



Subex Limited  
Q3 FY2021 Earnings Conference Call

February 02, 2021



**MANAGEMENT: MR. VINOD KUMAR PADMANABHAN – MANAGING  
DIRECTOR & CEO  
MR. VENKATRAMAN G.S. – CHIEF FINANCIAL OFFICER  
MR. GV KRISHNAKANTH - COMPANY SECRETARY &  
COMPLIANCE OFFICER**



*Subex Limited*  
*February 02, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to the Subex Limited Q3 FY2021 Earnings Conference Call. 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 “\*” and “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. GV Krishnakanth - Company Secretary. Thank you and over to you Sir!

**GV Krishnakanth:** Thank you very much. Good morning to everyone who have joined the earnings call for the period ended December 31, 2020. Now, I would like to introduce the members of the management who are present for the call. Along with me, I have Mr. Vinod Kumar, Managing Director and CEO; Mr. Venkatraman G.S, Chief Financial Officer of the company. I would like to start the conference call by going through the safe harbor clause. Certain statements in this call concerning our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but not limited to fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, withdrawal of tax incentives, political instability, unauthorized use of our intellectual property and general economic conditions affecting our industry. So with this I now hand over the call to Mr. Vinod Kumar to take it forward. Over to you Sir!

**Vinod Padmanabhan:** Good morning everyone. It is great to have you all in the call today and hope all of you are doing well. I am very pleased to inform you that at this point in time all Subexians are sound and safe. All those who have been affected by COVID have completely recovered and they are back to work.

As you would have seen from the results, we had a good third quarter. The revenue for FY2021 Q3 was at Rs 93.9 Crores, the EBITDA stood at Rs 20.3 Crores and PAT at Rs 8.5 Crores, the nine months revenue at Rs 275.9 Crores 6% more than that of last year. A few years back we were in a very bad situation with large debt and several operational challenges. As we stand today, we can confidently say that we are completely turned around. Operationally and financially, we are doing well with significant progress in every metrics. We are also constantly invested in new areas in spite of some of the challenges that were posed by pandemic. We are quite confident that some of these new areas will take real winners. Further our cash position has significantly improved, and we have sufficient

capital for investing behind our growth. Taking all these into consideration the board decided to declare an interim dividend of 10%.

From an operations perspective, we have moved to our new office earlier this year, it is a corporate office in Bengaluru, it is an open office with lot of emphasis on collaboration. It is also smaller than our earlier one considering the fact that several of our team members are expected to work remotely on an ongoing basis.

From a project delivery perspective, we continue to face some difficulties due to the challenges of remotely integrating with customer environment. We have to integrate with multiple systems within the customer environment as a part of our project delivery and it is a big departure from the set norm of key members being onsite for the integration activity. This is resulting in more time for implementation and we are adding capacity so that we can take up additional projects that we have won recently. We hope to continue this activity of increasing the capacity during the course of this quarter and by the end of this year that is by March we expect to have the full capacity so that we can address most of the new contracts that we have secured as a part from September onwards.

On the new business acquisition front around the core engagements have resumed pretty much full swing in APAC and Middle East; other regions are slower but much better than what it was in the earlier quarters. Around the new areas on IoT we have started focusing on the manufacturing sector and last quarter we have secured four new customers all in the manufacturing segment. IDcentral, which is the identity analytics solution, which we have launched in Indonesia, we are the first customer on board, and we expect that several other customers who are in the PoC space will get converted during the course of this quarter.

On capacity management the solution that we have around is 5G, we have secured the first customer and the implementation will start during the course of this quarter. We are also very excited with the NGP platform the next generation platform that we are building, and it is all set to launch in the first quarter of next financial year. Now this is a platform, which we think will revolutionize the way the Telcos operate particularly in OSS and BSS system; this is a cloud native API based application, which will enable the operators to quickly launch services on top of this platform. In line with the capabilities of the platform all our existing products also will migrate to this platform as and when the platform gets ready by the first quarter of next year. I am talking about next financial year that is in April to June this year. Also, in line with the fact that we have now at platform we have also brought in a solution team, which is headed by a key leader, which has come on board in January and the idea is that around our NGT platform we will create more solutions so that we will be able to go to the customers with a bouquet of solutions on top of the platform. Some of the

solutions that are planned are campaign management and other 5G based solutions. Now overall as we stand today, we are quite bullish, and we expect that the OI the order intake during the course of this quarter will come back to the pre-pandemic level and I also want to thank you for all your continued support and the confidence reposed.

With that probably we will open the floor for questions and if there are any specific clarifications for both from a financial standpoint, operational standpoint between me and Venky who our CFO is we will take those questions.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kranthi from WealthMills Securities. Please go ahead.

**Kranthi:** Congratulations to the team at Subex for the good set of numbers and also dividend, which encourages investors for their faith in Subex. Just I would like to ask as India is heading towards the 5G spectrum and the new technology, how Subex is positioned to take the advantage of this new technology? And how the next coming quarters as the normalcy is coming back across the globe with exception to a couple of regions, how Subex is taking the advantage of the coming quarters just I would like to know?

**Vinod Padmanabhan:** Thank you for that. First let me take the second question first. Now as I told you we have seen an increased and we have started getting securing orders some of them very large contracts, which is predominantly from the APAC and Middle East region where activities are pretty much come back to the pre-COVID level and we expect some of these things to start executing in this quarter. Obviously challenge is how do we execute some of these contracts because these are not kind of low end services that we are looking at, we are looking at integrating to the core systems and doing this integration remotely for discussing, there is too much to and fro and that is the challenge that we have, but we are making progress and we are adding capacity so that we can pick up more work, this should result in higher revenues in the coming quarters by and large from these regions. In Europe and others, we are still not yet to see that kind of interest because most of them are in a difficult situation and most of the operators have gone back into the lockdown kind of mode, but still I think still there are regions which are very promising, and we have already started securing orders and therefore we are quite bullish on how those things will pan out. With respect to the 5G as I have mentioned we have two solutions that are catering directly to the 5G one is with respect to this capacity management, which I mentioned we won the first deal, second is the solutions that we have build in around our platforms with a specific focus on 5G there are many solutions that we are looking at, but I think we will start with one or two and based on the engagements we will come with a lot more solutions. Now

what is also enabling us to come to launch many solutions is the new platform because the new platform is very loosely coupled with cloud native, which will enable us to it is a componentized platform so it is see for us to bring solutions much faster to the market, it has been in the work for the last two years and we will launch that in April, so all these things should result us in engaging much deeper and broader with our customer base and we are expecting very good results to come out of these initiatives.

**Kranthi:** That is great to hear from you Sir. Just want to know this is my final question. How do you envisage Subex in the next couple of years, what is your vision, how do you want to position Subex as an organization in the next couple of years?

**Vinod Padmanabhan:** Look I think so far we are looking at a small player in the Telco space around fraud and RA, but our vision is to emerge as a leader when it comes to digital trust solutions in a multi-vertical environment that is our vision and it is a very large space from a market standpoint and from a business standpoint and if we execute well it will take Subex to a completely new level altogether and also really from a societal point of view with digitization it involves a lot of issues with the trust and security so we will also be contributing as an organization to making this whole digital a very trusty and secure one.

**Kranthi:** Great to hear Sir, wishing you all the best.

**Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

**Amish Kanani:** Sir congrats on dividend and two questions from my side. Sir if you can give us some sense of what is the order book size or the new order wins, which can give us some sense of how the growth is panning out because this quarter looks a bit softer vis-à-vis what other companies are kind of announcing the results of course we are in a different space but just to give us some sense of, and our fourth quarter normally is strong because of some royalty income that I have seen observed in the last year this quarter fourth quarter, so if you can give us some sense of growth in a short to medium term vis-à-vis the order intake and the order size that we have won and second based on the tie-up that we have had or some understanding of MoU with Tech Mahindra what is it happening on that space and is it on the same space where this OSS basis cloud native that reference that you had made that the new generation platform that we are talking is it the same space or is it slightly different give us some sense and that will be helpful?

**Vinod Padmanabhan:** Let me give you some flavor with respect to the order intake that we have. In the H1 that is Q1 and Q2 put together we closed about US\$13 to US\$13.5 million, now from September to now we have closed \$15 million and we are expecting Q4 to be better than Q3. So, I

guess that the order intake has come back and as I mentioned it has come back to the pre-COVID level and that is going well. What is challenging at this point in time is the execution because we are unable to send the team to the customer base customer location and typically we do not have our team station like some of the services companies on an ongoing basis so the modus operandi was that whenever we get a project our team will land up there and they will do the data gathering integration come back and then with a larger team work and deliver that, so that has resulted in us taking way to live time to figuring out the integration, etc. Now we are ready to send the team to the customer base where the customers are not happy because of local considerations and quarantine measures and things like that, but we are working through that, so I guess that by this quarter with enhanced capacity that we have here, and we also started hiring some people locally we will be able to bring the delivery capacity so that we can execute some of these orders. So, from order intake standpoint it has been a very strong quarter and we expect Q4 to do better than what we have in Q3.

Now the second aspect with respect to the partnership that we have, the partnership that we have with Tech Mahindra is primarily around a block chain area not with respect to the augmented analytics platform that we have and that we have started our teams are working together and creating the POVs around the partner management and the one area of the interconnect for management, these are the two areas that we are working, we are working in the Telco space, but it is on the block chain area not on the augmented analytics platform, which we have. Just to clarify that the augmented analytics platform is going to be a new product offering that we are going to take your existing Telco customer base to start with and that is going to augment or work or complement some of the large data warehouses that the customers have so this will help them to do AI and analytics much more easily than what it is today, and this is primarily for the advantage that we are providing the Telcos.

**Amish Kanani:** Does this fall in Horizon 2 or Horizon 3? And if you can give us some sense of how is this Horizon 2, Horizon 3 strategy panning out?

**Vinod Padmanabhan:** This is coming in the Horizon 1 because it is on the core products and it is our existing team and you could call that as an extension to Horizon I product offering so there is a clear revenue expectation starting next year from this product.

**Venkatraman G.S:** It also will help us move towards SaaS based offerings in this space but obviously it is a question of how ready the Telcos are and they want to move to that environment. But once we start launching this it will give us the ability to provide this broader core offering even on a SaaS basis.



*Subex Limited*  
*February 02, 2021*

**Amish Kanani:** Last question if you can just give us some flavor of Horizon 2, Horizon 3 strategy in terms of either the structure or stuff like that or the breakup of say turnover or order book in say nine months?

**Vinod Padmanabhan:** Look I think we have not gotten there we can start reporting revenues, but I guess as I mentioned in IoT we secured four more manufacturing clients in the course of last quarter. These are SaaS based engagements, the engagements will start slowly as we start the number of plants that we are covering it will grow, but this was more kind of a validation because we have to do some course correction post the pandemic because we are focused on some of the sectors like oil and gas in the smart cities and others, which has taken a backseat and so therefore we have to course correct during the COVID and manufacturing is where there is lot of activity that were happening and we are just focused back and now our focus is back on manufacturing with respect to the IoT security. IDcentral, as I mentioned it is quite promising and we are just one country that we are covering in Indonesia. We have got a coverage of excess of 75% of the population. We have secured the first customer again on a SaaS based core it can grow very, very quickly and expectation is that we will close this year with a very good monthly recurring rate about having securing, four, five customers and we are expecting that the number of customers to be added about three or four customers per month going forward from now onwards, so IDcentral has also gone very well.

CrunchMetrics is the only thing where we are struggling a bit because we have had some POCs, but I think the conversion is taking much more so we are taking a view as to what has to be done with CrunchMetrics, but of the Horizon 2, Horizon 3 we have four areas IoT security doing well, IDcentral again emerging as a winner, analytics as a SaaS, that's a rocking site, that is also quite stable and we have customers there. Only the one which we are having a bit of a challenge is on the CrunchMetrics where we have not been able to convert POCs into commercial agreements at the rate what we want, again it is a SaaS agreement, so we are looking at what needs to be done there, so that is an update on the four products on Horizon 2 and Horizon 3.

**Amish Kanani:** Sure, sir that is quite clear and all the best Sir thank you.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

**Rahul Jain:** Congratulations on the strong execution. Just two questions from my side. Firstly, what percentage of revenue you are seeing getting impacted due to supply side factors, which you just alluded especially on the onsite or near shore market?

**Vinod Padmanabhan:** I would say that typically we use to complete a project in a nine month's time, nine months is the average completion cycle that we have on a project, now we are saying that it is getting extended by about three, four months more because that we are not able to get the responses back because please understand the Telcos and also everything is not documented, etc. So we use to get on to the site and figure it out how things are, but it is a big change in both sides particularly from the customer environment side. So I would say that it is taking from a nine months average cycle for project completion, it is getting about 30%, 40% more. Our expectation is that it will get streamlined because I think customers are also taking the necessary corrective actions because most of their projects, they are forced to operate this way, but that is where we are currently. We hope that we will make progress during the course of this quarter and maybe early next quarter from both efforts from our end and customer end.

**Rahul Jain:** Right. But are we getting adequately compensated for these? Or these are resulting into lower onsite utilization?

**Vinod Padmanabhan:** We did not have any onsite utilization per se because it is a part of our project. But to answer your question, we have started factoring this and in the new contracts that we have signed both from a timing perspective and effort perspective we are factored into the cost side and this also is accepted because customers also understand that it is taking more time, they are not ready even when we are ready so I guess both from a timing perspective and effort perspective that has been factored into our new agreements that we are engaged with the customers. Some of the old ones we are taking on a case-to-case basis, we are taking that with the customer and then figuring out what need to be done.

**Rahul Jain:** So basically, what you are essentially saying is that it would mean that the tenure of the deal increases but there would be no financial implication as such?

**Vinod Padmanabhan:** By and large yes.

**Rahul Jain:** Secondly how you are seeing investments by Telcos in the 5G setting up in terms of any flavor you could get in terms of timeline, scale, size, anything because recently there was a deal that was announced by one of the Tier-I player and the deal size was \$50 million and the initial expectation by most of the experts were that there could be huge opportunity, so are you seeing a trend where there are all size kind of investment, which Telcos are doing in 5G? What is the median or any benchmark you want to set there? And how we play into that? I mean for every \$100 spent, where do you think we would feature from our own opportunity perspective?



**Vinod Padmanabhan:** First, on the 5G investments by the Telco side, I think globally we are saying that the investment plan is intact, and they have started investing and different regions are investing and the pace is different, but I think the investment plan is on track and they are investing. Now with respect to our business, I just wanted to clearly clarify that we are in the product business where we have products that we try to implement in the customer base so it is not like any let us say any services that is offered by the customer we go after that, we are products and we implement those products. So in that front we have couple of products that we have around 5G one is around the capacity management, second is on the security, third is the solutions that we are building around some of the areas like campaign, etc. Now whenever these solutions will be required by the customers at a particular phase it may not be in phase one because phase one the all rollout will be around deployment, testing of the gears, of the hardware and network equipments, we do not play in that space, we play more in the business support system where once they have implemented once they have launched the service to the market there is a need to build those services, manage those services, monitor those services that is when we come in. Obviously, we have discussions with customers so that once they launch the product how do you manage that, but it will come a bit later after the rollout has happened. So, some of the things that you are talking about is primarily around support that is required on rollout of the network equipments that is happening at this point in time, so the OSS, BSS or rather the BSS the rollout will happen once the gears are in place, which probably my view is that based on a largescale need for the BSS will start about 9 to 10 months time from now.

**Rahul Jain:** Right. Thank you.

**Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** Congrats on the couple of fronts, the fact that all Subexians have recovered from COVID and now we have reinstated dividend so that is wonderful. My first question is the new contracts that you talked about on IoT, are they coming through Telefonica or are those direct wins?

**Vinod Padmanabhan:** These have not come through that partner, but it has come through other partners. There are other partners that we have in various regions and we are only taking through partners. Most of our deals are through partners Rajesh, so it has not come from that particular partner, but it has come through some other partners in APAC and South America.

**VP Rajesh:** My second question is regarding the backlogs; the order intake has been very strong in the quarter gone by and expected to be strong in this quarter, what was the backlog from Horizon 2 and Horizon 3 products at the end of the quarter?

- Vinod Padmanabhan:** The Horizon 2 and Horizon 3, the backlog is around US\$1.5 to US\$2 million Rajesh, but we were talking about most of the big wins. When I talked about the order intake, it is come from our core areas not just from the new areas. The new areas are SaaS-based business. So it is not the order intake, we do not even have the order intake, we have a rate and based on the usage. We are not even managing those businesses as order intake based business, so it is kind of monthly rate and monthly recurring rate that we are looking at like any SaaS business Rajesh. So in the new areas, the order intake does not make the metric it is level one, but when I was talking about it, from September we have won about US\$15 million, that is on our core area of the Telcos what we have won.
- VP Rajesh:** Understood so I guess the better metric to say on Horizon 2 and Horizon 3 is what, is our ARR?
- Vinod Padmanabhan:** Correct, MRR, ARR. So, I think we probably will be in a better position to letting you all know what is the ARR that we were end with as we end the year, but we are quite hopeful that we will come with a sizable, let us say MRR (Monthly Run Rate) or ARR as we close this year Rajesh, based on some of these contracts.
- VP Rajesh:** Wonderful, congratulations and I have more questions, but I will get back in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Dipesh from Emkay Global. Please go ahead.
- Dipesh:** I have couple of questions I think first about the order intake things which you earlier alluded to, so you refer to only license-related revenue and order intake or it is across the businesses what you have indicated about \$13 million in Q3? Second question is, how we expect that mix to change for us going forward between services, support and license related things? Third thing is, it possible for you to provide some more slice and dice across revenue mix and the different product and how you expect the trajectory to be?
- Vinod Padmanabhan:** So, on the first question the order intake is predominantly license and delivery, we club that together, license and implementation and new managed services. So predominantly the order intake is that support. The annuity recurring is not considered as an order intake so therefore it is primarily new business, which will be license, implementation, or new managed services that we have, so that is a first question part. On the mix I think at this point in time, if you look at a quarterly revenue run rate we have about US\$7 to US\$7.5 million is where we have the managed services and annuity and the rest comes at services, that mix will change and the delivery, license and implementation will be more as we go along because if you look at the cycle that we have most of the new contracts when we

implement first there will be license and implementation and once the implementation is over after maybe a duration of nine to twelve months time then the support kicks in. So, you will find that the \$7, \$7.5 million is our annuity, which is support and managed services will be in the range of \$7, \$7.5 million per quarter and the rest will be the implementation services so if you are talking about \$12 or \$13 million, the rest \$7 million minus that is \$5 to \$6 million will be in the delivery, license and implementations and if we increase that to \$13, \$14, \$15 million then increase will predominantly come from the license and implementations.

**Dipesh:** So just to be clear in your presentation, you have mentioned the bucket of service mix, managed services, support services and implementation, customization and license, when you give deal intake number you are referring to only implementation part and managed services, support services and others is not part of deal intake, right understanding?

**Vinod Padmanabhan:** Yes, you are right. Let me clarify that. In the case of our business support and managed services, typically it is renewed year-on-year. So, when I talk about the new order intake, it is predominantly that component, which is called as license and implementation component and new managed services. So, the existing managed services if we are renewing it or existing annuity or support services, which is renewing that is not coming as a part of the order intake, am I clear?

**Dipesh:** No, that is fine I understand license and there would be followup support service revenue so let us say what would be AMC as a percentage of license?

**Vinod Padmanabhan:** It is about 16%, to 17% of our license will be the AMC.

**Moderator:** Thank you. The next question is from the line of Mahesh Jagtap, individual investor. Please go ahead.

**Mahesh Jagtap:** My question is related to the increase in employee benefit cost, expenses and other expenses, so if you see the employee benefit expense has gone up by Rs 3.6 Crores compared to September quarter whereas other expense has gone up by Rs 1.6 Crores so what is the reason for this increase in both the cost?

**Venkatraman G.S:** The employee expenses have gone up because we have rolled out increments to our people so that is effective October so we will see the impact of that, and we also had a little bit of headcount additions as you would have noticed.

**Mahesh Jagtap:** Yes 12 employees are added compared to the September quarter.

- Venkatraman G.S:** So this is a combination of the salary increases and headcount, which is leading to the employee cost going up. Other expenses I think there is nothing very specific and I have to look at that and come back to you there is no very big-ticket item but anyways we will check that and come back to you.
- Mahesh Jagtap:** Okay and the second question is pertaining to presentation given for the conference in June quarter conference call I requested for a slide on giving order intake and then paid POCs as well as a free POCs done in a quarter and if it is possible for the company to share information what we are doing in the quarter in Horizon 2 and Horizon 3, see this will give us a visibility in which direction we are going and if there is any problem in Horizon 2 and Horizon 3, the investor if they have some input they can share with the management?
- Venkatraman G.S:** Yes, so we hear you I think see as Vinod is talking about earlier, I think we are definitely going to start publishing financial metrics for the Horizon 2 areas, but as we are explaining earlier on I think it will not come to a size and scale that I can start....
- Mahesh Jagtap:** What I am saying is not financial metrics, it is like how many POCs we have done whether those were free POCs or paid POCs and what are the customer wins all, is that for Horizon 2 and Horizon 3, see we are basically more focused on the Horizon 2 and Horizon 3 for growth of the future of the company so whether we are going in the right direction if we keep sharing that information with the investor on quarterly basis we will also get a confidence that in which direction we are going?
- Venkatraman G.S:** Sure, we will discuss this internally, how practical is it to share POC level information but we will come back to you. We hear you I understand your point we will hear you we will come back.
- Mahesh Jagtap:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kaustav Datta, individual investor. Please go ahead.
- Kaustav Datta:** My question is to Vinod when you talked about the execution of the various projects and that is getting deferred because of the various problems that you mentioned can you give me some color on what you are doing or the company is doing to mitigate such risks going forward, because I am not sure what company I should benchmark for a comparison, but largely the IT companies delivered in this quarter and is there anything unique to your business that is preventing you from executing and it is getting delayed and the second question related to this is it impacting your margin in any way because you would be incurring certain cost to mitigate that risk?

**Vinod Padmanabhan:** Our products are integrated into the core systems within the Telco. So, if you look at any of our products are integrated in the core active real time system of the Telco environment and that is quite challenging because we have to get everything done, all the API things, all the testing, everything done before it can happen. Now earlier the modus operandi was that as I said our team goes to the site and along with the customer base figure it out because everything is not documented, it was not meant to be kind of shift out and get acting that I am talking about that part of it, that is the challenge that we are having and wherever that challenge it is consistent across the board so those tighter integrations that we have to do with the life systems that is a challenge for everybody, there might be other services that are testing, etc., it can be done but I guess in this core area this is a big challenge. In new Greenfield deployments or some of the transformations which we are doing completely new that may not be a problem but in most of our systems we integrate into the existing system that is the challenge. What are we doing today there are two things that we are doing, one we have started increasing our capacity because there are two aspects right one is some of the delays to and fro, which is taking because of which we are not able to undertake more work so I increased the capacity, we have increased almost 20% we are increasing our delivery capacity so that should result in picking up new projects and executing them and we are also looking at steps with respect to automating some of these delivery containerizing, etc., but that again we are discussing with customers. We are making progress because the customers are also making progress, it is not something which we can do alone that customers also have to align with them and we are making progress, it is just that again some of the customers have gone in que and like some of the regions have to shut down again, etc., so all these affected us. So, I think this issue will be by and large behind us as we end this quarter because we will have an increased capacity to address that. The last question on the profitability, as I addressed already the new contracts we have already factored in, into our costing both the effort and the timeline, but some of the existing contracts on a case-to-case basis we are discussing with customers on how it can be done. We will not have a major impact on the profitability as we see today.

**Moderator:** Thank you. The next question is from the line of Deepak Chukhani, individual investor. Please go ahead.

**Deepak Chukhani:** Can you let us know if we are looking into any M&A opportunities and also, I wanted to understand is the worst of COVID impact in terms of implementation, which you just highlighted is over and things should start looking positively from next quarter onwards or you think the COVID impact might continue?

**Vinod Padmanabhan:** Let me address the first one and I will give it to Venky on the M&A side. On the COVID impact I think we are working through it, the contracts when you compare with the Q1, Q2

we did not even have any engagement to win new contracts so that part of new business acquisition I think by and large we will get addressed and as I mentioned we are again almost back to the pre-COVID levels with respect to the quarterly order intake. From an execution side, if you ask me it will only completely go once, we can get some of our folks on the ground to have the discussion until that time we will have to figure out how we can manage kind of remotely. We are also doing some onsite hiring so that the travel within the country becomes easier particularly when in geographies where we have large number of customers or new projects like in Australia and others we are looking at some local hires so that they can go and visit the customers much more easy, so these are some of the steps, but completely going away I guess our expectation is by Q1 of next year we should be able to get some people on the ground and that is when probably things will be completely eased out till that time we will have to manage this particularly from an execution standpoint. Order intake standpoint, new contracts, new business acquisition standpoint I think it is behind us at this point.

**Venkatraman G.S:** M&A as you know, we do keep looking at opportunities from time to time but given the nature of these M&A opportunities only when it gets to a certain stage where there is certainty we will be in a position to talk about them, but yes we are open and we do look at companies which are in the space where either it could give us complementary skills in newer areas or help us fast track or go to market in certain newer areas, which will help us do that or newer geographies. So all of those areas is where we do evaluate new opportunities, but yes as and when we are in a position where something is concluding we will definitely come and update you.

**Moderator:** Thank you. The next question is from the line of Ankit Pande from Quant Capital. Please go ahead.

**Ankit Pande:** I just have a little bit of confusion that on the order book number of \$44 million, I think it has been quoted as unchanged since Q4 of FY '20. So, if you could just clarify how that has progressed in this particular quarter. I know due to lockdown; it was difficult to participate in a lot of meaningful opportunities. And also, what is the pipeline? If you could quantify it?

**Vinod Padmanabhan:** So, it is a question how do we compare that at \$44 million of last year is that the question?

**Ankit Pande:** Sure, any quantification would help.

**Vinod Padmanabhan:** The H1 was about US\$13 million from September to now we approach another US\$15 million and our expectation is that in this quarter for the next two months, this month and next month, we will probably get very close to our last year number, last year number was

about US\$44 million so we will get very, very close or it is not exceed that number from a order intake perspective.

**Ankit Pande:** That is great, thanks a lot and Sir if I am looking at a longer-term perspective currently it is about \$55 million, \$60 million in revenue if we have to become \$100 million to \$150 million in the next five years so how are we are looking to sort of do the scale up? I am not just talking about hiring there, maybe leadership, are we looking to go the inorganic route or the partnerships route, which will still be predominant? What is the perspective?

**Vinod Padmanabhan:** In our new areas, let me take one example to drive that point. In our new areas, we have picked up areas that can scale very, very quickly. For example, in the case of IDcentral, it is a fast-paced identity analytics that we are looking at and it is an MRR based and so let us say that we are looking at the MRR or the ARR growing in multiples and the way the scaling happens it gets scaled very, very quickly. So, the new areas that we are looking at IoT security and IDcentral and one of the other things that we have started looking is online project so all the new areas that we are looking at it is not the enterprise level, six months, nine months, 12 months cycle we are talking about more SaaS-based engagement, which is very, very quickly on-boarding the customer with a very, very low touch engagement. So I think based on how some of these new areas scaled I think the possibilities that we could get there in the three to four year timeframe that you are alluding to. On our core areas, the expectation is that we would probably go at about 10% to 15% they are just core telecoms, we are looking at adding more so that is what probably come and sit on top of it, but again the big numbers and the big growth should happen from the new areas like IoT security, and IDcentral, which can scale very quickly.

**Moderator:** Thank you. The next question is from the line of Bharat Jain from Manthan Research. Please go ahead.

**Bharat Jain:** I have two questions, basically one on hiring is there any hiring that you plan to do in Q4?

**Vinod Padmanabhan:** Yes, we intent to add more capacity in Q4. Yes, we are looking at adding more people in Q4.

**Bharat Jain:** On the deal pipeline between POC and deal conversion, I assume there should be a deal pipeline that you would be maintaining at your end and some kind of number around that?

**Vinod Padmanabhan:** We do not track at that way, for our existing areas I think we have a completely different way of tracking our deal. So I think what we look is the order intake book and the pipeline, we have internal metrics but that is not something which we started reporting now. On the new areas, as Venky mentioned, as we come to end of the year, we will start reporting the

ARR which should give you a sense of how we are growing on the ARR, which is again ARR and MRRs which will go on a monthly basis we will have a growth.

**Bharat Jain:** Just one more thing on the capital structure, is there any discussion on the table in terms of how do we kind of correct the existing capital structure?

**Venkatraman G.S:** Capital structure from the equity base perspective you are asking or in terms of the cash we are holding what is your question around?

**Bharat Jain:** I am talking from the promoter holding perspective?

**Venkatraman G.S:** There is no promoter holding in Subex currently as you know and what we are trying to do is through such calls and all the outreach we have been doing to the investors is to get more institutional investors into the company, so that we have more long-term investors who understand our story and who understand what Subex is trying to do and grow along with it. And of course, as you know we also had created corpus of the Subex welfare trust and the idea is also that it should be one of those companies where the employee holding is also large, so about 4% of ESOPs have been carved out to be allotted to the employees. So as and when those get exercised, the employee holding in the company will also go up. So, the promoter as a group is not likely to change in the near future, but yes, the idea is to get more institutional investors.

**Bharat Jain:** Okay great thank you.

**Moderator:** Thank you. The next question is from the line of Samir Mansuri, individual investor. Please go ahead.

**Samir Mansuri:** First of all, very congratulations and thanks for giving me the opportunity to ask a question. I have two questions, how are you utilizing in this current time in futuristic technologies for R&D and in which specific areas? And how do you see this R&D is getting realized in future revenue and margin improvements?

**Vinod Padmanabhan:** We are focused in the area of digital trust and that is where we are focused on in the digital trust there are three broad areas that we are working on. One is the risk management so anything with respect to fraud, leakage, etc., will fall into that. Second is security, third is identity and one more is real-time insight, so within these areas there are lot of technology evolution that is happening if you look at identity, identity is a very, very complicated issue. When we talk about identity we are talking about digitally when you do something how do you ensure that the identity of the person on the other end how do you ensure that the person who is you think is on the other end is indeed the same person, so we are looking at



leveraging that technology including the likes of block chain, etc., in that area. When it comes to security, security is constantly evolving I am talking about digital security, we are looking at post quantum cryptography, we are looking at homomorphic encryption, these are new emerging technologies, which will come in there, so we have started exploring those areas and how it can be relevant. And on our partner settlement we are looking at block chain saying that how can we do the settlement more effectively in block chain. Now across our products we have a lot of AI/ML capabilities and we have got very strong AI labs, which is probably feeding into all the IPs that we have and constantly embedding more and more AI/ML into our application. So these are some of the areas by and large we are working on the cutting edge and our new platform is sort of revolutionary, it is an open source based cloud native application, which will kind of help democratize the AI, so I guess that if you take it to an enterprise you do not have to be an AI expert or the data scientist to do anymore AI, even a common analyst will be able to drag and drop and do the analysis the AI and the ML, so that is what we are looking at, so by and large these are some of the areas that we are working from a technology standpoint.

**Samir Mansuri:** Any quantification on how this will be realized in future growth?

**Vinod Padmanabhan:** So, our expectation is that in the next two to three years all these new areas that we are talking about should contribute into US\$15 to US\$20 Million of Annual Recurring Revenue (ARR) that is our expectation from all these new areas put together, individually it is not at that level that we can project, but the expectation is that we should all add up to an ARR level of US\$15, US\$20 Million in next two to three years.

**Moderator:** Thank you. The next question is from the line of Patrick Mathias, Individual Investor. Please go ahead.

**Patrick Mathias:** Thank you for paying out dividends to shareholders especially your long-term investors are extremely happy. I have two questions, question number one is on our core business, how do we plan to increase our market segment share significantly given that it is a much larger business, much larger market as compared to the business that we do? That's question number one. Question number two is in yesterday's budget there has been announcement around goodwill is there a impact for us in the short to medium-term whether this financial year or next?

**Vinod Padmanabhan:** On the core the BSS is quite fragmented market so there are still opportunities for us to grab market share, we are one of the leaders there so that is a constant endeavor for us to display some of the smaller players and either primarily by providing much more capabilities to the customer, so that is an ongoing activity and what will be a catalyst for most of these things will be our new platform because Telcos across the board are quite frustrated with the time

it takes for them to come out with any new product and they are looking at capabilities, which will enable them to take new products to the market very quickly. Our new platform is exactly addressing these requirements. So along with our new platform, we see an opportunity for us to display some of the competition and secure more market share so that is on the core area what we are doing. On the goodwill part, I will let Venky to take it over.

**Venkatraman G.S:** Yes. So Patrick, since the announcement has come yesterday and we are just reviewing and analyzing that a little more in detail. Yes, on the face of it, it looks like the goodwill benefits that benefits companies were able to avail will not be available anymore, but I think we just want to look through and read through the fine print a little better to make a final assessment, so we will be in a better position to provide you an update by the next quarter.

**Moderator:** Thank you. The next question is from the line of Siddharth Mehta, Individual Investor. Please go ahead.

**Siddharth Mehta:** Hi gentlemen, thanks again for the dividend and since I am a new investor to the company, I wanted to know how you project the growth in the PAT numbers over the next year and also over the next say five years what is the CAGR that you guys are estimating?

**Venkatraman G.S:** We have not been providing any specific guidance on the future year numbers given the specific environment we are in today, but idea is that we definitely want to grow and grow faster. I think if you look at the Subex's performance in the last couple of years obviously the revenue has been little flat and we have been trying to identify a bunch of new areas like the horizon 2 and 3 to increase as Vinod spoke about in the call, which will help us grow faster than what we have in the recent times. So at this point, I do not have a specific number to give it to you, but the aspiration is definitely to grow faster than what we have in the last few quarters.

**Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** Venky on the employees cost and the other expenses, clearly if you look at the year-over-year numbers we are down quite a bit, especially on the other expenses line items still my question is as your sales people start to travel again and work start to come back into the office on a more regular basis what is the right number to look at for next year is it the run rate of this Rs 16.5 Crores this quarter or is it more to look at Rs 27.6 in Q3 last year, so if you can just give some color on that, I think that will be helpful?

**Venkatraman G.S:** Rajesh as you rightly pointed out, I think the other expenses if you compare on a year-on-year basis have come down because obviously travel has not happened at all there is hardly any travel, but on a going forward basis we definitely expect that travel should start picking up. I think the only question is whether we will start seeing travel happening from immediately in the first quarter itself or will it be more spread out through the year, so to my mind, I think if you look at typically, we incur about US\$3, US\$3.5 million of travel cost on a full year basis. Let us say if you have to take FY2020 as number about US\$3, US\$3.5 million is a number which we typically spend on travel, so depending on how travel picks up I think that cost definitely coming back, so I think we have been talking about that in our previous calls I think our current EBITDA margins are not necessarily sustainable on a consistently going forward basis. So, to that extent, I think depending on when travel picks up I see a portion or a large portion of the US\$3.5 million coming back.

**Moderator:** Thank you. The next question is from the line of Ashit Kothi, Individual Investor. Please go ahead.

**Ashit Kothi:** I have two specific questions one is when is H2 and H3 going to be your core area of activity down the line year one, two or three and second question is our expertise of fraud management, network management and things like that, which is there on Telcos can that be replicated onto altogether or different line of activity that is on electricity?

**Venkatraman G.S:** Yes, both valid point the way we look at it in terms of all these newer areas, which Vinod spoke about earlier on right Horizon 2 or Horizon 3. I think the way we have laid it out is these will go through different stages of growth right I think there will be an addition phase, there will be like a startup and then they will get into a growth more, they will start measuring their MRR and ARR numbers, so are they get to a certain scale then we will call them out as which can be categorized as core and then move into the core category and then there will be newer set of ideas, which would have identified by then which will start getting into the same cycle. So in terms of timeline, if you had ask me a specific timeline for the current ones, let us say IoT security or IDcentral, we definitely want them to progress faster, but I think it will be a cycle, I think some of them might move faster and some of them might be a little slower, but I think in the next one to two year timeframe some of them definitely will move into the core and then more ideas will start falling into this H2, H3 bucket.

**Ashit Kothi:** That question was basically from the point of view that your expertise on Telco and whether the same can be utilized that expertise, knowledge space can be utilized on electricity, when electricity in India within India I am talking about is moving towards

smart metering and wireless connectivity as far as smart metering and all those things are concerned?

**Venkatraman G.S:** Absolutely definitely let us say if you take fraud as a use case and given that we have addressed fraud in the telecom domain for a fairly long time definitely there are multiple use cases of fraud, which can be applied in the e-commerce, Fintech and those domains, so those are areas we are evaluating and we are looking to see how we can take them to the market and similarly in IoT as you rightly pointed out smart metering is an opportunity and some of those are also opportunities that actively involved in, but as we imagine I think some of these will have to go through a cycle because a) the customer who are buying it would look at Subex is what we have done is primarily as telecom and therefore we need to do a POC, make a case saying that our solutions will work in their specific context and then it moves to the next stage. So those are definitely happening as we speak some of those POCs and conversations are continuing and so we will update you as we make more progress, but yes to the point definitely those are areas which we are actively evaluating, and we will continue to do so.

**Moderator:** Thank you. The next question is from the line of Harshit Khandelwal, Individual Investor. Please go ahead.

**Harshit Khandelwal:** Sir I have two questions and first thing about the R&D expenses, like if you can provide me some R&D by revenue ratio or something and the second one is if you can put some light on patent like we have added these in the last couple of years or we are going to have some in the next couple of years?

**Venkatraman G.S:** Typically, if you look at our investments in newer areas if you look at current year as we expect that we will spend about US\$4 million on these newer areas, apart from this there is also a little bit of work, which happens within the core. For example, the hyper sense model, which this thing which we are looking to do is also something which we are doing as in a way is an R&D thing. Right so effectively it could range in the 8% to 10% range would be our R&D spend if you have to look at it as a number and so far as patents are concerned I think we do actively keep looking at the work which we do and there are a few patents which we have filed for, but as you know this patent approval is a long run process, so you need to file your patents and then it goes through the process and some of them takes as long as 5 to 6 years before you get a patent approved, but yes there are patents which are being filed for a newer areas and that we will continue and there is a team which evaluates this on a ongoing basis and then we continue to look at that.

**Harshit Khandelwal:** You said 8% to 10% of revenue?



*Subex Limited*  
*February 02, 2021*

**Venkatraman:** Yes.

**Harshit Khandelwal:** Okay sir.

**Moderator:** Thank you. The next question is from the line of Amit Mishra, Individual Investor. Please go ahead.

**Amit Mishra:** Congratulations for good nine months this year and thanks for the dividends announced. Just one question, if you can give some color on your dealing if there is any or if you have plans to with the Government in India there are talks of IoT use in defence sector, similar aspects if you can give some explanation on this?

**Vinod Padmanabhan:** Yes, so from a security standpoint government is an important sector and we have just selected one market, we are working in India as the market where we will work with government sector. We have just started the activity and we are receiving some projects there so to clarify that only for the security product, government is a key segment and we are started with working with the Indian market Indian government as a key market for us so we are making some progress there, but early days we just started the activity in the Indian market in the government sector.

**Moderator:** Thank you. Well ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

**Vinod Padmanabhan:** Thank you everyone for attending this call. I just wanted to summarize saying that overall, we are very quite glad that we are continuing to investing around the new areas and it is showing very good prospects and we hope that in the coming quarters we will be able to provide specifics on some of these new areas. So in the meanwhile we thank you all for your continued support and the confidence that you reposed in us and thanks again. Thank you and take care.

**Moderator:** Thank you. On behalf of Subex Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.