the terms and conditions set forth in the guarantee. The Credit Facility initially matured on November 11, 2015. On November 20, 2015, the Group extended this line of credit to February 11, 2016. The facility was further extended to May 9, 2016 and again extended to May 15, 2017. Majesco paid a processing fee of $12.50 in connection with the second extension and a processing fee of $50.83 in connection with the third extension. In connection with these extensions of the Majesco line of credit, Mastek Ltd. also extended its guarantee of such line of credit. Majesco has agreed to pay a fee and indemnify Mastek Ltd. against any payments made by Mastek Ltd. in connection with this guarantee. On January 20, 2017, the Group paid in full the balance under this facility with proceeds from a new $10,000 receivables purchase facility with HSBC Bank USA, National Association ("HSBC") described below, and this facility was terminated. On repayment of this facility, the guarantee by Mastek Ltd. of this facility was also terminated and the Group's liability to Mastek Ltd. regarding this guarantee also ceased to exist. The interest rate on the Credit Facility was 4.75% at January 20, 2017.

This facility was secured by a continuing first priority lien on and security interest in, among other things, all of Majesco's personal property and assets (both tangible and intangible), including accounts receivable, cash, certificated and uncertificated securities and proceeds of any insurance or indemnity payable to the Group with respect to the collateral. This facility contained financial covenants, as well as restrictions on, among other things, the ability of the Group to incur debt or liens; make loans and investments; enter into mergers, acquisitions and other business combinations; engage in asset sales; or amend its governing documents. This facility also restricted the Group from paying dividends upon and during the continuation of an event of default.

MSSIPL Facilities

On June 30, 2015, the Group's 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 3 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 USD 3 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 $2,036 based upon the exchange rate on December 31, 2017. There is no outstanding balance against this loan as of December 31, 2017.

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.

As of December 31, 2017, the Group was in compliance with the terms of this facility.

On May 9, 2017, MSSIPL 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 (the "Combined Facility") pursuant to which Standard Chartered Bank agreed to a Combined Facility of up to 200 million Indian rupees (or approximately $3,133 at exchange rates in effect on December 31, 2017). The Export Invoice Financing Facility is for the financing of MSSIPL's sale of goods, as evidenced by MSSIPL'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. 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 MSSIPL 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 MSSIPL. MSSIPL was in compliance under the terms of this Combined Facility as of December 31, 2017.

The outstanding loan balance under this Combined Facility as of December 31, 2017 is nil.

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 will be 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 shall be due and payable semi-annually. All principal and interest outstanding under the Note shall be 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 December 31, 2017, the Group had $10,000 outstanding under this

Facility. As of December 31, 2017, 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 fifty one percent (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 December 31, 2017, Majesco had $2,952 outstanding under this facility. Majesco used proceeds from this facility to refinance the ICICI facility described above, to fund capital expenditures and for working capital and other general corporate purposes.

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Asset		Liability	
	Noncurrent	Current*	Noncurrent	Current*
As of December 31, 2017				
Designated as hedging instruments under Cash Flow Hedges				
Foreign exchange forward contracts	$126	$ 375	$ 12	$ 27
Total	$126	$ 375	$ 12	$ 27
As of March 31, 2017				
Designated as hedging instruments under Cash Flow Hedges				
Foreign exchange forward contracts	$-	$ 99	$ 10	$ -
	$-	$ 99	$ 10	$ -

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.

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 principal amounts of the Group’s foreign exchange forward contracts (sell) outstanding amounted to $17,950 and nil as of December 31, 2017 and March 31, 2017, respectively. The aggregate contracted Great Britain Pound (“GBP”) principal amounts of the Group’s foreign exchange forward contracts (sell) outstanding amounted to GBP 1,485 and GBP 2,080 as of December 31, 2017 and March 31, 2017, respectively.

The outstanding forward contracts as of December 31, 2017 mature between one month and 24 months. As of December 31, 2017, the Group estimates that $305, net of tax, of the net 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 24 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 nine months ended December 31, 2017		
Foreign exchange forward contracts	$ 553	$ (180)
Total	$ 553	$ (180)
For the nine months ended December 31, 2016		
Foreign exchange forward contracts	$ 97	$ (187)
Total	$ 97	$ (187)

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8. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Before tax	Tax effect	Net of Tax	Before tax	Tax effect	Net of Tax
Other comprehensive income						
Foreign currency translation adjustments						
Opening balance	$(49)	$-	$(49)	$(148)	$—	$(148)
Change in foreign currency translation adjustments	291	-	291	(309)	—	(309)
Closing balance	$242	$-	$242	$(457)	$—	$(457)
Unrealized gains/(losses) on cash flow hedges						
Opening balance	$(101)	$35	$(66)	$125	$(43)	$82
Unrealized gains/(losses) on cash flow hedges	665	(226)	439	21	(7)	14
Reclassified to Revenue	(102)	34	(68)	(59)	20	(39)
Net change	$563	$(191)	$372	$(38)	$13	$(25)
Closing balance	$462	$(157)	$305	$87	$(30)	$57

	Nine months ended December 31, 2017			Nine months ended December 31, 2016		
	Before tax	Tax effect	Net of Tax	Before tax	Tax effect	Net of Tax
Other comprehensive income						
Foreign currency translation adjustments						
Opening balance	$(345)	$-	$(345)	$222	$—	$222
Change in foreign currency translation adjustments	587	-	587	(679)	—	(679)
Closing balance	$242	$-	$242	$(457)	$—	$(457)
Unrealized gains/(losses) on cash flow hedges						
Opening balance	$89	$(30)	$59	$176	$(60)	$116
Unrealized gains/(losses) on cash flow hedges	553	(188)	365	97	(33)	64
Reclassified to Revenue	(180)	61	(119)	(186)	63	(123)
Net change	$373	$(127)	$246	$(89)	$30	$(59)
Closing balance	$462	$(157)	$305	$87	$(30)	$57

9. INCOME TAXES

The Group recognized income tax provisions of $2,939 and $1,643, respectively, for the three and nine months ended December 31, 2017 and recognized income tax provisions (benefits) of $57 and $(84), respectively, for the three and nine months ended December 31, 2016. For the nine months ended December 2017, the deferred tax benefit primarily relates to the Company recognizing an increase in deferred tax assets from the anticipated future realization of net operating loss carry forwards and the reduction of deferred tax liabilities related to the amortization of intangible assets.

The effective tax rate are 2266% and 43%, respectively, for the three and nine months ended December 31, 2017. The current estimated effective tax rate of 27.3% decreased mainly due to the change of the federal statutory tax rate from 34% to 21% as of January 1, 2018.

10. EMPLOYEE STOCK OPTION PLAN

Majesco 2015 Equity Incentive Plan

In the three and nine months ended December 31, 2017, we recognized $425 and $1,208, respectively, in equity-based compensation expense in our consolidated financial statements compared to $326 and $960, respectively, in the three and nine months ended December 31, 2016.

In June 2015, Majesco adopted the Majesco 2015 Equity Incentive Plan (the "2015 Plan"). Under the 2015 Plan, options and stock awards for the purchase of up to 3,877,263 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 December 31, 2017, an aggregate of 555,093 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 volatilities are based on peer entities as the historical volatility of 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.

Variables (range)	As of December 31, 2017	2016
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	0.46 %	0.46 %

As of December 31, 2017, there was $3,244 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 2.6 years.

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

	Shares	Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Balance, April 1, 2017	2,868,642	$ 4.79 – 7.72	8.91years	$ 5.34
Granted	555,000	4.85-5.58	—	4.91
Exercised	(2,083)	4.92	—	4.92
Cancelled	(161,333)	4.87 – 6.22	—	5.60
Expired	-	-	—	-
Balance, December 31, 2017	3,260,226	$ 4.79 – 7.72	8.18 years	$ 5.25

Of the stock options outstanding, an aggregate of 1,138,878 were exercisable as of December 31, 2017.

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 Accounting Standards Codification ("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 December 31, 2017, there were warrants to purchase 25,000 shares of common stock outstanding. A summary of the terms of the outstanding warrants as of December 31, 2017 is as follows:

	Outstanding and Exercisable Warrants	Exercise Price Per Warrant	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Balance, December 31, 2017	25,000	$ 7.00	2.7	$ 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 MSSIPL from time to time. During the nine months ended December 31, 2017, 181,500 options were granted under ESOP plan 1 of Majesco Limited. The options were granted at the market price on the grant date.

As of December 31, 2017, the total future compensation cost related to non-vested options not yet recognized in the Statement of Operations was $1,710 and the weighted average period over which these awards are expected to be recognized was 2.19 years. The weighted average remaining contractual life of options expected to vest as of December 31, 2017 is 9.19 years.

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

	2017		2016	
Weighted-average volatility	49.47	%	51.02	%
Expected dividends	0.00	%	0.00	%
Expected term (in years)	6 Years		6 Years	
Risk-free interest rate	6.59	%	7.46	%

The summary of outstanding options of Majesco Limited as of December 31, 2017 is as follows:

	No of Options Outstanding	Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Balance, December 31, 2017	856,602	$0.1 - $3	6.76	1.41
	648,158	$3.1 - $6	9.15	5.01
	124,500	$6.1 - $7	9.03	7.69
	1,629,260			

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Of the stock options of Majesco Limited outstanding and held by Group employees, an aggregate of 1,005,294 are currently exercisable.

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 nine months ended December 31, 2017, we accrued $1,847 and $3,021, respectively, in incentive compensation expense in our consolidated financial statements compared to $1,561 and $4,653, respectively, during the three and nine months ended December 31, 2016.

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 December 31, 2017, we had issued and sold 89,985 shares under the ESPP.

11. EARNINGS PER SHARE

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

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Net Income/ (Loss)	$ (3,069)	$ 209	$ (5,435)	$ (123)
Basic weighted average outstanding equity shares	36,536,797	36,487,496	36,524,799	36,471,151
Adjustment for dilutive potential ordinary shares				
Options under Majesco 2015 Equity Incentive Plan	0	1,743,608	0	0
Dilutive weighted average outstanding equity shares	36,536,797	38,231,104	36,524,799	36,471,151
Earnings per share:				
Basic	$ (0.08)	$ 0.01	$ (0.15)	$ (0.00)
Diluted	$ (0.08)	$ 0.01	$ (0.15)	$ (0.00)

Basic earnings per share amounts are calculated by dividing net income for the three and nine months ended December 31, 2017 and 2016 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 ordinary shares outstanding during the three and nine months periods plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

The calculation of diluted earnings per share excluded 3,260,236 shares and 3,260,236 options for the three and nine months ended December 31, 2017 and 774,481 shares and 2,613,642 options for the three and nine months ended December 31, 2016 granted to employees, as their inclusion would have been antidilutive.

12. RELATED PARTIES TRANSACTIONS

Reimbursement of Expenses

The following tables summarize the liabilities to or by related parties:

	As of December 31, 2017	As of March 31, 2017
Net reimbursable expenses payable to Majesco Limited or Mastek Ltd.[1]	$ (273)	$ (622)

(1) The net reimbursable expenses payable at December 31, 2017 and March 31, 2017 include employee stock option charges of Majesco Limited and various expenses which are recurring in nature and attributable to shared resources with Majesco Limited or Mastek Ltd. that are in the process of being separated after the Reorganization, including air travel, travel insurance, telephone costs, water charges, insurance costs, administrative personnel costs, software and hardware costs and third party license costs, less receivables from Majesco Limited or Mastek Limited for similar expenses.

Leases

MSSIPL 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 $1,303. The lease became effective on June 1, 2015 and expires on May 31, 2020.

MSSIPL 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. MSSIPL 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 $409.

	As of December 31, 2017	As of March 31, 2017
Security deposits paid to Majesco Limited by MSSIPL for use of Mahape premises	$ 657	$ 648
Security deposits paid to Mastek Ltd. by MSSIPL for use of Pune premises	$ 207	$ 224

Rental expenses paid by MSSIPL to Majesco Limited for use of premises for the three and nine months ended December 31, 2017 were $328 and $986, respectively. Rental expenses paid by MSSIPL to Mastek Ltd. for use of premises for the three and nine months ended December 31, 2017 were $103 and $309, respectively.

Joint Venture Agreement

On September 24, 2015, MSSIPL 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 MSSIPL, the services comprise the provision of leading edge technical expertise and advice. The parties will also exchange technical and business information.

Services Agreements

On December 2, 2015, Majesco UK Limited, a company registered in England and Wales wholly owned by Majesco ("Majesco UK"), entered into a Services Agreement (the "UK Services Agreement") with Mastek UK, pursuant to which Mastek UK provided certain corporate and operational support services to Majesco UK, including managed office accommodation and facilities; managed office IT infrastructure and networks; and corporate support services, insurance coverage and subscription to professional associations and publications. The charges for these core services consisted of a monthly charge of 13 GBP (USD $20) and a pass through of actual costs of providing the services. Any support services by Mastek UK staff not included in the core services were charged on a basis to be determined separately between both parties but before provision of such services. The UK Services Agreement was effective as of January 1, 2015 and was terminated on December 31, 2016. The charge by Majesco UK to Mastek UK under the UK Services Agreement for the three and nine months ended December 31, 2017 was nil and nil, respectively, and $37 and $140, respectively, for the three and nine months ended December 31, 2016.

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 w was effective as of March 1, 2016 and was terminated on August 31, 2017. Service charges received from Digility for the three and nine months ended December 31, 2017 were nil and $19, respectively, and $11 and $38, respectively, for the three and nine months ended December 31, 2016.

On August 2, 2016, Majesco Limited and MSSIPL entered into a master service agreement, effective as of June 30, 2016, pursuant to which MSSIPL will provide software development services to Majesco Limited. Under this agreement, MSSIPL will charge Majesco Limited cost plus a margin for the services rendered. Software development charges charged by MSSIPL under the agreement for the three and nine months ended December 31, 2017 were $275 and $805, respectively, and $211 and $702 for the three and nine months ended December 31, 2016, 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 will pay monthly $1 for rent to Majesco during the term of the Sublease Agreement. Digility will also reimburse Majesco 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. Either party for any reason or no reason may terminate the Sublease Agreement by providing the other party written notice of the termination thirty (30) days in advance. The Sublease Agreement contains customary representations, warranties and indemnities of the parties. Rental charges received from Digility for the three and nine months ended December 31, 2017 were nil and $5, respectively, and for the three and nine months ended December 31, 2016 were $4 and $11, respectively.

Guarantee

During the three and nine months ended December 31, 2017, Majesco paid $13 and $38, 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 nine months ended December 31, 2016, Majesco paid $19 and $90, respectively, to Majesco Limited as arrangement fees and guarantee commission for the guarantee given by Majesco Limited to HSBC and ICICI Bank for the facilities taken by Majesco and its subsidiaries.

Intellectual Property License

On August 2, 2016, Majesco Limited and MSSIPL entered into a Memorandum of Understanding (the “MOU”) pursuant to which MSSIPL granted Majesco Limited a perpetual, royalty-free right to use the intellectual property rights of MSSIPL in “Elixir”, including any improvements and upgrades, in connection with Majesco Limited’s India insurance business.

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:

	Three months ended December 31, 2017	Three months ended December 31, 2016
USA	$ 27,870	$ 26,643
UK	1,601	1,911
Canada	431	323
Malaysia	1,491	867
Thailand	-	-
Others	376	268
	$ 31,769	$ 30,012

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
USA	$ 79,969	$ 82,177
UK	4,478	6,606
Canada	832	1,338
Malaysia	3,773	2,542
Thailand	-	-
Others	985	949
	$ 90,037	$ 93,612

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

As of December 31, 2017	As of March 31, 2017

USA	$ 1,391	$ 1,812
India	1,484	1,835
Canada	20	-
UK	7	11
Malaysia	-	1
	$ 2,902	$ 3,659

We provide a significant 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 and no customer for the three and nine months ended December 31, 2017, and no customer for the three and nine months ended December 31, 2016 that accounted for 10% or more of total revenue. The Group had one customer as of December 31, 2017 and no customer as of December 31, 2016 that accounted for 10% or more of total accounts receivable and unbilled accounts receivable. Presented in the table below is information about our major customers:

	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Amount	% of combined revenue		Amount	% of combined revenue	
Customer A						
Revenue	$ 3,292	10	%	$ 2,127	7	%
Accounts receivable and unbilled accounts receivable	$ 4,595	19	%	$ 176	1	%

	Nine months ended December 31, 2017			Nine months ended December 31, 2016		
	Amount	% of combined revenue		Amount	% of combined revenue	
Customer A						
Revenue	$ 7,114	8	%	$ 8,428	9	%
Accounts receivable and unbilled accounts receivable	$ 4,595	19	%	$ 176	1	%

14. COMMITMENTS

Capital Commitments

The Group had outstanding contractual commitments of $23 and $358 as of December 31, 2017 and March 31, 2017, 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 2 to 5 years. Rental expense for operating leases amounted to $810 and $ 2,509, for the three and nine months ended December 31, 2017, respectively, compared to $826 and $2,492 for the three and nine months ended December 31, 2016, 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
2018	$ 759

2019	3,105
2020	3,192
2021	737
2022	291
Thereafter	736
Total minimum lease payments	$ 8,820

Facility Leases

Our subsidiary in India, MSSIPL, 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 $1,303. The lease became effective on June 1, 2015 and expires on May 31, 2020. MSSIPL paid Majesco Limited $328 and $986, respectively, in rent under the lease during the three and nine months ended December 31, 2017, and $312 and $942, respectively, during the three and nine months ended December 30, 2016. MSSIPL 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 MSSIPL.

MSSIPL 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. MSSIPL 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 $115. The lease became effective on April 1, 2016 and expires on May 31, 2020. MSSIPL paid Mastek Ltd. $103 and $309, respectively, in rent under the leases during the three and nine months ended December 30, 2017 and $98 and $294, respectively, in rent under the leases during the three and nine months ended December 31, 2016. MSSIPL 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.

15. ACQUISITION

On December 14, 2014, Majesco entered into a definitive merger agreement with Cover-All. The merger was completed on June 26, 2015. Cover-All licenses and maintains software products for the property/casualty insurance industry throughout the United States and Puerto Rico. Majesco merged with Cover-All to expand its insurance business in the United States.

The following table summarizes the consideration paid in the merger of Cover-All into Majesco and the amounts of identified assets acquired and liabilities assumed at the merger date:

Fair value of consideration transferred	
Common stock	$12
Additional paid-in capital	29,708
Total consideration	$29,720

The merger of Cover-All and Majesco was a stock-for-stock merger with each share of Cover-All common stock issued and outstanding immediately prior to the merger converted into the right to receive the number of shares of Majesco common stock multiplied by the exchange ratio. The exchange ratio in the merger was 0.21641. Accordingly, at the closing of the merger, Cover-All in the aggregate represented 16.5% of the total capitalization of the combined company.

In the merger, 5,844,830 shares of Majesco common stock were issued to the shareholders of Cover-All and 197,081 equity incentives were issued to the holders of options and restricted stock units of Cover-All. Consequently, common stock of Majesco was increased by $12 and additional paid in capital was increased by $29,708.

Recognized amount of identifiable assets acquired and liabilities assumed

	Amount
Cash	$2,990
Accounts receivable	1,592
Prepaid expenses and other current assets	629
Property, plant and equipment	454
Other assets	148
Customer contracts	2,410
Customer relationships	4,460

Technology	3,110
Defer tax asset on NOL	459
Accounts payable	(1,120)
Accrued expenses	(623)
Deferred revenue	(2,515)
Capital lease liability	(294)
Total fair value of assets acquired	11,700
Fair value of consideration paid	29,720
Goodwill	$18,020

The goodwill of $18,020 arising from the merger consists largely of the synergies and economies of scale expected from combining the operations of Majesco and Cover-All. Further, though workforce has been valued, it is not recognized separately, but subsumed in goodwill. Goodwill deductible for tax purpose amounts to nil.

On October 31, 2015, Majesco Sdn. Bhd. (“MSC”) entered into a Share Purchase Agreement with Mastek Ltd. for the purchase of the issued and authorized shares of Mastek Asia Pacific Pte Limited.

Recognized amount of identifiable assets acquired and liabilities assumed

	Amount
Cash	$ 212
Accounts receivable	18
Other assets	1
Accrued expenses	(14)
Total fair value of assets acquired	217
Fair value of consideration paid	276
Goodwill	$ 59

The following table summarizes the consideration paid to Mastek Ltd. and the amounts of identified assets acquired and liabilities assumed at the effective date:

The changes in the varying amount of goodwill are as follows:

Changes in carrying amount of the goodwill

	As of December 31, 2017	As of March 31, 2017
Opening value	$ 32,216	$ 32,275
Addition on account of currency fluctuation	-	1
Impairment of Goodwill	-	(60)
Closing value	$ 32,216	$ 32,216

Due to uncertainty in the future business of Majesco Asia Pacific Pte. Limited, which indicated the potential impairment of goodwill, the Group decided to impair the amount of goodwill recognized earlier in the acquisition of this entity as at March 31, 2017.

Details of identifiable intangible assets acquired are as follows:

	Weighted average amortization period (in years)	Amount assigned	Residual value
Customer contracts	3	$ 2,410	-
Customer relationships	8	4,460	-
Technology	6	3,110	-
Total	6	$ 9,980	-

Revenues and earnings specific to the Cover-All business for the period June 26, 2015 to June 30, 2015 were $233 and $47, respectively. Revenues and earnings specific to the Cover-All business for the period July 1, 2015 to March 31, 2016 were $17,636 and $1,260, respectively.

16. SUBSEQUENT EVENTS

On January 23, 2018, Majesco Limited, the controlling shareholder of Majesco and a public limited company domiciled in India whose equity shares are listed on the BSE Limited and the National Stock Exchange of India Limited, launched an offering of its securities to qualified institutional investors located outside of the United States (the "Placement"). In connection with the Placement, investors are receiving a preliminary placement document which includes information including, but not limited to, details regarding the Placement, risk factors and information with respect to Majesco Limited's business.

The Placement closed on January 29, 2018. Majesco Limited intends to use the proceeds from the Placement to fund inorganic growth, investments in its subsidiaries (including Majesco) by way of private placement or rights issue to fund acquisitions and/or repayment or prepayment of debt, working capital and corporate purposes.

On January 24, 2018, MSSI, a subsidiary of Majesco, received a summons with notice filed in the Supreme Court of the State of New York by a customer, Alamance Services Inc. ("Alamance"), alleging a purported breach of services and license agreement by MSSI. In the summons, Alamance seeks compensatory damages (including lost profits) of an amount to be proven at trial of at least $10 million, pre-and post-judgment interest and costs and fees. Majesco believes this claim has no merit and intends to defend against it vigorously and assert all of its rights against this customer. In the opinion of management, Majesco has made adequate provisions against bad and doubtful receivables arising from this claim. In addition, Majesco has notified its carrier under its $40 million professional indemnity insurance policy. Majesco does not expect the outcome of this litigation to have a material effect on its business or results of operations. However, litigation is inherently unpredictable, and the costs and other effects of such matter and the possibility of any adverse outcome cannot be determined at this time.

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, 2017 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes for the quarter ended December 31, 2017 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," "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," "h
"can," "should," "could," "would," "goal," "potential," "approximately," "estimate," "pro forma," "continue" or "pursue" or th
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;
- the unauthorized disclosure of sensitive or confidential customer data and cybersecurity risks;
- the risk of telecommunications or technology 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 inventions and 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 software, consulting services and other insurance technology 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 software solutions for P&C, L&A and pensions group / employee benefits providers, allowing them to manage policy administration, claims management and billing functions. In addition, we offer a variety of other technology-based solutions that are designed to enable organizations to automate and innovate business processes across the end-to-end insurance value chain and comply with policies and regulations across their organizations. Our solutions enable customers to respond to evolving market needs and regulatory changes, while improving the efficiency of their core operations, thereby increasing revenues and reducing costs.

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 startups, greenfields, and mid-market insurers, including specialty, mutual and regional carriers. As of December 31, 2017, we served approximately 150 insurance customers on a worldwide basis.

We generate revenues primarily from the licensing of our proprietary software and related implementation and support and maintenance fees pursuant to contracts with our customers. In general, we license software which requires significant modification or customization. In such cases, license revenue is not accounted for separately, but rather is accounted for along with software services revenue, as the services are an integral part of software functionality and include significant modification or customization of the software.

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.

Our license agreements with our customers typically have terms ranging from fixed-year terms (which maybe renewable) to perpetual terms. Support services are provided to customers pursuant to multi-year support agreements, which are typically renewable on an annual basis. We bill customers for license fees in accordance with the terms of the applicable license agreement, typically payable upon the signing of the agreement and achievement of milestones over the course of a defined period of time. Support fees are payable in advance by the customer on an annualized, quarterly or monthly basis. We primarily derive service revenues from implementation and training services performed for our customers under the terms of a service contract on a time and materials or fixed-price basis.

Three Months Ended December 31, 2017 Highlights

A few of our highlights of our three months ended December 31, 2017 were:

- Revenues of $31.8 million with a gross profit of 46.9%;
- $4.5 million (14.3% of revenue) in research and development expenses;
- $10.3 million (32.3% of revenue) in sales, general and administrative expenses;
- Net loss of $3.1 million; and
- Adjusted EBITDA of $2.2 million, representing (6.8 % of revenue).

Nine Months Ended December 31, 2017 Highlights

A few of our highlights of our nine months ended December 31, 2017 were:

- Revenues of $90 million with a gross profit of 44.9%;
- $12.7 million (14.1 % of revenue) in research and development expenses;
- $31.0 million (34.5% of revenue) in sales, general and administrative expenses;
- Net loss of $5.4 million; and
- Adjusted EBITDA of $2.8 million, representing 3.1% of revenue.

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.

The terms EBITDA and Adjusted EBITDA are not defined under U.S. generally accepted accounting principles, or 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 nine months ended December 31, 2017 and December 31, 2016, see "— Results of Operations — Three and Nine Months Ended December 31, 2017 Compared to Three and Nine Months Ended December 31, 2016".

Agile Asset Acquisition

On January 1, 2015, we acquired substantially all of the insurance consulting business of 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. We funded the consideration for this acquisition and all related costs to date using available cash on hand. We subsequently refinanced a portion of the consideration for this acquisition and related costs through borrowings of approximately $3,000 under a term loan.

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.

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 and $1,500 as earn-out to Agile in fiscal 2017 and 2016, respectively.

Cover-All Merger

On June 26, 2015, 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 (then, NYSE MKT), 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 nine months ended December 31, 2017 and December 31, 2016. 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.

We also enter into multiple element revenue arrangements in which a customer may purchase a combination of a software license, hosting services, maintenance, and professional services. For multiple element arrangements that contain non-software related elements, for example our hosting services, we allocate revenue to each element based upon VSOE of the undelivered elements, we account for the delivered elements in accordance with the "Residual Method." VSOE of fair value for the hosting, maintenance, and other post-contract customer support services ("PCS") is established by a stated renewal rate charged in stand-alone renewals of each type of PCS.

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 benefits	7 years
Internal-use Software	1-5 years
Customer contracts	1 year
Customer relationships	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 Nine Months Ended December 31, 2017 Compared to Three and Nine Months Ended December 31, 2016

The following table summarizes our consolidated statements of operations for the three and nine months ended December 31, 2017 and December 31, 2016, including as a percentage of revenues:

Statement of Operations Data

(U.S. Dollars; dollar amounts in thousands):	Three Months Ended December 31, 2017	%	December 31, 2016	%
Total Revenues	$31,769		$ 30,012	
Total cost of revenues	16,864	53 %	15,310	51%
Total gross profit	14,905		14,702	
Operating expenses:				
Research and development expenses	4,533	14 %	3,952	13%
Selling, general and administrative expenses	10,274	32 %	10,558	35%
Restructuring costs	-		-	
Total operating expenses	14,807		14,510	
Income from operations	98		192	
Interest income	5		9	
Interest expense	(111)		(143)	
Other income (expenses), net	(122)		208	
Income/(Loss) before provision for income taxes	(130)		266	
Income taxes loss/(benefit)	2,939		57	
Net income/ (loss)	$(3,069)	(10)%	$ 209	1 %

(U.S. Dollars; dollar amounts in thousands):	Nine Months Ended December 31, 2017	%	December 31, 2016	%
Total Revenues	$90,037		$ 93,612	
Total cost of revenues	49,617	55%	48,701	52 %
Total gross profit	40,420		44,911	
Operating expenses:				

Research and development expenses	12,669	14%		13,011	14 %
Selling, general and administrative expenses	31,018	34%		31,871	34 %
Restructuring costs	-			-	
Total operating expenses	43,687			44,882	
Income from operations	(3,267)			29	
Interest income	18			27	
Interest expense	(378)			(485)	
Other income (expenses), net	(165)			222	
(Loss) before provision for income taxes	(3,792)			(207)	
Income taxes (benefit)	1,643			(84)	
Net (loss)	$(5,435)	(6)%	$	(123)	(0.1)%

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

(U.S. Dollars; dollar amounts in thousands):	Three Months Ended December 31, 2017	%		December 31, 2016	%
Geography: North America[1]					
Legal Entity					
Majesco	$9,365	30%	$	6,674	22%
Majesco Software and Solutions Inc.	11,614	37%		13,311	44%
Majesco Canada Ltd., Canada	430	1 %		323	1 %
Cover-All Systems, Inc.	6,891	22%		6,658	22%
	$28,300	90%	$	26,966	89%
Geography: The United Kingdom					
Legal Entity					
Majesco UK Limited, UK	$1,601	5 %	$	1,911	7 %
Geography: Other					
Legal Entity					
Majesco Sdn. Bhd., Malaysia	$1,491	4 %	$	867	3 %
Majesco (Thailand) Co. Ltd., Thailand	-	-		-	-
Majesco Asia Pacific Pte Ltd., Singapore	-	-		-	-
Majesco Software and Solutions India Private Limited, India	377	1 %		268	1 %
	$1,868	5 %	$	1,135	4 %
Total Revenues	$31,769		$	30,012	

(U.S. Dollars; dollar amounts in thousands):	Nine Months Ended December 31, 2017	%	December 31, 2016	%
Geography: North America				
Legal Entity				
Majesco	$25,711	28 %	$ 21,459	23 %
Majesco Software and Solutions Inc.	34,955	40 %	39,775	42 %
Majesco Canada Ltd., Canada	832	1 %	1,338	2 %
Cover-All Systems, Inc.	19,304	21 %	20,943	22 %
	$80,802	90 %	$ 83,515	89 %
Geography: The United Kingdom				
Legal Entity				
Majesco UK Limited, UK	$4,478	5 %	$ 6,606	7 %
Geography: Other				
Legal Entity				
Majesco Sdn. Bhd., Malaysia	$3,773	4 %	$ 2,542	3 %
Majesco (Thailand) Co. Ltd., Thailand	-	-	-	-
Majesco Asia Pacific Pte Ltd., Singapore	-	-	59	-
Majesco Software and Solutions India Private Limited, India	984	1 %	890	1 %
	$4,757	5 %	$ 3,491	4 %
Total Revenues	$90,037		$ 93,612	

Revenues

Revenues for the three months ended December 31, 2017 were $31,769 compared to $30,012 for the three months ended December 31, 2016, reflecting an increase of 5.85%. The increase during the quarter was due to the new programs in North America as well as growth in the Asia-Pacific region.

Revenues for the nine months ended December 31, 2017 were $90,037 compared to $93,612 for the nine months ended December 31, 2016, reflecting a decrease of 3.82%. The decrease during the period was due to subscription-based cloud programs with lower implementation revenues replacing a number of on-premise P&C programs moving from implementation to support mode.

Gross Profit

Gross profit was $14,905 for the three months ended December 31, 2017 compared with $14,702 for the three months ended December 31, 2016, an increase of 1.38%. The increase in margin has been primarily due to the ramp up of resources to support future revenue growth in the coming quarters. Gross profit percentage for the three months ended December 31, 2017 decreased to 47% from 49% for the three months ended December 31, 2016.

Gross profit was $40,420 for the nine months ended December 31, 2017 compared with $44,911 for the nine months ended December 31, 2016, a decrease of 10%. The drop in margin has been primarily due to lower revenue and the ramp up of resources to support future revenue growth in the coming quarters. Gross profit percentage for the nine months ended December 31, 2017 decreased to 45% from 48% for the nine months ended December 31, 2016.

Salaries and consultant fees were approximately $9,747 for the three months ended December 31, 2017 compared to $9,340 for the three months ended December 31, 2016. This represents an increase of 4.35% in salaries and consultant fees. As a percentage of revenues, salaries and consultant fees increased from 31.12% for the three months ended December 31, 2016 to 30.68% for the three months ended December 31, 2017.

Salaries and consultant fees were approximately $27,735 for the nine months ended December 31, 2017 compared to $29,083 for the nine months ended December 31, 2016. This represents a decrease of 4.63% in salaries and consultant fees. As a percentage of revenues, salaries and consultant fees decreased from 31.07% for the nine months ended December 31, 2016 to 30.80% for the nine months ended December 31, 2017.

Operating Expenses

Operating expenses were $14,807 for the three months ended December 31, 2017 compared to $14,510 for the three months ended December 31, 2016. The increase in operating expenses was primarily due to an increase in research and development ("R&D") costs. We continued to invest in R&D to increase the depth as well as range of offering portfolio. As a percentage of revenues, operating expenses decreased to 47% for the three months ended December 31, 2017 from 48% for the three months ended December 31, 2017.

Operating expenses were $43,687 for the nine months ended December 31, 2017 compared to $44,882 for the nine months ended December 31, 2016. The decrease in operating expenses was primarily due to a decrease in selling, general and administrative expenses of $852 and a decrease in R&D costs of $343. The decline in R&D expenses has been primarily due to the lower cost post consolidation of the Policy Management Platforms. As a percentage of revenues there was no change in the operating expenses which remained at 48% for the nine months ended December 31, 2017 and December 31, 2016.

Income/(Loss) from Operations

Income/(Loss) from operations was $98 for the three months ended December 31, 2017 compared to $192 for the three months ended December 31, 2016. As a percentage of revenues, net gain from operations was 0.3% for the three months ended December 31, 2017 compared to net gain of 0.64% for the three months ended December 31, 2016.

Income/(Loss) from operations was $(3,267) for the nine months ended December 31, 2017 compared to $29 for the nine months ended December 31, 2016. As a percentage of revenues, net loss from operations was 3.63% for the nine months ended December 31, 2017 compared to net gain of 0.03% for the nine months ended December 31, 2016.

Other Income

Other income (expense), net was $(121) for the three months ended December 31, 2017 compared to $208 for the three months ended December 31, 2016. The decrease is mainly due to a currency exchange loss in the three months ended December 31, 2017.

Other income (expense), net was ($165) for the nine months ended December 31, 2017 compared to $222 for the nine months ended December 31, 2016. The decrease is mainly due to a currency exchange loss in the three months ended December 31, 2017.

Tax provision

We recognized income tax provision of $2,939 and $1,643 for the three and nine months ended December 31, 2017 and recognized income tax provision/(benefit) of $57 and $(84) for the three and nine months ended December 31, 2016, respectively. For the three and nine months ended December 2017, the deferred tax benefit primarily relates to the Company recognizing an increase in deferred tax assets from the future realization of net operating loss carry forwards and the reduction of deferred tax liabilities related to the amortization of intangible assets.

The effective tax rate are 2266% and 43%, respectively, for the three and nine months ended December 31, 2017. The current estimated effective tax rate of 27.3% decreased mainly due to the change of the federal statutory tax rate from 34% to 21% as of January 1, 2018.

Net income/(loss)

Net loss was $(3,069) for the three months ended December 31, 2017 compared to net income of $209 for the three months ended December 31, 2016. Net loss per share, basic and diluted, was ($0.08) and ($0.08) respectively, for the three months ended December 31 2017 compared to net income per share, basic and diluted, of $0.01 and $0.01, respectively, for the three months ended December 31, 2016.

Net loss was $(5,435) for the nine months ended December 31, 2017 compared to net loss of $(123) for the nine months ended December 31, 2016. Net loss per share, basic and diluted, was ($0.15) and ($0.15) respectively, for the nine months ended December 31 2017 compared to net loss per share, basic and diluted, of $(0.00) and $(0.00), respectively, for the nine months ended December 31, 2016.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP metric, was $2,165 for the three months ended December 31, 2017 compared to $1,747 for the three months ended December 31, 2016. Adjusted EBITDA, a non-GAAP metric, was $ 2,788 for the nine months ended December 31, 2017 compared to $4,454 for the nine months ended December 31, 2016.

The following is an unaudited reconciliation of U.S. GAAP net income to EBITDA and Adjusted EBITDA for the three and nine months ended December 31, 2017 and the three and nine months ended December 31, 2016:

	Three Months ended	
(U.S. dollars, in thousands):	December 31, 2017	December 31, 2016
Net Income (loss)	$ (3,069)	$ 209
Provision (benefit) for income taxes	2,939	57
Depreciation and amortization	1,187	1,229
Interest expense	112	143
Less:		
Interest income	(5)	(9)
Other income (expenses), net	121	(208)
EBITDA	$ 1,285	$ 1,421
Add:		
Stock-based compensation	880	326
Adjusted EBITDA	2,165	1,747
Revenue	31,769	30,012
Adjusted EBITDA as a % of Revenue	6.81 %	5.82 %

	Nine Months ended	
(U.S. dollars, in thousands):	December 31, 2017	December 31, 2016
Net (loss)	$ (5,435)	$ (123)
Benefit for income taxes	1,643	(84)
Depreciation and amortization	3,742	3,466
Interest expense	378	484
Less:		
Interest income	(18)	(27)
Other income (expenses), net	165	(222)
EBITDA	$ 475	$ 3,494

Add:		
Stock-based compensation	2,313	960
Adjusted EBITDA	2,788	4,454
Revenue	90,037	93,612
Adjusted EBITDA as a % of Revenue	3.10 %	4.76 %

Liquidity and Capital Resources

Our cash and cash equivalent and short term investments position was $11,465 at December 31, 2017 and $19,544 at December 31, 2016.

Net cash (used) /generated by operating activities was $(31) for the nine months ended December 31, 2017 and $13,192 for the nine months ended December 31, 2016. We had accounts receivable of $14,664 at December 31, 2017 and $12,227 at March 31, 2017. The overall net debt position has increased by $391 during the nine months ended December 31, 2017. Days outstanding increased to 72 days at the end of December 31, 2017 as compared to 68 days at the end of March 31, 2017.

Net cash used by investing activities amounted to $(1,282) for the nine months ended December 31, 2017 compared to cash generated of $(3,382) for the nine months ended December 31, 2016 primarily due to fewer purchases of property, equipment and intangible assets during the nine months ended December 31, 2017.

Net cash generated by financing activities was $32 for the nine months ended December 31, 2017, compared to net cash generated by financing activities of $3,347 for the nine months ended December 31, 2016 mainly due to decreased 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 12 months, including capital expenditures.

Financing Arrangements

Term Loan Facility

On March 25, 2011, the Group entered into a secured revolving working capital line of credit facility with ICICI Bank Limited ("ICICI") under which the maximum borrowing limit was $5,000. The interest rate on the credit facility at March 31, 2016 was three-month LIBOR plus 350 basis points and increased to three-month LIBOR plus 375 basis points with the second extension of this facility described below. The credit facility was guaranteed by Mastek Ltd. subject to the terms and conditions set forth in the guarantee. The credit facility initially matured on November 11, 2015. On November 20, 2015, the Group extended this line of credit to February 11, 2016. The facility was further extended to May 9, 2016 and again extended to May 15, 2017. Majesco paid a processing fee of $12.50 in connection with the second extension and a processing fee of $50.83 in connection with the third extension. In connection with these extensions of the Majesco line of credit, Mastek Ltd. also extended its guarantee of such line of credit. Majesco has agreed to pay a fee and indemnify Mastek Ltd. against any payments made by Mastek Ltd. in connection with this guarantee. On January 20, 2017, the Group paid in full the balance under this facility with proceeds from a new $10,000 receivables purchase facility with HSBC Bank USA, National Association ("HSBC") described below, and this facility was terminated. On repayment of this facility, the guarantee by Mastek Ltd. of this facility was also terminated and the Group's liability to Mastek Ltd. regarding this guarantee also ceased to exist. The interest rate was 4.75% at January 20, 2017.

This facility is secured by a continuing first priority lien on and security interest in, among other things, all of Majesco's personal property and assets (both tangible and intangible), including accounts receivable, cash, certificated and uncertificated securities and proceeds of any insurance or indemnity payable to us with respect to the collateral. This facility contained financial covenants, as well as restrictions on, among other things, our ability to incur debt or liens; make loans and investments; enter into mergers, acquisitions and other business combinations; engage in asset sales; or amend our governing documents. This facility also restricted us from paying dividends upon and during the continuation of an event of default.

MSSIPL Facilities

On June 30, 2015, the Group’s subsidiary, MSSIPL, entered into the PCFC facility with Yes Bank pursuant to which MSSIPL may request 3 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 USD 3 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% goodwill 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 the 2017 Addendum. 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 $2,036 based upon the exchange rate on December 31, 2017. There is no outstanding balance against this loan as of December 31, 2017.

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.

As of December 31, 2017, the Group was in compliance with the terms of this facility.

On May 9, 2017, the Group’s subsidiary, MSSIPL, and Standard Chartered Bank entered into the Combined Facility pursuant to which Standard Chartered Bank agreed to a Combined Facility of up to 200 million Indian rupees (or approximately $3,133 at exchange rates in effect on December 31, 2017). The Export Invoice Financing Facility is for the financing of MSSIPL’s sale of goods, as evidenced by MSSIPL’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 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. 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 MSSIPL 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 MSSIPL. MSSIPL was in compliance under the terms of this Combined Facility as of December 31, 2017.

The outstanding loans under this Combined Facility as of December 31, 2017 are nil.

Term Loan Facility

On March 23, 2016, we entered into the Loan Agreement with HSBC pursuant to which HSBC agreed to extend loans to us in the amount of up to $10,000 and we issued the Note to HSBC in the maximum principal amount of $10,000 or any lesser amount borrowed under the Loan Agreement. 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 will be 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 $1,666.67 shall be due and payable semi-annually. All principal and interest outstanding under the Note shall be 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 our parent company, Majesco Limited. As of December 31, 2017, we had $10,000 outstanding under this facility. As of December 31, 2017, the Group was in compliance with the terms of this facility.

The facility contains affirmative covenants that require us 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 us, including restrictions on declaring or paying dividends upon and during the continuation of an event of default, incurring additional indebtedness, selling material portions of our 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 fifty one percent (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 we will indemnify HSBC against all losses or damages related to the facility, provided, however, that we shall not have any indemnification obligations to HSBC for any claims caused by HSBC’s gross negligence or willful misconduct. We 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 us for working capital and other general corporate purposes. As of December 31, 2017, Majesco had $2,952 outstanding under this facility. Majesco used proceeds from this facility to refinance the ICICI facility described above, to fund capital expenditures and for working capital and other general corporate purposes.

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 nil under the PCFC facility, nil under the Combined Facility, $2,952 under our receivable purchase facility and $10,000 under our term loan with HSBC at December 31, 2017, compared to nil, $1,957, $604 and $10,000, respectively, as of March 31, 2017.

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" under the federal securities laws subject to reduced public company reporting requirements. Section 107 of the JOBS 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 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 the 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 fully with public company accounting standards effective dates.

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 December 31, 2017 were $10,776 and $689, 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 which were in effect as of December 31, 2017, are variable and are based on LIBOR plus a fixed margin. As of December 31, 2017, we had nil, $2,952 and nil in borrowings outstanding under our PCFC facility, our receivable purchase facility with HSBC and our Combined Facility with Standard Charter Bank, respectively. As of December 31, 2017, we had borrowed $10,000 under our term loan with HSBC. 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 12.03% and 10.10%, respectively, of our gross revenues outside of the United States for the three months ended December 31, 2017 and 2016 compared to 11.18% and 10.08%, respectively, for the nine

months ended December 31, 2017 and 2016. The effect of foreign exchange rate changes on cash and cash equivalents resulted in a gain of $221 and a loss of $(230) for the three months ended December 31, 2017 and December 31, 2016, respectively, compared to a gain of $431 and loss of $(680) for the nine months ended December 31, 2017 and December 31, 2016, respectively. For the three months ended December 31, 2017 and December 31, 2016, we had a foreign exchange gain/(loss) of approximately $(97) and $(178), respectively compared to a foreign exchange gain/(loss) of approximately $(164) and $(182), respectively, for the nine months ended December 31, 2017 and December 31, 2016.

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 December 31, 2017 amounted to $17,950. The aggregate contracted GBP principal amounts of foreign exchange forward contracts (sell) outstanding as of December 31, 2017 amounted to GBP 1,485. The outstanding forward contracts as of December 31, 2017 mature between 1 month to 24 months. As of December 31, 2017, we estimate that $305, 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 12 months. The outstanding foreign exchange forward contracts in U.S. dollars as of December 31, 2017 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 December 31, 2017				
Designated as hedging instruments under Cash Flow Hedges				
Foreign exchange forward contracts	$126	$ 375	$ 12	$ 27
Total	$126	$ 375	$ 12	$ 27

* 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 nine months ended December 31, 2017.

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 SEC's 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 December 31, 2017. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2017, 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 1. Legal Proceeding.

On January 24, 2018, Majesco Software and Solutions Inc., a subsidiary of Majesco ("MSSI"), received a summons with notice filed in the Supreme Court of the State of New York by Alamance Services Inc. ("Alamance") alleging a purported breach of services and license agreement by MSSI. In the summons, Alamance seeks compensatory damages (including lost profits) of an amount to be proven at trial of at least $10 million, pre-and post-judgment interest and costs and fees. We believe this claim has no merit and we intend to defend against it vigorously and assert all of our rights against this customer. In the opinion of management, we have made adequate provisions against bad and doubtful receivables arising from claim. . In addition, we have notified our carrier under our $40 million professional indemnity insurance policy. We do not expect the outcome of this litigation to have a material effect on our business or results of operations. However, litigation is inherently unpredictable, and the costs and other effects of such matter and the possibility of any adverse outcome cannot be determined at this time.

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 other than as set forth below. 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.

One of our subsidiaries, MSSI, has received a summons with notice filed in the Supreme Court of the State of New York alleging breach of services and license agreement. Any adverse outcome in this proceeding may adversely affect our profitability, reputation, business, financial condition and results of operations.

On January 24, 2018, Majesco Software and Solutions Inc., one of our subsidiaries, received a summons with notice filed in the Supreme Court of the State of New York ("**Summons**") by a customer, Alamance Services Inc. ("**Alamance**") alleging a purported breach of services and license agreement. In the Summons, Alamance seeks compensatory damages (including lost profits) of an amount to be proven at trial of at least $10 million, pre-and post-judgment interest and costs and fees. We intend to defend against this matter vigorously and will assert all of our rights against Alamance. While we believe have made adequate provisions against bad and doubtful receivables and have notified the carrier under our professional indemnity insurance policy for this claim, we cannot assure you that this proceeding will be decided in our favor or that no further liability will arise out of this proceeding, which may adversely affect

our profitability and reputation. Further, this proceeding may divert management time and attention and consume financial resources.

Item 6. Exhibits.

Exhibit No.	Description
31.1*	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.
31.2*	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.
32.1*	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.
32.2*	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.
101.1**	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 formatted in extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2017 (Unaudited) and March 31, 2017; (ii) Consolidated Statements of Operations for the three and nine months ended December 31, 2017 and 2016 (Unaudited); (iii) Consolidated Statements of Cash Flows for the nine months ended December 31, 2017 and 2016 (Unaudited); and (iv) Notes to Consolidated Financial Statements (Unaudited).

* Filed herewith.

** Furnished herewith.

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: February 7, 2018 By: /s/ Ketan Mehta
Ketan Mehta, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 7, 2018 By: /s/ Farid Kazani
Farid Kazani, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)