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Dear Sir/Madam,

Sub: Transcript of Earnings Call held on February 07, 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 **February 07, 2024**, post announcement of financial results of the Company for the quarter ended December 31, 2023. 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 Q3 FY24 Earnings Conference Call”
February 07, 2024

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

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

**MR. KAUSHIK SRINIVASAN – SENIOR VICE PRESIDENT,
PRODUCT DEVELOPMENT**

**MR. ARVIND SRINIVASAN – SENIOR VICE PRESIDENT,
INTERNATIONAL SALES AND STRATEGY**

MODERATOR: MR. SAURABH THADANI – IIFL SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to eMudhra Limited Q3 FY24 Earnings Conference Call hosted by IIFL Institutional Equities Limited. As a reminder, all participant lines will be in the 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 '*' then '0' on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Thadani from IIFL Institutional Equities. Thank you and over to you, sir.

Saurabh Thadani: Thank you, Yusuf. Good evening, everyone. Thanks for joining us today on the Q3 FY24 earnings call of eMudhra Limited.

On behalf of IIFL Institutional Equities, I would like to thank the management of eMudhra for giving us the opportunity to host this call. Today we have with us on the call Mr. Venkatraman Srinivasan, Executive Chairman, Mr. Ritesh Raj Pariyani, Chief Financial Officer, Mr. Kaushik Srinivasan, Senior Vice President, Product Development and Mr. Arvind Srinivasan, Senior Vice President, International Sales, and Strategy. I will hand over the call to Mr. Venkatraman Srinivasan to give the opening remarks and take the proceedings forward. Thank you and over to you, sir.

Venkatraman Srinivasan: Thank you, Sourabh. Thanks to all of you for joining this conference call. A warm welcome to our Q3 FY24 earnings conference call. I'm happy to address you today and share our quarterly results. I'm pleased to announce that we have delivered robust performance with significant growth in all the metrics. Our total income increased by 59.5% on a YoY basis, accompanied by growth at 26.9% and 20.1% in EBITDA and PAT margins, respectively.

In Q3 FY24, we had a significant expansion in the international markets, supported by wins across various regions, driven by increased demand for our cybersecurity solutions. We saw an increased interest in our offerings in North American markets, particularly in the cybersecurity and paperless office sector. The acquisition of Ikon Tech Services remains beneficial, creating opportunities for cross-selling within their customer base in sectors such as education, oil and gas, and financial services.

Additionally, there was a sustained momentum in deals within the MEA markets, where we are engaged in projects related to e-governance and BFSI, focusing on the implementation of technology solutions encompassing digital public infrastructure, zero trust and paperless transformation. In India, there was continued demand for paperless office solutions, supported by eSign plus eStamping, for onboarding in capital markets and banking.

There was also an increase in the use of our Certifying Authority and Authentication Access Management platforms in e-governance, reflecting a push towards transitioning to zero trust. Regarding trust services, prices for token-based digital signatures remain steady, with volumes and growth aligning with historical trends.

The SSL business is experiencing increased activity due to the outreach efforts to our enterprise clients and through our large partner network. To significantly strengthen our current product

capabilities, we have begun investing in research and development for post-quantum cryptography. This investment aims to develop keys and certificates that are quantum-proof.

Additionally, we are conducting R&D in the area of mobile PKI infrastructure, enabling the issuance of digital signatures certificates to mobile devices. This can potentially open more use cases for secure authentication opportunities in sectors like banking and e-governance. Furthermore, we are investing in R&D for fully homomorphic encryption, a type of encryption method for searching encrypted data.

This has various potential applications in data protection and privacy, especially in scenarios where personally identifiable information requires encryption while still being searchable. We are confident that these ongoing investments will enhance our product range and expand our reach, which will yield positive results in the forthcoming quarters.

Key project wins, rollout of public key infrastructure authentication and access management solutions for a defense agency, implementation of private PKI for consumption of certificates for a mid-sized IT firm in the U.S., rollout of e-signature platform for a large urban development company in Kingdom of Saudi Arabia, rollout of e-signature platform for paperless transformation of customs authority in the Middle East, upgradation of e-signature platform for a certifying authority and single window operator in West Africa, rollout of e-sign for bank officials of a large public sector bank for digitally signed approvals to enhance transparency.

Other business highlights, certification of emSign for SAP SuccessFactors or easy signing of HR onboarding documents, listing emSign on AWS and Azure Marketplace for easy consumption of SSL certificates by customers already using these platforms, use of generative AI in driving significant efficiency in customer responses via our email channel for our digital signature customers. So, these are the highlights. Now I request Mr. Ritesh Raj Pariyani, our CFO, to take us through the financial performance of the company.

Ritesh Raj Pariyani:

Thank you, Chairman. Good afternoon, everyone. I hope you are all doing good. Let me begin with by sharing the headline numbers of Q3, financial year 2024. We are pleased to announce that our revenue from operation in Q3, financial year 2024, amounted to Rs. 973.8 million, YoY growth of 59%. The growth was primarily driven by the sales in the overseas market. There was a rise in the enterprise solution segment, which generated a revenue of Rs. 745 million, reflecting a YoY growth of 90.1%, while the trust services revenue grew by 3.6% YoY to RS.228 million.

The operational revenue of 9M FY24 was at Rs. 2,734.3 million, representing a YoY growth of 1.8%, and a revenue growth of 59%. In Q3, financial year 2024, EBITDA rose to Rs. 267.5 million, a 19.6% increase YoY, with a margin of 26.9%. Net profit reached at Rs. 200.1 million, up by 31.6% YoY, with a margin of 20.1%.

For nine-month financial year 2024, EBITDA stood at Rs. 801.9 million, with a margin of 29%, and the net profit was Rs. 551.5 million, with a margin of 19.9%. Despite increased spending on IT research, branding and marketing, our EBITDA end-to-end margins remain stable.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Parth Agarwal from Bastion Research. Please go ahead.
- Parth Agarwal:** Thank you for the opportunity. So, my question was regarding the international business. So, last quarter we mentioned that we will sustain around Rs. 40 to 45 crores of revenue for a few quarters in the international business, and from there, you know, we'll see a good growth. But in this quarter itself, we have moved from Rs. 45 crores to Rs. 55 crores of revenue. So, I just wanted to ask, you know, this Rs. 55 crores of revenue generated for the quarter, is it sustainable, or is it something one-off?
- Management:** No, we feel it is sustainable because it is widespread. It is not from a singular geography or a singular customer. It is across the board, across the Middle East, then Africa, and also in the US and everything. So, that's why it is sustainable. Maybe a little bit here and there could be there, but generally, we feel it is really sustainable.
- Parth Agarwal:** And what is the enterprise business order book currently?
- Management:** Generally, order book we are only giving in the year-end, but order book growth generally is good. Almost it is 35% to 40% growth we have achieved in the order book compared to March, as of December.
- Parth Agarwal:** Okay, got it. And so, my one question, another question is, you know, we are doing international expansion and that is getting reflected in our revenue growth obviously. But my question is whether this growth is coming at a cost of sustainable margins? Because is it possible that, going forward, whenever couple of years down the line, once we have, established ourselves in the international market and we want to improve our margins, will our growth get hampered that time? My only concern is that are we getting the good amount of business in the international business, international market by undercutting our competition?
- Venkatraman Srinivasan:** And what was the question you were asking? Growth is at the cost of what? I didn't get the question clearly.
- Parth Agarwal:** In the international business, the extent of growth that we have seen, is it at the cost of margin or are we undercutting our competition there in terms of cost to get the business?
- Venkatraman Srinivasan:** No, little bit we have to undercut only. Otherwise, why would somebody come to us? So, generally we go 20% to 30% cheaper compared to competition because we are at a penetration stage. That is the number one. The second thing is we also have to invest in marketing, branding, garner, many things in the international market because we are new players there.
- So, that's what we have been telling that some of the profitability we will always reinvest in the growth but also at the same time balance between the growth and the profitability to ensure in the current year we maintain around 29%-30% EBITDA margin and 20% PAT margin. So, in line with that only we are going ahead.

Parth Agarwal: In the domestic enterprise business, there was margin contraction as well as degrowth. Can you just share your insight on that?

Venkatraman Srinivasan: The margin contraction is, if you see this time two abnormal items are there. One is the write-off of land. About four years back, we got a 100-year lease of land in Salem from the ELCOT, which is the Electronic Corporation Of Tamil Nadu. So, that land we thought from there we will create the disaster recovery site, data center and all that thing and do the international operation from there. But then because of the later we found that the 200 MBPS line was not available to connect our main center with the disaster recovery site.

So, that plan could not materialize and we had to create the disaster recovery site in Chennai. So, with the result this land was handed over back. But before doing that, three-four years back, we had already done some tight development, fencing and all that.

So, almost some Rs. 1.25 crores had to be written off while we handed the land back to ELCOT. So, this is one of the things. And the other thing is for the US market development, we had spent some Rs. 2 crores, Rs. 3 crores of marketing. So, this marketing bills relating to one or two quarters came at that time in the current quarter.

So, both put together there was a one-time expenditure of almost Rs. 3 crores, Rs. 4 crores. So, because of that one-time expenditure, only the EBITDA margin came down to 29.6%. If these are adjusted, it is almost at 29.5%.

Parth Agarwal: And so, the degrowth in the enterprise India business, what is the reason for that?

Venkatraman Srinivasan: Degrowth in India enterprise business, because in the India enterprise business, if you see predominantly it is coming from the public sector and the government agencies and all that. In that lot of time, we are bidding along with the hardware and software. And quite a bit of the receivable is also in that business.

So, since the receivable is going high, we are consciously planning whether we should bid for the hardware or we should only focus on software. So, in that we are gradually trying to focus more and more on the software rather than on a total turnkey project. So, that is one of the items of the thing.

And the other thing is the realization is also very low in the Indian market compared to the foreign market. In the Indian market, even if you take an e-signature, the e-signature realization is Rs. 5.

On Rs. 5, some Rs. 3.5 goes to Aadhaar. And net realization is Rs. 1.5. So, business per se is growing, but from a value perspective, the growth is not that significant like in the international market.

Parth Agarwal: And sir, we launched this SSL and emDiscovery sometime back. So, how is the response in the market for those products?

Venkatraman Srinivasan: For the SSL and TLS? Yes. emDiscovery. Yes, emDiscovery response is good. So, even Kaushik met lot of customers in US and all that. So, I will request him to brief about that.

Kaushik Srinivasan: So, we got quite a few wins in the SSL, TLS, and emDiscovery . One, of course, large banks and we have a stock exchange in India and some private sector clients. More interestingly, in North America also recently, one IT company is using for private PKI.

We also have users across automotive industry. So, there is quite a bit of demand in the global markets for emDiscovery as more and more enterprises are transitioning to these zero trusts and this PKI is becoming integral to the transition.

Parth Agarwal: Okay. Just a final question from my end. So, can you explain the tax expense because the effective tax rate is around 2%-3% this quarter tax?

Venkatraman Srinivasan: No, tax because we got benefit in tax in this quarter because the earlier, if you see as part of the original IPO, there were three products. That is the remote signing, then the IoT product and then this certificate discovery product. So, all these products after final test run and final implementation, we capitalized in this quarter.

And because these are all software product, we get almost 40% depreciation from the tax perspective. So, because of that, we could get good amount of tax depreciation. That is why this quarter the tax provision is lower.

Parth Agarwal: Is it expected to be lower in quarter 4 as well or it will normalize?

Venkatraman Srinivasan: Yes, quarter 4 it will normalize.

Parth Agrawal: Okay. Thank you so much and best of luck for the future quarters.

Moderator: Thank you. Next question is from the line of Rishi Maheshwari from Aksa Capital. Please go ahead.

Rishi Maheshwari: Thanks for the opportunity. I think given the circumstances of how the IT industry has been really, you've done a fairly good job. Congratulations on that. My question was to understand the enterprise customers. Last year quarter, you had reported 910 global and 10 Indian customers, whereas this quarter reporting structure, I think has changed and the total number of customers you reported is 910.

So, from a total of about 1000 customers, the customer on the enterprise side has seems to have reduced to 9910. Am I reading it correctly or these are some of the customers who just comes and goes out and therefore there is not much to read into it?

Venkatraman Srinivasan: No, no. Customer has not reduced, but what is happening, once you have a large base of customers, further orders keep on coming from those customers only. So, that's where addition of new customers, the rate at which new customers are added is very less, but I think reduce.

Kaushik Srinivasan: It is not reduced. And of course, we are also focusing on more larger value customers over a period of time. So, it's not really reduced from that perspective, but more repeat orders are coming from the existing set of customers.

Rishi Maheshwari: So, that's a very good point. I think I was trying to hop on to the same point again in my follow-up question. But per revenue per customer seems to be extremely low at this point, right? Repeating \$25,000 to \$35,000. My sense is that this is not very remunerative if you continue increasing the volume versus increasing the depth in enhancing the value of each customer. Now, I'm sure this is how you've just explained in your previous answer as well.

If you can highlight, what is the potential that generally when you pitch to a customer, what is the kind of potential that you see in each customer's wallet share? For instance, whenever IT companies usually look at any of these services' implementation, they usually look at between the range, even smaller companies look at between the range of \$500,000 to about \$1 million kind of range. For any customer that they want to pitch that, effectively you've correlated that with how much is the marketing spend, the time spent on acquiring each customer. How do you think you have thought about?

Venkatraman Srinivasan: Generally, you are talking of the IT services industry. In IT services industry, now let's say I penetrate a customer and the customer is using 50 of my resources. So then that 50 resources continue to be 50 resources, 50 resources or 48 resources like that. Little bit it changes, so continuously it is that. And if it becomes 100 resources, then it becomes a larger customer and all that.

For us, what is happening is we are mainly into the product business. In the product business, the same customer may not again and again as earlier several times explained, there are two components. One is the licensing revenue and the other thing is the AMC revenue and other things, and the cloud-related revenue. And the cloud revenue is not very high in the Indian and Asian markets, so it is predominantly licensed revenue.

So, every time new customer comes, though the 900 customers are there, all the customers may be, all of them may not be using in the current quarter, and some of them may be paying AMC in the current quarter, and a few of them may be buying license in the current quarter. So that's why the current quarter revenue or the current year revenue by dividing 900 or 920, we may not be able to arrive at any meaningful analysis out of that.

So that's where we have to see what is the rate license revenue. And in each license revenue, if you are able to get Rs. 1 crore 50 lakhs, or in foreign geography, maybe Rs. 2, Rs. 3 crores, it is a worthwhile opportunity to chase. Out of that, again 20%, 20% AMC will come in the future. Also, whenever we license, we license for a specific number of users or specific number of service and all that. So, when that way they expand, there will be further revenue growth. So, this is slightly different from the IT services model where it is all the number of people based on which you are billing.

Rishi Maheshwari: Sure, sure, sure. Thanks for the detailed answer. I also want to hop on understanding the growth trajectory going ahead. You mentioned that Audible growth is expected to be or is continued to

be at 35% to 40%. Do we see that revenue will also grow at more or less the same rate going ahead in say FY'25 and FY'26?

Venkatraman Srinivasan: This year, as we have several times told, we are expecting around Rs. 360 crores level, which will be almost a little over 40%, that is for the FY'23-'24. FY'24-'25, we have still not made a detailed the estimate because the strategy meeting and other things has to be actually done. But still we feel around 30% growth should be possible.

Rishi Maheshwari: While maintaining the 30% aspirational margin that you had earlier alluded to, is that right?

Management: Yes, yes, correct.

Rishi Maheshwari: Well, this margin had some component as you mentioned, some one-offs of ESOP charges. Will we continue to have these ESOP charges as the ESOP gets exercised in the years ahead as well?

Venkatraman Srinivasan: ESOP charges will continue because it is exercisable over four-year exercising. So, whatever we are granting for the ESOP charge will happen. But actually it is not a charge. All the shares are in the trust, from the trust it is allotted. Because of the accounting standard, it is debited to profit and loss account and credited to reserve directly. There is no liability on these things. So that's why, and there is no dilution also. There is no further dilution of share capital. But our auditors have been taking that view that it has to be done so that we are doing. Because the dilution has also already happened.

Rishi Maheshwari: Sure. All right, thank you very much for your time. All the best.

Venkatraman Srinivasan: Thank you.

Moderator: Thank you. Next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi, thank you for the opportunity and congratulations on the results. I just wanted to first check that you just mentioned that 360 was the guidance for this year. I was wondering if you want to update that guidance because that would imply that in Q4, your growth would only be about 13% YoY. So now that we are coming towards the end game of this financial year, I was wondering if you want to update that guidance?

Venkatraman Srinivasan: We don't want to update, but maybe 10% or even there can be that. Because already we are 270. In the 270, if we do another whatever, like the current quarter also, it may go to 370 or something. For that, we don't want to upgrade the guidance or anything.

Parikshit Kabra: Okay, sir. Because every quarter this year, this we have grown at 50% plus. And the overall guidance of 40% plus implies this thing. But okay, I understand. You don't want to update your guidance. You don't want to update. That's fine. Fair enough. Next thing I wanted to understand was, how is the US market coming along? I know we have been trying to figure out our product market fit and trying to build up the momentum in the US market. So, I just wanted to see how things have progressed in the last quarter?

Venkatraman Srinivasan: No, it has progressed very well. Almost from 8, 9 discussions or maybe even more than 10 discussions are also taking place on both the M-sign aside as well as on the TK aside. So maybe Kaushik may be able to give us some meetings with the potential customers.

Kaushik Srinivasan: Yes, and some deals wins also happened both on the emSigner side as well as for PKI. We see a lot of traction for private PKI use cases because in the US, unlike a federal model, it's all communities of trust. So healthcare is a separate sort of requirement, banking, and all that. So, this way, there's a good amount of positive momentum going into the next year in the US market. We've also got the right set of people on the ground including Scott who is a veteran in the PKI space and he's also been sort of helping spearhead some of these discussions.

Parikshit Kabra: Alright. So, would I be right in saying that we can almost – we are -- the product market fit for the US market is almost just maybe a couple of quarters away now?

Kaushik Srinivasan: It doesn't work like that because you're constantly innovating and competing with other players who are also constantly innovating. So, it's always a question of you have a few capabilities, you are going after specific segments with those capabilities and how do you go on specializing. So it's not a binary point where you just say that we are ready and then therefore things will start flowing.

So, it's more a question of assessing the market, figuring out your strengths and then going with a specific strategy which is what we're trying to do.

Parikshit Kabra: All right. And on other news, I know that you have closed your QIP or at least partially closed your QIP. So, congratulations on that. Wanted to inquire, is that money going to be used to fund working capital or as per your initial guidance that this might be used for some kind of strategic acquisition? Which way are you seeing digitalization of funds now?

Venkatraman Srinivasan: Yes, both because you see our offer document, one is for the growth in US working capital because the US market is growing fast. So, we need working capital funding in the US. So that is one objective. The other main objective is the acquisition. And one more objective is we have told about these three products, post quantum cryptography, fully homomorphic encryption and the mobile PKI So on this also investment will take place.

And some of it is reserved for the general corporate purposes which can be used for any purpose which is more flexible.

Parikshit Kabra: Okay. So, between the unbilled revenue and the receivables that we have, first of all let me just verify that the unbilled revenue and receivables will mostly be for the enterprise business and not so much for the trust business. Is that a fair assumption?

Venkatraman Srinivasan: Correct, correct.

Parikshit Kabra: Correct? So, when I add those numbers up and I look at the enterprise revenue, then it seems like trailing 12-month revenue of enterprise business, 80% of that is actually captured in receivables plus unbilled revenue. So, our working capital requirement seems very high and at

the rate at which we are growing the enterprise business, I would wonder whether we will end up using all of this money in working capital itself just to make sure that we are growing as the opportunities arrive.

Venkatraman Srinivasan: No, no. I think some calculation could be wrong. For example, if you take quarterly revenue of around Rs. 100 crores, on that you leave trust service of Rs. 20 crores, Rs. 20 to Rs. 22 crores trust service. Balance the enterprise revenues around Rs. 80 crores. That is in one quarter. So, the unbilled revenue and the services is not, you are saying 80%. No, 80%.

So, the receivable itself will be 70%-80% of one quarter revenue and the unbilled revenue may be less than one quarter, maybe two-month revenue or three-month revenue. It will not be 80% of yearly revenue. Okay.

Parikshit Kabra: Okay. So, the numbers I have was only from the previous quarter because this quarter numbers were not released.

Venkatraman Srinivasan: Even then it was around, I think both put together could be some Rs. 140 crores or something like that. But still it will be just

Parikshit Kabra: Yes, 150 crores approximately.

Venkatraman Srinivasan: So that way if you see, on 370 if you reduce 100, it will be 270. And 270, 150 will be maybe around six and a half months kind of thing. So, six and a half months again include the GST and all these things. So, when we eliminate really if you calculate the thing, it may be six months. But even our enterprise implementation cycle itself is four, five months. So unbilled revenue of around two to three months is a normal unbilled revenue.

So, we are seeing sundry debtors and sundry debtors are also predominantly due to large number of government projects where the hardware money and also the software money takes a longer time to realize. So that's where it is at. It is not 80% of the annual revenue.

Parikshit Kabra: Okay. No problem. That's fine. All right. And is it possible for you to provide the international revenue number split between North America and the rest?

Venkatraman Srinivasan: No, that we are not yet providing that way. Maybe at some point we may take a conscious call to see where the geography is.

Parikshit Kabra: All right. All right. Thank you, sir.

Venkatraman Srinivasan: Thank you.

Moderator: Thank you. Next question is from the line of Rajvi Poladia from Sohum Asset Managers. Please go ahead.

Rajvi Poladia: Hello. Yes. Actually, my question has been answered. Thank you.

Venkatraman Srinivasan: Okay. Thank you.

- Moderator:** Thank you. We have our next question from the line of Mr. Saurabh Thadani from IIFL Securities. Please go ahead.
- Saurabh Thadani:** Yes. Thank you for the opportunity and congrats on a strong performance. The first question I had was we've announced multiple deals in the non-US international markets in the current quarter. Can you just talk about the trends we are seeing in some of those markets, particularly the likes of Middle East?
- Kaushik Srinivasan:** Yes. So, across Middle East, Africa, and now also Asia Pacific, we are being invited to participate in a number of projects relating to this digital public infrastructure, which is what we've implemented in India around identity signatures and all of this. And in Middle East Africa particularly, more traction is happening even on the cybersecurity side.
- We already have substantial amount of penetration in the paperless office. So, across the board, across industries, as the wave sort of increases both for going paperless as well as from a cybersecurity perspective, we think we're starting to see a number of tractions in various industries. We are already quite deeply penetrated in the Middle East in banking, but other industries are also starting to see traction.
- Saurabh Thadani:** Got it. And the next question I had was on the margin side. So, I think over the last few quarters, we've been investing to drive growth first on the sales and marketing side. This quarter also we had some of those costs kind of come in. I just want to get a better sense in terms of our outlook in terms of margins, both in the near as well as the medium term.
- Venkatraman Srinivasan:** In the near term, up to next one year, we hope we will be able to maintain this 30% EBITDA margin and 20% PAT margins. The medium term of over one year, we do not know because how the competition will evolve, whether what will happen and all of this, too early to predict. So at least next one year, we feel this could be maintained.
- Saurabh Thadani:** Got it. And the last question I have is on the digital trust services side. On the competitive intensity there over the last couple of quarters, we've called out that we've seen price stabilization. Any update in terms of competitive intensity? Have you seen some of the players not been able to survive or how is that generally going around?
- Venkatraman Srinivasan:** No, all of them are still there and still supplying. Now, those almost it is 10. Earlier only four competitors were there. Now almost 10 competitors are there. But still they are there. But our, we had even earlier pronounced that we will get only 15% growth. That much we are getting.
- Saurabh Thadani:** Got it. Thank you. That's it from my side.
- Moderator:** Thank you. Next question is from the line of Nitin Sharma from M.C. Pro Research. Please go ahead.
- Nitin Sharma:** Hi, thanks for taking my question. To start with, where do you see your India business growing over the medium term? India business.
- Venkatraman Srinivasan:** What is your question? India business?

- Nitin Sharma:** Yes. Sir, so geography wise, this quarter had a decline in the India business. So, over the medium term, how we should see it growing? At what rate?
- Venkatraman Srinivasan:** India trust service business, we have said, earlier we are told it will go around 15% per year. And the India enterprise business consciously, what is happening is the main receivable and the unbilled revenue are higher in that business. And we were, and it is the bank, the government component in that business is higher.
- So, and we were bidding along with the hardware, software, everything. So, now we are taking a conscious call to see how we can reduce the sundry returns and all that. So, if you want to do that, we may not have to bid for hardware. We have to bid only for our software and all that. So, with the result, there may be, it may not have the same level of growth. It could also end up in 15-20% growth India enterprise business. And the more on growth we maintain because of the international business growth.
- Nitin Sharma:** Understood. And is it possible for you to break down the overseas market growth?
- Venkatraman Srinivasan:** No, one more thing in the international business, the realizations are much better. So, if we put the same level of resources in international business, our profitability and top line both are better. So, that is another reason for our more focus on the international business.
- Nitin Sharma:** So, is it a number in your head in terms of how much percentage of business you would want to come from overseas market because that has been consistently coming down over the years?
- Management:** No, focus is of course, there is no fixed number. Over time, the international business will of course, be more than the India business over a shorter and over medium term.
- Venkatraman Srinivasan:** Already, it has become 50-50%. Over time, any technology company, generally you see the international business become 80%-85% of the overall business in any technology company.
- Nitin Sharma:** Understood. Next question, is it possible for you to break down the overseas market growth rate by country on a 9-month basis?
- Nitin Sharma:** Can you please break down the growth rate for countries within the overseas territory on a 9-month basis? How much they have grown YoY for the 9 months?
- Venkatraman Srinivasan:** Territory wise, is it?
- Nitin Sharma:** Yes.
- Venkatraman Srinivasan:** Territory wise, that way we are not segregating up to now.
- Nitin Sharma:** Okay.
- Venkatraman Srinivasan:** Territory wise, the main territories are only U.S. and Middle East, Africa. Europe and all little bit only. Our penetration is not that deep. So, still we may not have come to a level where we

have to analyse each territory wise and then go that way. So, that's why we have not been doing it until now.

Nitin Sharma: Understood. Thank you.

Moderator: We have our next follow-up question from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi, just wanted to quickly clarify. The difference between adjusted EBITDA and EBITDA this quarter, was it just a matter of ESOPs or was it something else?

Venkatraman Srinivasan: No. We told two items. No, one is the ESOP and the other is the that one-time write-off of land what we had.

Parikshit Kabra: You mentioned that. Sorry. Thank you.

Moderator: Thank you. Next question is from the line of Anupam Jain from Professional Investor. Please go ahead.

Anupam Jain: So, my question is, what is the TAM for the Zero Trust business?

Kaushik Srinivasan: TAM, as per various global research agencies, is in several tens of billions of dollars. But of course, that is a very large addressable market. It's very nascent and growing. There is no specific third-party research on our sub-segment, which is also equally large, possibly in a few billion dollars. So, it's still a relatively small percentage, and that is why the growth opportunity that we are sort of estimating.

Anupam Jain: And what are the revenue targets that you are targeting from this business particularly? Any guidance would be good. Any rough guidance?

Management: Overall, that is what is highlighted by our Chairman is to maintain that growth of about 30%.

Anupam Jain: In this segment that I'm saying...?

Management: This is largely related to enterprise. So, if Trust is growing at 15%, you can extrapolate the potential growth from the enterprise. It will grow much faster.

Anupam Jain : So, Trust should grow at 50%?

Management: Sorry?

Management: Trust should grow at 15%.

Venkatraman Srinivasan: It's where the industry research estimate done.

Moderator: Thank you. Next question is from the line of Rishit Parikh from Nippon India Mutual Fund. Please go ahead.

Rishit Parikh:

So, I've got a couple of questions. One, I think you've talked about sort of investing in R&D into the newer products. I think quantum PKI is one, and I think there were shifted towards cybersecurity.

So, I just want to understand how does this sort of expand your addressable market? Do you see that you've got abilities to cross-sell these products into your existing customers? Is that something that your customers are demanding?

How does the development of these products come into shape? And just help us understand what is the addressable market? Does the growth number that you talk about of 25% to 30%, does it include these two products, or this is just X of that?

Venkatraman Srinivasan:

These products are related to cybersecurity area only. These are not in a completely different area. But if you take the post-quantum cryptography gradually in the defense and other things, they are already anticipating it, and they already want which company will have.

And gradually, over time, we feel in most of the RFPs, it will be there. And if you do not have it, you may not get qualified for bidding in this RFP and all this. So that way, it becomes an integral part of the cybersecurity solution and PKI solution.

Same way, if you see mobile PKI, mobile PKI, a lot of countries have already lost covering mobile PKI. In India, it is not there, but the Ministry of IT is very actively working on it. And they feel instead of storing this in crypto token, the digital signature in crypto token, it can be stored in mobile, and from there itself, it's authenticated.

So that way, maybe within some few months itself, from Ministry of IT, such regulations can come if it has to be done in the mobile PKI. So that's the anticipation we are doing. And the other need is the homomorphic encryption.

This also need comes more from the defense and that kind of establishment. So, these are all necessary when you say you are a cybersecurity player. Beyond that, a little more technology, Kaushik also can explain.

Kaushik Srinivasan:

Yes, so the need for these products, I mean, one, of course, from client feedback, in terms of what is the future and also IT research communities that are basically looking at cybersecurity trends for the next three, five years, folks like Gartner, Forrester, IDC. And as a consequence, our own internal sort of assessment of what we should prioritize in terms of being able to position ourselves superior to competition. So that's really how we've started embarking on these products and identified these three.

These will offer immediate cross-selling opportunities into our existing customer base itself because most of them, some of them are using our platform. They have to go into the next level of cybersecurity readiness, quantum sort of compliance, etcetera, which are forced, one, by government mandates, which will also then percolate to sectoral mandates. So that's really the genesis on why we decided to do R&D on these three areas, because they are allied, offer potential to cross-sell into our existing customers and up-sell into our existing customers.

- Rishit Parikh:** Okay. Thank you. And just two more questions on this. So does this sort of also are you in some of these conversations with your clients in the U.S.? This is largely to do with India, some of the government agencies that you talked about.
- Kaushik Srinivasan:** Across the board, conversations with clients in the U.S., conversations with clients even in APAC, we're likely to do a mobile PKI rollout for a very large country in the Asia Pacific, conversations in the Middle East as well as some of the governments in Africa as well.
- Rishit Parikh:** Okay. And when you talk about the 25%, 30% growth, does it include these two products, or these two products will be a little, as and when you get a POC approval for development?
- Venkatraman Srinivasan:** No, as of now, 30% includes these products, not incrementally. As we go along, we have to see, because generally I don't want to say something and not achieve that. So that's why we are extremely cautious when saying something.
- Rishit Parikh:** Okay, absolutely. And is there a timeline by which these products will be sort of up for market, where you'll start marketing these products, or you already started doing it?
- Venkatraman Srinivasan:** Almost one year. Before March 25, we have to implement all these products. We've already started work. Entire specifications have been drafted. Then the process of outsourcing is there for the routine development. All these are happening already.
- Rishit Parikh:** Perfect. That's all I have. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.
- Venkatraman Srinivasan:** I would like to thank everybody for joining the call. I hope we have been able to address all your questions. 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:** Thank you. On behalf of IIFL Institutional Equities Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
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