



EL/SEC/2024-25/55

August 05, 2024

Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring Rotunda
Building, P J Towers, Dalal Street, Fort,
Mumbai - 400 001

The Manager, Listing Department
National Stock Exchange of India Limited
"Exchange Plaza", C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Script Code: 543533

Symbol: EMUDHRA

Dear Sir/Madam,

Sub: Transcript of the Earnings Call held on July 31, 2024

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the transcript of the Earnings Call held on **July 31, 2024**, post announcement of financial results of the Company for the quarter ended as on June 30, 2024. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website <https://emudhra.com/investors.jsp>.

This is for your information and records.

Thanking you

Yours faithfully,

For eMudhra Limited

Johnson Xavier
Company Secretary & Compliance Officer
Membership No. A28304

Encl: As Above



“eMudhra Limited Q1 FY2025 Earnings Conference Call”

July 31, 2024

**MANAGEMENT: MR. VENKATRAMAN SRINIVASAN – EXECUTIVE
CHAIRMAN – EMUDHRA LIMITED**

**MR. RITESH RAJ PARIYANI – CHIEF FINANCIAL
OFFICER – EMUDHRA LIMITED**

**MR. KAUSHIK SRINIVASAN – EXECUTIVE VICE
PRESIDENT, PRODUCT DEVELOPMENT – EMUDHRA
LIMITED**

**MR. ARVIND SRINIVASAN – EXECUTIVE VICE
PRESIDENT, PRODUCT DEVELOPMENT – EMUDHRA
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the eMudhra Limited Q1 and FY25 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Venkataraman Srinivasan, Executive Chairman. Thank you and over to you, sir.

V. Srinivasan: Thank you, very much and good evening, to all of you and welcome all of you to this conference call, Q1 FY2025 Earnings Conference Call. I am happy to address you today and share our quarterly results. We have started FY2025 on an optimistic note and a good performance across all metrics.

Our total income increased by 17.7% YoY, with EBITDA and PAT growing by 19% YoY and 11.1% YoY, respectively. In India, we saw strong deal momentum in the BFSI sector for integrated eSign, eStamping through emSigner, particularly for customer onboarding and lending workflows. We also engaged in several important digital transformation projects in eGovernment.

However, government projects faced delays due to the central elections. Our presence in the United States is strengthening, with increased penetration for certificate lifecycle management and PKI offerings. We have also secured deals in the education sector through IKONs, established relationships.

In Europe, the introduction of the European Identity Wallet is expected to present better opportunities for trust services and enterprise solutions. Furthermore, we have established a local presence in emerging markets, such as Philippines and Malaysia, positioning ourselves to leverage digital transformation opportunities. Our investments in Kenya are yielding positive results, supported by a strong national drive for digital transformation.

Additionally, we are engaged in several PKI deployment opportunities as part of digital public infrastructure rollouts in various African countries. We are investing in enhancing our services capability to meet professional needs for product implementation. This investment also aims to improve our ability to upsell into target customer spends for cybersecurity, including security operations, data privacy, threat intelligence, and generative AI.

In line with this strategy, we are acquiring TWO95 international base in New Jersey to strengthen our services capabilities and gain access to a new customer base for our products. This acquisition is expected to be completed shortly. The regulator has introduced changes to the trust services sector, implementing a new business model effective July 15, 2024.

Under this model, certifying authorities are now required to invoice end customers directly based on a transparent pricing policy and pay partners a referral commission, replacing the previous system where we invoiced partners, who then sold to end customers. This change has led to a decline in certificate purchases to partners in Q1 as they cannot maintain stock, but we expect

improved revenue in the coming quarters due to direct invoicing to end customers. Moving forward through our organic and inorganic growth strategies, we will continue to expand into new geographies with growing opportunities in the market across all our business lines and upselling potential to existing customers.

Our key project wins, deal win for e-signature workflows and services in the education sector, including digital transformation for a large state university in U.S. Midwest, implementation of PKI stack for a product company developing technology for the gaming industry in the U.S.A., rollout of e-signature-based workflows for a large e-government project in Kenya. Implementation of bank-wide digital transformation using e-signatures for a large bank in Qatar.

Rollout of e-signature workflow for a large hospitality chain in the Philippines, acquisition of many new clients for integrated e-sign and e-stamping in India for lending workflow across NBFC small finance banks. Continued deal wins for identity and access management suit across smart cities and digital banking implementation in India, continued deal wins in Middle East banks as a result of scope expansion for digital transformation using our emSigner platform.

Acquisition of TWO95 international to expand professional services and for market access in a new customer base, signing of global partnership agreement with Tech Mahindra to sell cyber security and e-signature offering, appointment of Carmine Auletta as head of Europe to expand into the European markets, establishment of local market presence in Philippines, in Malaysia, in Asia Pacific. So these were the key highlights and projects.

And may I now request Mr. Ritesh Raj Pariyani to take us through the financial performance of the company.

Ritesh Pariyani:

Thank you, Chairman. Hello, everyone. I hope you are doing well. Let me begin by sharing the key financial for Q1 FY25. We are pleased to announce that our revenue from operation in Q1 FY25 was INR 950.2 million, a YoY growth of 70.7%. The revenue growth was driven by growth in enterprise solution and upselling into existing customers.

The enterprise solution segment generated a revenue of INR 678 million, while the trust service revenue was INR 246 million. In Q1 FY25, EBITDA rose to INR 295 million, a 19% increase YoY with a margin of 31%. Net profit reached at INR 182 million, up by 11.1% YoY with a margin at 19.2%. EBITDA and PAT margins were maintained.

Now I request Chairman sir to take the call ahead.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra:

Hi, thanks for the opportunity and always lovely to hear all the exciting things that are happening with the eMudhra. I actually had a question regarding Ikon and Ikon revenue contribution. So, in the Q2 conference call, when we had asked for how much Ikon revenue was contributed, that was INR 10 crores in Q2 and by the end of the year in FY24, the number had become INR 68 crores that was being contributed. So, I was trying to understand, has Ikon revenue grown so

aggressively? Is it possible for you to share what was the revenue contribution from Q2 to Q4 or even Q1 this year from Ikon?

V. Srinivasan: You see, Ikon last year, last year we said total revenue contribution from services is about INR 68 crores. Almost INR 54 crores was from Ikon. So, when we accepted, it was whatever size it was, it also grew almost around 20%, I think. So, that's why it came to INR 54 crores. And now what has happened, Ikon is also selling our product, we are also selling Ikon customers. So, that way distinctly understanding, because if we totally allow it to be separately run without any cross-functioning and cross-pollination taking advantage of the customers of each other segment, it is going to be very difficult, and the purpose will not be there.

So, that's why exactly separately measuring Ikon and measuring the eMudra Inc. separately, that may not serve much purpose because they are, for example, recently they closed a deal on the state of Wyoming, which is for our product. So, similarly we closed certain deals for their services. So, then it comes to our top line and their transfer pricing, those kind of things. So, but generally Ikon has also grown around 20% and almost last year their contribution was around INR 54 crores, INR 55 crores.

Parikshit Kabra: But, if Q2 was INR 10 crores and the whole of FY24, that is essentially three quarters of INR 54 crores, then we are seeing a lot more growth QoQ from Ikon itself, right? Because INR 10 crores and I am assuming it is about INR 20 crores, then it is 30, sorry another INR24 crores like...

V. Srinivasan: Yes, because they are also selling our product and service also growing, that is why.

Parikshit Kabra: No, but you said that out of INR 68 crores of service revenue, INR 54 crores of revenue is Ikon. So that is all INR 54 crores is service revenue, or does it also include product revenue?

V. Srinivasan: Yes, currently as you see they are around INR 18 crores per quarter.

Parikshit Kabra: And that is service plus revenue or just service?

V. Srinivasan: Predominantly service, but some little product also will be there.

Parikshit Kabra: Okay.

V. Srinivasan: Exactly that way we are not going for getting, yes.

Parikshit Kabra: So, in our segmental results, we provide a segment which is enterprise business and international revenue, right?

V. Srinivasan: Correct.

Parikshit Kabra: So, is the IKON revenue sitting completely within that head?

V. Srinivasan: It will come in the international.

- Parikshit Kabra:** Correct. Got it. The next part was to understand the cost head of operating expense. I was wanting to understand whether, is any of the manpower cost sitting within the operating expense head or is that all in the employee expense?
- V. Srinivasan:** No, it will also be in the operating expense, because whatever is totally service business, IKON service as well as our own service business that we got from some banks and all that, which is directly relating to the revenue, it will go in the operating expense. Wherever it relates to the general technology cost by operating cost and all that, that will come in the salary and employment expense.
- Parikshit Kabra:** Got it. So, in FY24 compared to FY23 when we saw a jump in the operating expense as a percentage of revenue, is that essentially due to the introduction of the service business that we had added in FY24?
- V. Srinivasan:** Yes. Service business and sometime depending on the quantum of hardware involved, that also can cause variation in the operating expense.
- Parikshit Kabra:** Got it. And all the manpower expenses that we have incurred for investments in our BD, that is all sitting within employee benefits expenses, right?
- V. Srinivasan:** Investment for which one?
- Parikshit Kabra:** My last question is around the latest acquisition. This seems to be more an acquisition to complement our product portfolio rather than acquire new customers. So can I get a sense of what do you guys believe will be the revenue potential or incremental revenue that this product can add over the next few quarters?
- V. Srinivasan:** Yes, Kaushik will explain the product, then we can explain the revenue potential.
- Kaushik Srinivasan:** Yes, so the thesis is largely around all of the frauds that are happening with respect to sort of identity theft on emails, right? So this company is primarily focused on the email security area. And they already have customer base where they've penetrated the ability to issue these type of certificates called S/MIME certificates. And now it will be a bolt-on product capability to what we have.
- The problem statement is because users have emails running on, you know, clients like Outlook that are provided by their company, devices such as, you know, your phones, which are, again, multi-environment, multi-operating system, this sort of product solves that ability to provision sort of S/MIME certificates across a range of platforms and environments, right? So, that is more from a technology and from a bolt-on product capability that will sort of help us compete with some of the other bigger players.
- But from a revenue growth perspective, maybe I'll just quickly hand it over to our chairman.
- V. Srinivasan:** From the revenue growth, this, again, we cannot measure because we have so many device certificate and then the website certificate and then the individual certificate, organization certificate, everything. So this is one piece which was missing, the email security certificate. So

when we added in the total trust service business, it will complement, and it will increase also. So this is what will happen.

So exactly if you see from a revenue perspective, maybe over time, it can -- but from a value what we are paying compared to similar product to what we evaluated earlier, it is much, much lower. So that's where we feel that it will add a lot of value. But exactly, only email security, what revenue it will project, it is difficult.

But current year – USD 500,000 they achieved this year; they are expecting around USD 800,000. That is independently sold by them. But our brand image and our various things, we think this may easily go to some USD 3 million to USD 4 million separately also within one or two years.

Parikshit Kabra: Got it. But this revenue from this business will be part of the enterprise business I would have thought, not the trust business, right?

V. Srinivasan: Part of the enterprise business and here we are acquiring 100% of the company. So separate measurement and all will not be there, it will be eMudhra.

Kaushik Srinivasan: No. Again, there are two components. One is a platform component, which will sit in the enterprise. And then the S/MIME certificates that are coming under our public trust, the consumption of the certificates will come under trust services.

Parikshit Kabra: Got it. Perfect. Thanks. Thanks a lot.

Moderator: Thank you. The next question is from the line of Moksha Shah from Agility Advisors. Please go ahead.

Moksha Shah: So, I had a few questions. First on the enterprise business. What is the current order book if you could tell me that and what kind of new orders are we expecting in the next financial year?

V. Srinivasan: No, order book is generally in the quarterly thing we do not give the order book, but order book growth is generally good and it is aligned with the previous growth only. And from that order book we are comfortable that we will be able to achieve that 25% to 30% growth what we had projected earlier.

Moksha Shah: Okay. And could you give us some more light on the data center projects. We already have a project in Bangalore and a disaster recovery center in Chennai. Are we planning something in that? Is there any growth potential that we can see from the data center?

V. Srinivasan: Yes. Two data center. We did one in Bangalore and one in Chennai. This is for the - because it is mandatory to have a disaster recovery site. Chennai data center is the exact replica of the Bangalore data center because it is mandatory to have. So our entire trust service business if you see last year what we achieved about INR 104 crores business, that came out of this data center and these data centers can cater to the growth for at least five years. That's what we feel.

And one more data center we have implemented in Amsterdam. So from that data center the European trust service business will be run, but European trust service again we have to get the accreditation from Europe. So that may take some time, but for that accreditation having the data center is a precondition. So that's where it may take some time. So, that is the European data center in Netherlands.

Moksha Shah: Can we see some revenue generation? What kind of services are we actually providing?

V. Srinivasan: From the data center?

Moksha Shah: Yes.

Management: No, the data center is for captive usage. It is not for third party hosting. It is for hosting only our trust services.

Moksha Shah: Okay. Got it.

Moderator: Thank you. The next question is from the line of Nitin Sharma from M.C. Pro Research. Please go ahead.

Nitin Sharma: So, the Protean has launched an eSign product recently. I wanted to understand how does it affect your business? What kind of competition is there? Is there an overlap?

Management: We understand there has been a new product launch, but our products have evolved and matured over several years and featured on large IT research firm reports and we already have a number of customers in the banking, NBFC and the capital market space. So the capabilities required to solve for large complex enterprise workflows in the banking financial services require a deep focus which we have solved for over several years.

So, we continue to watch the stage, but as of now, we are not overly perturbed in terms of our ability to compete and win deals and which we are anyway continuing to do.

Nitin Sharma: Understood. I will get back to you.

Moderator: Thank you. The next question is from the line of Surbhi from Bellwether Capital. Please go ahead.

Surbhi: Hi. This is Surbhi from Bellwether Capital. My first question is on the particular side of the enterprise business where we have seen good growth in this quarter? So I wanted to understand which geography is contributing to the growth and has a large part of growth for us come from the US?

V. Srinivasan: So, in the enterprise segment the Middle East, Africa, and the US both are contributing to the growth and contributing to the revenue. In Africa also we continue to get a lot of deals. In the Middle East also. So, that way it is.

- Surbhi:** Okay. So, fair to say that the large project that we did in Kenya contributed to the growth this quarter?
- V. Srinivasan:** Yes, Kenya we got some major orders from the, I think, government.
- Management:** Yes, the government. So, we've also been able to upsell into a number of our existing customers in Middle East, Africa for more work. The US also we opened a few key accounts like as I highlighted earlier the education industry, gaming industry, etc. So, a large part of our sort of order wins came from these two geographies.
- Surbhi:** All right. The second question is on your cyber security business. As mentioned, there is good traction on LM side in the US. So, Kaushik, can you give some sense around how is that strategy of being a redundant part of the LM amount? Do you see these conversations materializing in the direction? And what's your overall outlook for the cyber security business?
- Kaushik Srinivasan:** I mean, so if you've been observing the overall SSL TLS trust services faced by some of our global competitors, many of them have recently had certain sort of incidents. And as a consequence, many of the customers have come back to us saying that, can you sort of provide certain redundancy in terms of the consumption of trust services? So, that's been our pitch apart from the product capability.
- And this is giving us good entry into some of the key margin names that we're looking at. And obviously, it's a land and expand strategy. So, we'll have to start somewhere and then over time grow the account. But I think we are seeing early positive signs of landing good order wins from that space.
- Surbhi:** Does the less encrypt issue sort of give you some leverage there and has that opened up some opportunities?
- Kaushik Srinivasan:** Yes, across the board, it's just not less encrypted. There were other trust services providers also. So, I think all good positive conversations as a result of some of these sort of developments.
- Surbhi:** Anything on the outlook on this segment from your side?
- Kaushik Srinivasan:** So, again, when we sell, we sell both the platform and trust services. So, on a broader level, like our chairman sort of outlined, we are fairly confident of the overall growth trajectory. And particularly also within the U.S. market, we made the right sort of noise and having the right conversations. Hopefully, these will materialize into order ventures.
- Surbhi:** All right. And last one on email security. How are you seeing the scale-up for this product? Will this be more a standalone product, or will it be more integrated to your existing cybersecurity stack? And do you see any opportunity within your existing client to scale up this product?
- Kaushik Srinivasan:** Yes. So, the idea is to integrate that product into our core stack of trust services and to be able to sort of assess which an email certificate. As you can be seeing, there is a lot of phishing attacks that are going around with respect to emails, where fraudulent emails are coming to end users. And we see this very much in the 30 states in many of the markets and customers that we

are talking to. So, as such, you know, some of the growth numbers our chairman outlined for that company as an independent entity. But once integrated and if we are able to, you know, talk to our existing customers, we could potentially see a slightly accelerated growth trajectory.

Surbhi: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pratap from MountIntra Finance. Please go ahead.

Pratap: Hi. And thanks for taking my question. So, I just saw on your presentation that the trust service business saw a dip in revenue due to some anticipated business model changes. So, what was the quantum of the revenue dip that we had this quarter?

V. Srinivasan: In this quarter, because of the change alone, we had INR 6 crores dip in the trust service business. Because what happened was earlier the partners were buying the stock and they were selling stocks. So, always they will hold the stock and certain amount of stock will be there. In April, the Control of Certifying Authority announced that from July, the model will change, and nobody can sell stock to anybody. Everything has to be individually sold to the end customers. So, because of that, the partners stopped buying the stock.

So, when they stopped buying the stock, because of that, the revenue came down. So, actual need only they bought. So, they didn't buy more stock to keep it with them. So, that's where almost in one quarter, there was a reduction of INR 6 crores in the DHC business interest.

Pratap: Okay. So, now how does this actually affect our pricing model going ahead? Because as I understand, the channel partners used to be sold at a heavy discount as compared to retail customers. So, now what is the pricing strategy for this particular vertical?

V. Srinivasan: Because we cannot sell to channel partner, we have to give commission to the channel partner to bring the business. So, another thing was that the regulator said we cannot have two different retail prices for selling something through the channel partner, something through the direct retail. So, we merged both the prices and then came to some little bit on the retail side.

So, for example, we were selling to major channel partners at INR 270 to INR 300 and smaller partners at INR 400, INR 450. And in the retail, we were selling at INR 2,000 to INR 2,500 for a class 3, two year signing certificate. For the same thing, now we have made a price of almost INR 1,500.

So, on the 1,500 again, we are offering 40% commission to the originating partner and 10% commission to the master partner. So, with the result, on the channel segment, instead of a INR 300 to INR 350 realization, we may get INR 750 to INR 800 realization. But on the retail segment, from a INR 2,300 to INR 2,400 realization, it may come down to INR 1,500 realization for the same product. But because the channel weightage is high, we feel that the overall realization could go better from the next quarter.

Pratap: Okay, thanks for that. Now, I just want to confirm that...

- V. Srinivasan:** What is happening, if you see, the Income Tax department has made an announcement that for the acceptance of the tax audit report other than companies, like individual, HUF, partnership, and all, they may not need the digital signature certificate. So, they can accept it by using the Aadhar OTPs.
- So, because of that, generally, otherwise, the July to September season, there will be a heavy pull and then a lot of demand will be there. We feel this particular order of the department can result in a reduction in the overall count in respect of the tax audit case. Which may affect 10% to 20% on the volume also.
- Pratap:** The effect will be about 20% on the volume, is that correct?
- V. Srinivasan:** Possibly, 10% to 20%. Exactly, we cannot quantify because that detail is not available.
- Pratap:** Okay. Thank you. I'll fall back into the queue.
- Moderator:** Thank you. The next question is from the line of Aditya Doshi from M3 Investment. Please go ahead.
- Aditya Doshi:** So, I wanted to understand what is the penetration of our product per customer and how it has evolved over a period.
- V. Srinivasan:** Product per customer, there is no such thing because different products are of different nature. And the customers also, we always try to push to large customers so that the value of each deal is higher. So, that's why if you see major banks, are our customers. The defense forces are our customers. Large enterprises are our customers. So, that is how it is there, not only in India, globally. So, I don't think we can say anything defined as a product per customer.
- Aditya Doshi:** Okay. And second, I also saw in that annual report, certain products we have rebranded. So, just wanted to know what is the thought process behind this?
- V. Srinivasan:** We had a product called, eMudhra Authentication Solution. Now, we have considerably enhanced the product so that it can become a complete identity and authentication management suite. So, that's where we made it as a secure path.
- Aditya Doshi:** Okay, so it's like an updated version?
- V. Srinivasan:** Yes.
- Aditya Doshi:** Okay. And sir, third, regarding this acquisition, I saw that in the filing, we have mentioned it's for the IP. So, are we also getting customers as well as their employees with us or it's just the IP which will we integrate and sell?
- V. Srinivasan:** No, IP and customers we will get, but on the employee side, we have a lot of technical knowledge. So, maybe one or two we may take, or we may not take also. But the main thing is the IP and customers.

- Aditya Doshi:** Okay, and what would be the count, sir, if you can share?
- V. Srinivasan:** What is it?
- Aditya Doshi:** How much would be the count of customers?
- V. Srinivasan:** They had around five customers last year. This year, they've got another two, three customers.
- Aditya Doshi:** Okay, sir. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Venkataraman Srinivasan for closing comments.
- V. Srinivasan:** Thank you. I would like to thank everybody for joining the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with our Investor Relations Advisors. Thank you once again and have a great day. Thank you.
- Moderator:** On behalf of eMudra Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.