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**Script Code:** 543533

**Symbol:** EMUDHRA

Dear Sir/Madam,

**Sub: Transcript of Earnings Call held on November 09, 2023**

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 **November 09, 2023**, post announcement of financial results of the Company for the quarter ended September 30, 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 Q2 FY 24 Earnings Conference  
Call”**

**November 09, 2023**

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

**MR. SAJI K. LOUIZ – CHIEF FINANCIAL OFFICER**

**MODERATOR: MR. SAURABH THADANI -IIFL INSTITUTIONAL  
EQUITIES.**

**Moderator:** Ladies and gentlemen, good day and welcome to the eMudhra Limited's Q2 FY24 Earnings Conference Call hosted by IIFL Institutional Equities.

As a reminder, all participants' 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 the operator by pressing '\*' then '0' on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Saurabh Thadani from IIFL Institutional Equities. Sir, please go ahead.

**Saurabh Thadani:** Thank you, Akshay. Good evening, everyone. Apologies for the slight delay and thanks for joining us today on the Q2 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. Saji K Louiz, Chief Financial Officer. I will hand it over to Mr. Srinivasan to give the opening remarks and take the proceedings forward. Thank you and over to you sir.

**Venkatraman Srinivasan:** Thank you, Saurabh. Thank you very much and a warm welcome to our Q2 FY24 Earnings Conference Call.

I am delighted to address you today and share our second quarter results. I am delighted to announce that we have delivered outstanding performance marked by substantial growth in all pivotal metrics. Our revenue surged by an impressive 61.5% on a YoY basis, accompanied by remarkable growth in EBITDA and PAT registering 23.9% and 13.9% respectively. In the second quarter, our broad range of successful deal acquisitions in numerous markets including both developed and emerging ones has resulted in our continued growth in international markets.

To sustain this growth, we have further strengthened our local support team to cater to the US market and also in the Middle East and other markets. Our business in India continues to experience sustained momentum, largely driven by the governments 'Digital India' initiative resulting in eMudhra securing significant successes in various sectors, including e-government, e-science and e-stamping use cases within the banking and financial services industry. We also have secured notable deals across healthcare, manufacturing, automotive and other industries.

Our integrated certificate lifecycle management solution is gaining significant traction with successful implementation in the banking and stock exchange sectors. In the trust service domain, our direct-to-consumer business is on a growth trajectory with stable pricing. Then the continued investment in R&D across our diverse range of product offerings, notably in our zero trust and paperless transformation solutions. In the realm of certificate lifecycle management, we are actively expanding our repertoire of connectors to facilitate seamless automated

certificate provisioning. We have also introduced advanced key management capabilities to bolster data encryption applications. Our identity and access management solution emAS is currently undergoing substantial enhancements to bolster its support for governance and authorization functions, business process model and notation-based workflow approvals and connectors to facilitate seamless integration with leading platforms, further streamlining centralized access management.

We are upgrading our emSigner product to address localization needs of the emerging markets like key stamping, integrations for digital lending and connectors to seamlessly integrate with multiple ERP, HRMS and other platforms. In summary, we remain optimistic about growth prospects in the global markets and also in Indian market for both our cyber security and paperless transformation business segments.

We are committed to judiciously investing in R&D and also in our sales teams to actively pursue these opportunities. Our key projects since during the quarter implementation of our MCA suite of product for large government customer focused on delivery of citizen services, the rollout of integrated access management and authentication platform for a large bank in India, continued deal wins in India across BFSI for emSign, eSign and eStamping for process automation and paperless transformation in lending, onboarding and other workflows. This also includes the first of its kind rollout of integrated customer onboarding in capital markets using DDPA instruction.

Consulting engagement for establishment of digital signature infrastructure in a progressive country in Africa. Other business highlights, certification of emSigner for S/4 HANA as a core innovation partner with options for eSigning of documents such as invoices, offer letters etc., originating in SAP systems, preliminary R&D in the areas of post quantum cryptography, mobile PKI and associated integration mechanisms as it relates to eMudhra suite of offerings, revamp of our corporate website focusing on positioning zero trust using the infrastructure. So, these are the various developments.

Now I request Mr. Saji Louiz to take us through the financial performance of the company during the quarter.

**Saji Louiz:**

Thank you, Chairman. Good afternoon, everyone. I hope you are all doing well. Let me begin by sharing the headline numbers for Q2 FY24. Continuing with our growth momentum of Q1 FY24, we are happy to report revenue from operations of Rs. 963 million a YoY growth of 64.6%. The increase was majorly led by the Enterprise Solutions segment, which registered a revenue of Rs. 645 million, a YoY growth of 76.5%. The Trust Services registered a revenue of Rs. 318 million, a growth of 9.0% year-over-year, but a sequential growth of 14.0%. Our H1 FY24 operational revenue was Rs.1,760 million, a YoY growth of 59%.

Our EBITDA for the quarter was Rs. 287 million up 23.9% YoY and the margin was 29.6%. The growth in margin improvement were driven by a higher contribution from the Enterprise Solutions business and internal operational efficiency. We registered a net profit of Rs. 188

million, up 13.9% YoY with margins of 19.4%. Our H1 FY24 EBITDA and net profit were at Rs. 531 million with a margin of 30.1% and Rs. 351 million with the margin of 19.8% respectively. As part of our overacting strategy, we remain dedicated to delivering added value to our stakeholders. Our primary emphasis is on establishing new strategic milestones and broadening our client base, consequently enhancing our market presence.

We extend our gratitude and look forward to addressing any enquiries you may have regarding our recent company performance. Please feel free to ask any questions you may have.

**Moderator:** Thank you very much. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Parikshit Kabra from Pkeday Advisors. Please go ahead.

**Parikshit Kabra:** I just wanted to understand a little bit on the numbers on the on the expense side. There is also a line unallocated, corporate expense which is around Rs. 30 crores this quarter as opposed to the same quarter last year was about Rs. 16 crores. This is I understand is on top of probably the sales expense that you are building up for your international business. So, just trying to understand why this number has increased.

**Venkatraman Srinivasan:** Roughly Rs. 571 million is there for the last full year. Here, unallocated corporate expense is Rs. 312 million and this is for six months. Actually, this is 6 months that is pending quarter is wrong. Actually, this is for the whole year, the last year for the whole year, this is for 6 months. So, the heading is wrong. It is not for quarter ended March, this for the half year. So, that way it is almost in proportion only.

**Parikshit Kabra:** Got it. Fair enough. So, then the enterprise business, the international enterprise business that has dropped in margin that has been purely because of the investments you are making in your VD capabilities abroad or is there any other reason why the margin has dropped.

**Venkatraman Srinivasan:** Mainly number of people recruited. For example, if you take the employee cost and benefit expenses. The employee cost for the first half year of last year was Rs. 29 crores from there this year first half year is Rs. 41 crores. So similarly, if you see for Q2 FY23, it was Rs. 14.7 crore now it is Rs. 21 crores. So, almost Rs. 7 crores quarterly increase in employee cost itself, which is predominantly attributed to international. Because we have recruited number of people in the USA, the number of people in Qatar and Saudi Arabia, then Kenya everywhere and these are all started producing results, but over another one or two years it will produce better result.

**Parikshit Kabra:** Yes. So, I just wanted to understand that in fact, because we ramped up to this kind of revenue now for last four quarters, we have been around this kind of revenue. So, now with these major investments in the BD team abroad, are we expecting to see results from next quarter? Are we saying that the ramp up will take 2-3 more quarters. Is there any guidance you can give along those lines?

- Venkatraman Srinivasan:** It will take 2-3 more quarters. It may not be in the next quarter itself, because the next quarter, if you see this quarter, so last quarter we were around Rs. 80 crores. This quarter we were Rs. 96 crores. In this Rs. 96 crores again this generally this July to September is the season for the Indian digital signature business. So, that pay will be slightly more also, so that may little bit come down in the next quarter, which can be compensated by the Enterprise business and all that. So, beyond that, further growth in the results may happen, it may take 2-3 quarters for the international business. Now only we are holding a number of event conferences meeting lot of people. Then we have created a separate inside sales team for the US, so this will all take time. It may not immediately happen in the next quarter.
- Parikshit Kabra:** Okay so basically if I understood correctly, so you said that right now it is the peak season for your Trust services, India, DSC services
- Venkatraman Srinivasan:** No Quarter 2 was the peak season.
- Parikshit Kabra:** So now that will come down somewhat, that will be compensated by Enterprise sales. But beyond that growth is not expected as of yet.
- Venkatraman Srinivasan:** Immediately in the next quarter itself may not happen, may take one or two more quarter.
- Moderator:** Thank you. The next question is from the line of. Rajvi Poladia from Sohum Asset Managers. Please go ahead.
- Rajvi Poladia:** Sir I basically wanted to ask you why is there a decline in your international business.
- Venkatraman Srinivasan:** No, it did not decline. If you see last quarter, almost it increased substantially from some Rs. 28 crores or something it went to Rs. 43 crores. So, compared to that increase it remained almost flat. It has not declined so that kind of momentum will continue. Last quarter, if the increase was only few 5%, 10%, it would comparatively it would have further increased because it also depends on, certain large deals coming.
- Rajvi Poladia:** Okay and sir, what is the contribution of IKon to the total revenue this quarter?
- Venkatraman Srinivasan:** The incremental revenue due to IKon in this quarter is around Rs. 10 crores.
- Moderator:** Thank you. The next question is from the line of Saurabh Thadani from IIFL Institutional Equities. Please go ahead.
- Saurabh Thadani:** Hi Sir, thanks for the opportunity. My first question is on Digital Trust services. So, this quarter we have seen a pretty strong sequential growth in the Digital Trust services. Could you just let us know what this has been driven by?
- Venkatraman Srinivasan:** So, Digital Trust service, as I said, if you see mainly this Indian digital signature business, this July, August, September, second quarter is the peak season for them. Because by September

end, lot of companies have to file their tax audit report and some of the companies need to file the income tax returns and also number of company law returns have to be filed in that period. So, because of that, generally the volume in the second quarter comparatively, if you see the volumes of the digital signature, the token based digital signature, this is not the same token based digital signature business. Out of the yearly volume almost to some 35-40% happens in the second quarter. So, that is one driver and the second driver is, in the end of September around 24<sup>th</sup> or 25<sup>th</sup>, we increase the price also. So, both these resulted in the increase in the domestic Digital Trust services business.

**Saurabh Thadani:** Got it. Thank you. My next question is in terms of the order book since we last declared it six months back, could you give us an idea about how that has trended over the last six months?

**Venkatraman Srinivasan:** No, last six months it has improved considerably. So, in line with the previously from almost Rs. 70 crores it increased to some Rs. 120 to Rs. 130 crores, their proportion it is increasing. In the pipeline what we are negotiating with the customers, everything is also increasing. So, that's why based on those things we gave last time around the Rs. 350 to Rs. 360 crore, we can definitely achieve in this year. So, which we continue to be bullish we should be able to achieve it.

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

**Rishi Maheshwari:** Hi, this is Rishi Maheshwari. Thank you so much for taking my question. Sir, you have had a very splendid quarter this quarter. I think it is confluence of several factors that has come through, one of which is obviously the growth in the international business, and you have positioned yourself over several last few quarters to do marketing activities. At the same point in time you have mentioned in the last few quarters that there is receiving competition in the trust services that had challenged the pricing environment. So, having taken note of both these factors in both your industries, is it possible if you can give some qualitative as well as quantitative outline for the next two years in terms of how the growth will be for the for the ERP Solution business and the cash cow Trust business. Thank you.

**Venkatraman Srinivasan:** That Trust business we had earlier told we may be able to achieve growth of 15% over the last year. Last year compared to the previous year. The previous year was around Rs. 85 crores, last year also was around Rs. 83 crores. So, then 15% growth is possible and now based on this if you see the first two quarter number, first two quarter number itself is almost a little over Rs. 50 crore, Rs. 51 and Rs. 52 crores. So, based on that, we are still confident that we can achieve this 15% growth over the last years. If we just double, it or a little lower than double also. So, that way there is no problem on that, whatever we told earlier, we still stick to it. Then the Enterprise Solution business because the pipeline what we are chasing, and the order book is continuously increasing. So, that is what is giving us the confidence of achieving this whatever number we had with the last time and all what we had told around this Rs. 360 crore kind of number for the whole year. That also we are confident and next year we are still working towards the further

enhancement in the pipeline and further enhancement in the pending order book position. So, based on that and the other market research agencies and all of them have projecting for our industry around 30% growth rate, maybe if not 30% at least little over 20% or something should be possible, but it is too early to say because still we do not have what will be the pipeline at the end of March and what will be the order book at the end of March and all.

**Rahul:** Sure sir, if you can give us some qualitative insight also in terms of the number of new logos that you have added and any specific geography you last time mentioned in your call that you were looking at US as a favorable geography where you have beefed up your relationship management strength, the sales and marketing team strength. So, if you can help us explain any specific geographies, any specific industry verticals that you are more integral, more actively looking at.

**Venkatraman Srinivasan:** In Africa it is picking up. In Africa, we have won two large orders and then now several countries are looking up. Setting the routes centering authority and digital transformation and all that. So, that is one area which can give good revenue. In the Middle East, all the banks if you see UAE all major bank we are working, and every bank is going for additional orders. So, that is why if you see the number of today because we already have 900 customers, the number of additional customers is less, but the revenues from the existing customer, additional revenue from existing customer, is good. So, that is one thing which is improving. Then in the US geographies, we have put the senior people, now we have started getting the contact of several companies and all that but the US expansion it may take some one or two years to really get to some position, but still we are doing a good business. We may do some Rs. 60-70 crore business in the US so which will be possible because our acquisition is also there and all that so but to deeply penetrate it may take a little more time.

**Rahul:** Sure sir. I get that and from a pricing perspective, given the kind of we have seen the other IT companies, those are not in the same nature of the business that you are doing. However, since we have seen a lot of slowdown issues, there have been issues related to pricing as well, volumes has been cut for all of them. Have you also seen similar nature of slowdown in conversations that you are having with your existing clients or with the future client?

**Venkatraman Srinivasan:** No other product pricing. There is no standard pricing. It all depends on what customer want, how large the customer organization and those kinds of things and our industry, number of players are also not there. They are very limited particularly in this Certifying Authority Solution and also this Cyber Security Solution and the CLM, Certificate Life Cycle Management Solution and all that and poorly they are all US vendors having commanding very good price so that way we are not seeing that kind of a big pricing pressure. In Indian Trust Service business we saw pricing pressures that is what last two to three quarter I explained because the new competitors had come and then that is why the prices were low. Now gradually we are again trying to increase the price. So, others are also a little bit following and increasing. So, I feel over time the increased price could sustain.



- Moderator:** Thank you. The next question is from the line of Palak Shah from ITI Alternates Funds. Please go ahead.
- Palak Shah:** Just a couple of questions. Firstly, given our size and the operating base that the operating cost base, what will be the incremental conversion from revenue to EBITDA and what has this been historically?
- Venkatraman Srinivasan:** Because our EBITDA is around 30%. Our earlier EBITDA was much higher because our foreign geography costs and sales costs were lower. Now to drive the revenue in a big way we have appointed number of people abroad, consultant abroad and all that. So, that is where the cost is increasing, so now it is a balance we are striking. So, if you put too many people, EBITDA can further go down compared to revenue, but revenue expansion could be better. But we try to strive to maintain this level by balancing the growth with the balancing in the increasing cost, so for this year I feel we will be able to maintain the EBITDA at the current level of around 30%.
- Palak Shah:** Apologies, Sir. what will be the incremental revenue conversion to EBITDA level? Would it be like 50-60% going forward?
- Venkatraman Srinivasan:** That is very difficult to measure because for that way we are not operating in a constant environment. We need to put once you grow further, you have to put further people. So, that way, what will be the incremental EBITDA to cost we do not measure, and it is impossible to measure in our industry.
- Palak Shah:** Sure. So, on the margin front, if you look at the most of the operating leverage is actually getting negated by a faster jump in your other operating expenses. Can you please share what forms of all of these expenses, and can we see some of operating leverage going forward given that you have completed most of your international expansion.
- Venkatraman Srinivasan:** No. We have not completed it. We are at the beginning. And I said America, we are at what level not even \$10 million revenue, \$8 million. If you see this Digi services which is purely issuing a digital signature, they are at \$850 million revenue. Then our Workflow Transformation Solution, what is our revenue from \$5 million to \$7 million. What is the DocuSign \$2.0 billion? So, we are in the beginning. So, in the beginning I am trying to expand, so when I am trying to expand, I have to put the people also to expand so that is why I do not think this will immediately result in any operating leverage by which EBITDA can go beyond 30%. So, if we are able to maintain the EBITDA by 30%, I think it is good then with the growth.
- Palak Shah:** Just some clarification on this, when I say the operating expense, I mean the ex of employee and the other operating expense which include rents, which is the majority of part of the fixed cost that you're bearing right now. And my assumption was operating expense is more variable. But it still would have seen some operating leverage given that you have seen almost 60% jump.

**Venkatraman Srinivasan:** That is the if you are saying direct cost, which is attributable revenue, that mix also the gross margin is reducing because there is a service mix also. Purely when you supply product and do not take up any service business that is different. But today we are also because IKon is a service business then we are also building for lot of service business and also earlier we were building only for software product but now lot of government projects where some portion of hardware is also there that is also we are bidding so hardware we may not get more than 15% margin or 10% margin sometime. So, that way the gross profit and the direct operating cost also is increasing. That is why with the growth, the gross margin is becoming lower then we have to put lot of people for the foreign geography expansion so, but with all this we are doing in a balanced way so that on an increased revenue we are still able to get the 30% margin.

**Palak Shah:** So, just lastly, one question, is there a better way to understand totally volatility in the segmental margins given couple of segments this quarter, so the material contractional sequential basis while the other saw material improvement both on YoY and quarterly?

**Venkatraman Srinivasan:** Because the number of government contract or trendy contract sometime software component is 80%, hardware component is 20% but they want us to take a turnkey contract only. Software component is less than hardware component is more so and some hardware profitability higher, some hardware profitability is lower so that way, because each contract wise and each bill wise the margins are different. So, grouping it together in certain way is becoming very difficult and then in Trust Service again suddenly price increase so margin will be here. Again, price fall down margin will be lower.

**Palak Shah:** Is Trust Service has such a volatile pricing environment.

**Venkatraman Srinivasan:** Trust, yes, the price several time, some four years back, it was Rs. 125, from Rs.125 it went all the way to Rs. 400, from Rs. 400 it fell down to Rs. 80 and then again it went to Rs. 120. Now again, we have increased the price to Rs. 240 to Rs. 300, so like that.

**Palak Shah:** So, given that you are mixing changing or mix from channel and partner to direct retail. I would assume that.

**Venkatraman Srinivasan:** Yes, direct retail, not much direct retail, not much of change, but in the channel these kinds of change happen depending on the competitors in the channel.

**Palak Shah:** Sure, Sir. So, thank you for taking my question. Just one request, if you can maintain the disclosure levels versus the last four to five quarters because here for us to understand what has transpired in the quarter in the last 12 months at least. It will be really helpful. Sir disclosure levels. This time around we have not given the split in terms of the revenue.

**Venkatraman Srinivasan:** No yearly thing we are doing yearly. Some of this we are doing quarterly. Quarterly what we have given we have given, I think. Because something if you give quarterly, it may not reveal the right trend, you know.

- Moderator:** Thank you. The next question is from the line of Saurabh Thadani from IIFL Institutional Equities. Sir, please go ahead.
- Saurabh Thadani:** Thank you for the follow up opportunity. Sir you talk about how our integration with Eye Contact Services has progressed. Any initial success that we have seen in terms of cross selling our services to our Eye Contact Services clients or vice versa?
- Venkatraman Srinivasan:** Yes, first order is yet to come, but it is in advanced stage of negotiation. So, mostly in this quarter it will come but another four or five discussions are happening but, in this Europe, and US geographies things take a lot of time. So, that's why within one month, two months, no decisions taken. At all any software addition takes some six months' time to take. So, that's why we expect something could happen in the quarter?
- Palak Shah:** Got it and one bookkeeping question, so the Ikon Tech services revenue from a segment perspective have been accounted in the enterprise outside India, right?
- Venkatraman Srinivasan:** Correct, yes.
- Moderator:** As there are no further questions for the participants, I now hand the conference over to management for closing comments.
- Venkatraman Srinivasan:** Thank you. So, 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 Relation Advisors. Thank you once again and have a great day. Thank you.
- Moderator:** Thank you. On behalf of IIFL Institutional Equities, that concludes this conference. Thank you 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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