



Subex Limited  
Q4 FY2021 Earnings Conference Call

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Subex Limited Q4 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G V Krishnakanth. Thank you, and over to you, Sir!

**GV Krishnakanth:** Thank you very much. Good evening to everyone who have joined the earnings call for the period ended March 31, 2021. Now, I would like to introduce the members of the management who are present on 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 by going through the safe harbor clause. Certain statements in this call concerning our future growth prospects or 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. With this, I now hand over the call to Mr. Vinod Kumar, to take it forward. Over to you, Sir!

**Vinod Padmanabhan:** Thank you Krishnakanth. Good evening everyone. At the outset, I hope that you and your family are safe and in sound health.

Let me start with an update on the health of Subexians. Like millions in our country, we at Subex have also been affected by the current wave of COVID. Several have been infected and many have lost their near and dear ones. Along with our Subex aid volunteers, we are doing all that is practical to help and support to the affected Subexians. The only comforting factor is that most of them are currently recovering at home and we hope the situation will improve in the next couple of weeks.

As you would have seen from the FY2021 published results, the revenue for financial year 2021 stood at Rs.372 Crores. The EBITDA for the year is Rs 98.5 Crores and PAT is Rs.51.7 Crores. We have also significantly improved the overall cash position to about Rs.143 Crores from about Rs 93 Crores of the previous year. Based on the financial position, the board has declared a final dividend of 5%, so along with the 10% interim dividend, the total dividend for FY2021 stands at 15%.

Now coming to the order booking, after a slow start in Q1 and Q2, all our conversion started picking up in H2 and we finished the year with a contracted backlog of US\$110 million. Out of this, the 12 months backlog amounts to about US\$39.7 million. Now providing the overall backlog figures was a constant request during these calls and we have started providing this, and you will see that in the investor presentation as well.

From an operations standpoint, most of the teams are working remotely at this point in time, taking advantage of the situation, we also moved into an open, collaborative and smaller office and that has worked very well for us.

Now let me also provide an update from the portfolio standpoint. It was indeed a very difficult period, but we took advantage, we doubled down our effort to scale up our Digital Trust portfolio, and we have made some significant improvements. Let me take it one-by-one.

On the IoT security portfolio, I am very glad to inform you that we have extended the coverage to Operational Technology. Now Operational Technology Security is a growing space and this is Operational Technology primarily means the technology that is there in the industrial sector that is in the manufacturing side, the large infrastructure organizations, public infrastructure companies, their existing infrastructure is called the Operational Technologies and security of that is becoming an important consideration. You would have very well heard some of the high profile attack that has happened around the world on pipelines, electricity grids and things like that. So, we have now expanded our capability to cover that side of the security aspect.

The next one is Partner Ecosystem Management. Now we had a very strong offering around interconnect and routing, optimization and settlement area. Now we have expanded this to cover, to provide an end-to-end coverage of the entire partner ecosystem, Digital Partner Ecosystem Management. The specific things that we have added are partner on-boarding, contract lifecycle management, and blockchain based settlement. So, these are the significant things, and with this we are in a position to provide an end-to-end management of partners starting with telcos, and we will slowly start expanding to other areas adjacent to the telcos as well.

The other product area was the capacity management, which we talked about in the previous calls. Now we have again extended the application areas by introducing investment planning as a very important use case. Now this will become very important as we move towards the 5G related use cases.

With respect to IDCentral, the identity analytics, we have strengthened the product offering by including on-boarding and next generation eKYC functionalities onto the IDCentral platform.

The last one is on the HyperSense no-code platform that we have recently launched. I will take a couple of minutes to explain the whole rationale behind HyperSense. If you look at the enterprises, most of the industries are today suffering from the large monolithic software systems, and the processes around them. While it has served its purpose at some point in time, at this point in time with the digitization and a lot of competition from the digital natives, it is becoming very, very difficult for these enterprises to compete with this very large clunky monolithic software. So therefore, the need of the hour is a very lightweight, complete cloud enabled, loosely coupled platform that is driven by AI/ML and Data, and that is what exactly that we have done with the HyperSense. With HyperSense, our enterprise customers will be able to bring products much faster to the market because we have taken care of all the engineering and AI and AML capabilities in the platform, and using a no-code environment meaning the customer can drag and drop and the business users without any pre-requisite skills on data science etc., will be able to work with their data create insights and improve their customer experience and drive business. So this is going to be a game changer, both for Subex and the customers. For Subex it is a game changer because this sort of our launch foray into a platform. From a software product player, we are becoming a platform player, and also this will help us to transition more and more from a license to a subscription-based or a SaaS-based business offering.

Now, let me move into the new customer engagements that we have during the course of the year. Let me start with the core. Now we won several large deals the notable ones being Saudi Telecom, the Telefónica Group Deal for the South American Properties, a very large deal from a Tier I in APAC for our business assurance portfolio and another one in North America from a Tier I for the Partner Ecosystem Management Portfolio.

We have also added three new logos, again in the core product area, which means that we are still finding it, I mean, our portfolio is becoming interesting to a lot of customers even in our core areas, and we are grabbing market share from our competition, and also wherever we have the new NBA, very large NBA and all etc., we are able to tap into this segment.

When it comes to IoT, we have taken a completely new approach of approaching the market with using channels and distributors and this is showing positive signs, positive initial signs, we have already on-boarded strong partners and distributors in Middle

East, North America, and India. Through these partners, we have already secured businesses in the Oil & Gas sector, the Shipping industry, and also the Manufacturing side.

Now in the Manufacturing side and the Petroleum side, these are initial deals that we can signed with large corporations for one plant in one country, but as we start completing the implementation and providing the value, there is an opportunity for us to expand this to other plants in the country and plants in other countries of the same multinational enterprises. Also, I am very happy to inform you that we have secured the approval from US government on the SAM which means that we will now be able to provide services to the US government based on the SAM approval.

Moving to IDCentral, because the extension that we have done, we have started securing customers in all the three areas, if you recall we have discussed that the primary used case is on solving identity related issues, but we have sort of augmented that with on-boarding and next generation eKYC. So, we have also started on-boarding customers onto this platform to provide some of these services. These are all SaaS based offerings, so the ramp up will be slow, but the important thing at this stage is for us to have customers onto the platform, so that as the customers start using, we can tweak, and we can get the product market fit right before we scale the offerings.

We have also expanded the offerings from Indonesia to Nigeria and India in that order. Nigeria is getting launched during the course of this quarter. The local partner has been identified. The first customer is on-boarded, and we will be launching formally during the course of this quarter in Nigeria, and the next market that we will be targeting will be India.

From a talent front, we have had very nice additions. We have the CTO who came on-board. We also have expanded the sales capability around the new areas with respect to security portfolio. We have added sales team members in North America, Middle East, and India. These are the three markets that we are currently focusing. We have also added the capability for the identity analytics which is predominantly driven by an offsite sales team in India.

The other aspect that we have significantly improved is the delivery capacity. We have started augmenting our delivery capacity in the last quarter and most of the team members are on board and those team members are on the training mode at this point in time and by the end of this month most of the delivery team members would have been trained and ready for deployment.

Now looking ahead, we are entering the New Year with very good momentum with enhanced portfolio and a good contracted backlog. In the last couple of years even though we have significantly improved the effectiveness of our operations and moved the needle in many fronts, the revenue growth have been at the low single digits. While we do not provide specific guidance, this year we expect the growth to be in double digits. Also starting this year, we expect new offerings to make a noticeable impact to the overall revenue of the company. With respect to the quarterly trends historically Q1 revenues are lower than the average quarterly revenue, for that year and then it slowly ramps up, and Q4 is significantly higher. We expect the trend to be the same this year as well because still the large portion of our revenue will come from our core portfolio.

On the portfolio side, we will be migrating all our existing portfolios onto the HyperSense. I also want to update that the crunch metrics, which was a new offering, we have decided it to roll it into HyperSense. So it will be now available as functionality on top of the HyperSense portfolio. Once we migrate all of our existing products onto HyperSense, we intend to come up with an attractive migration path for our existing customers and transition all our existing customers into the HyperSense SaaS or subscription-based platforms. We also have planned training for our customers and also we intend to train community developers, so that both our customers and community developers can develop applications, models and modules on top of our platforms. The idea is by and by we want to build a marketplace around HyperSense, so that there would be a community on one end and consumption for enterprises to consume these models, applications and modules on HyperSense which are developed by both of our existing customers, we will also develop some of these applications modules and we will also have a community developing these applications.

Now as we go through these very challenging times, I definitely would like to express my gratitude to all the Subexians who despite the trying circumstances are keeping their spirits high and doing a wonderful job. The continued support of our shareholders means a lot to us and we also thank you for all the confidence that you have reposed on us. I also sincerely hope that we can see the end of this wave soon and we will be in a position to physically meet our teams, and also be in front of our customers.

With that I would hand over to the operator to take some questions, and I will come on later to close the session. Thank you very much.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah:** Good evening gentlemen. Vinod thanks for a nice explanation and appreciate and congratulations on good set of numbers. My question was regarding HyperSense which is the most exciting right now whatever you have cited, so migration of all our portfolio on this SaaS module platform, what negative impact it could have on us in the initial period and what future you see an opportunity on that side?

**Vinod Padmanabhan:** Thank you. I think it is an interesting question. So, I would take a bit to explain the whole rationale with respect to our existing telcos segment. Now if you look at our largest customer base is today telcos and that is what we have been serving for the last 20 years. Now if you look at the telco as a segment, they created in a way the digital economy, but unfortunately, if you look at telcos their overall percentage of the digital commerce has been a fraction, it is under 5% today and one of the reason is, when we compile that with a technology companies they have been very slow, anything to launch it takes 12 months whereas some of the OTT players or the digital natives launch the product in 3 weeks, 4 weeks. So all the telcos have also been realizing this and they were looking for a very nimble platform where if the platform can take care of all the engineering capabilities then they know the context, they know the markets very well so they can very quickly, using their domain knowledge can come up with applications and launch it to the market. Now we are playing exactly to this need. So, what we have done with our platform is that, we are providing to our customers including telco, a no-code environment where using drag and drop, they can create products, they can create services, which are IoT ready and 5G ready and launch that to the market. Now using this platform for Subex also it becomes very easy for us to launch new product because the same advantage that our customer has, we also have that. So, what we are doing is that now that we have developed a platform, the next step is to migrate all our existing products onto the platform. So, we will have fraud management on top of HyperSense, RA on top of HyperSense and many other products on top of HyperSense. I am sure that customers would love it because this is the way they naturally want to move on, when we talk about a new feature to be added, we are not talking about months, we are talking about base and a no-code environment to launch that. Now what would be the some of the challenges for us to take them on to the path? One of the important thing is the transition from a licensed kind of model to a subscription kind of model, now that is where I think both of us will have to evolve a workable model on how to make a transition. We have enough references. We have seen Adobe moving, Microsoft moving, so there are a lot of companies who have moved from the license to subscription thing. So, it is not something which has not happened, so it has happened over a period of time and we expect that that will also be the same with us. We do not at this point in time to see a particular downside, but only a side now is that for every new customer, if you look at today, if you talk about I am selling to an ex-telco there are

three large components there, a license or a technology, the implementation, the support and the infrastructure software and the hardware. These are the five components. We were contracted for license, implementation in most of the cases and support. The infrastructure, software and the hardware was always provided by the customer and we used to support, with the help of Oracle, Cloudera, and things like that. Going forward, the infrastructure software will also be provided by Subex, so for every sale going forward the ticket size will go up because we are going to provide the infrastructure software and the only thing the customer will have to provide is a hardware or even a virtual hardware or AWS or whatever it is. I think directionally it is a very, very positive move. As we transition our existing customers to the new customers, we have a way forward, we have thought through that, we are already discussing with a few customers. We do not see a major kind of negative at this point in time, but it is a new platform, it is a new model. There will be a learning period for both us and customer to migrate into this new model and during that period it will be a kind of iterative process. So, there could be some challenges, but at this point of time we do not foresee a major challenge with respect to our existing customers. With the new customers, it is a much more easier discussion because, we are talking about the latest and in-demand architecture of Cloud-native, AI driven, data-driven platforms so we do not see an issue with the new areas. So that is my view at this point in time based on our current discussions that we are having with customers. Hope that answers, gives you some view of that.

**Sanjay Shah:**

Yes Vinod, it was very nice, but can you elaborate on that, we have now added one more that is providing infrastructure support, so in that, it is again a different business to play into, so what we have done on that side? Have we tied-up with any subscribers or any hardware guys or anything?

**Vinod Padmanabhan:**

The hardware we are not providing. Hardware is something which the customer will provide, but there is a software infrastructure required for running our software in the past like Oracle Database was required things like that. So, what we have done with the HyperSense, it is a complete platform which has got the storage requirements. So, you do not require any more Oracle or a separate Hadoop or a Cloudera to run our applications. This platform is a complete end-to-end. All that we need is an off-the-shelf hardware to be provided and we can deploy the entire thing on that hardware. So, there is no dependency or no need for a customer to procure any other software to run our products. Now in the backend we have a lot of technology relationships that we have in development of this platform. We have leveraged some open sources. We have used those open sources, built API and the interfaces that are required to bring all the components together, it is the fully componentized architecture that we have. So we



have been at it for the last one and a half years and we have made very nice progress and there is a lot more work to be done but directionally, I think we have taken a significant step in solving some real relevant and longstanding problem for our customers with respect to providing a platform that is very nimble on which customers can launch the products much, much faster than what it is currently.

**Moderator:** Thank you. Mr. Shah may we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

**Amish Kanani:** Congrats on a good set of numbers. Sir one question was, if you remove the volatile part of the forex income then the YoY growth looks slightly more muted. So, if you can just explain should we take forex income as part of core operating income or it is actually fluctuating and kind of how do we look at that and what explains the losses versus the gains last year? The second question is Sir, if you can give us the sense on the partnership, the Snowflake partnership I think was one of the key event for us on the HyperSense side, so if you can explain what roles will the partner play and what is the opportunity there for us and updating the other various partnerships that we had during the year which was Tech Mahindra, SkyLab and O-RAN Alliance. If you can give some sense Sir, how they are progressing? Thanks.

**Vinod Padmanabhan:** Venky you want to take that forex one, I will come back on that.

**Venkatraman G.S.:** Last year we had a forex gain as you rightly mentioned and this year it has been a loss. Forex gains and losses as you know is a function of how the market moves, so while we do hedge a portion of our exposure and that happens, but I think that to an extent the way the market moves it does have an impact on our numbers. If you exclude that our operations have been fairly stable and we have had good improvement in our profitability numbers, but I think, it is part of the process and we are still trying to see what else we can do to reduce the volatility, but that is something you will see to an extent given the nature of the business.

**Amish Kanani:** Okay.

**Vinod Padmanabhan:** Now coming onto the partnership side. As you can appreciate with the platform approach and some of the areas that we are playing, which is we are catering to a wide segment, it is important for us to have the right go-to-market partners. Now we have partners for all the new areas, we have struck a lot of strategic alliances and strategic partnerships. I will start with IoT side. IoT, we have key partnerships with the SkyLab's which is a provider after five of the MEC or the Mobile Edge Computing and we have a

go-to market and we have already tracking the 5G security market with them, we have looked at in the shipping side with them, we are also looking at other deployments of smart cities, theme parks and many other areas wherever there is a Mobile Edge Computing requirement, we are embedded into the Mobile Edge Computing application of SkyLab. So that has been a very important thing. The other thing that we have agreed, we have had a partnership is with a battery manufacturer who is primarily making a fuel cells for the electric cars. Now this is again an integrated aspect, you know that the fuel cell is probably the most important part of the electric car so every car in which that battery operator is providing to support our security will be an embedded part of that. We also have Telefónica which is again as a key go-to market partner. So, wherever Telefónica takes their security offerings, we will be a part of that partnership. So, these are some of the things that we have done with respect to the partnerships on the IoT side. We have other many other large distributors which we have signed up, but that is more kind of a channel distributors, very important strategic mainstream distributors, we will be announcing some of them, a major one that we have signed in Middle East during the course of this quarter but we have signed, we have already started deploying some of the deployments to them. That is with respect to IoT. When it comes to the Identity Analytics, in Identity Analytics we have we have gained partnership, key partnerships which we have signed up with the telcos because the arrangement is that we will take the consents from the consumer, look at the telco data and provide a lot of insights. So, we have arrangement with our telco partners, which are helping us to solve identity related issues. Now coming to HyperSense, now HyperSense is when we launched the platform, one of the key aspects that we are focusing is on the AI/ML studio. So we are an AI studio which means that if any of the business users wants to use Artificial Intelligence, we have provided a no-code environment. Now Snowflake is also a key provider of the platform in many markets and they found that our AI part, AI studio is a very interesting concept and in their evaluation they felt that it is important for us to have that and if we wanted Snowflake because it gives us a platform to reach the entire Snowflake customers with our AI studio and Snowflake found it as a nice way to sort of fill their portfolio gap they have so that when they go to the customer along with some of the other aspects of platform they can also provide AI studio as a part of it. So, our AI studio is what evoked a lot of interests with Snowflakes. With respect to Tech Mahindra, it was again a partnership around the Blockchain. That is around the Partner Ecosystem Management and we have started evolving it and it will take a while for us we are discussing with several customers at this point in time. We have one implementation which is not on Blockchain but we are directly doing with customers, with the Tier I customer in North America but we have started discussing with group operators on how we can provide a Blockchain based settlement among the operators among the group. So, these are interesting

discussions because that Blockchain is still, we are looking at what is the best way to take Blockchain to the Telco segments, but the Partner Ecosystem Management is a very, it is probably one of the first use cases that will be tried in telcos, so we are quite excited with that. So partnerships are very important and for all our new areas that will be a part of our GTM, go-to market strategy.

**Amish Kanani:** Thanks a lot for an elaborate answer and all the best.

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

**VP Rajesh:** My first question is regarding HyperSense; two questions actually, one is that are we using it beyond telco vertical or with the partnership with Snowflakes and things like that or this is primarily we are starting with the telco? Second question relatively we do have a lot of managed services contracts so what is your thinking on transitioning them to the SaaS model?

**Vinod Padmanabhan:** Just on the HyperSense, Rajesh our initial focus is going to be telcos because that is where we have the reach but having said that we have already had some inbound reach is coming from other segments like insurances, Fintech, etc., and we are engaging and that is where we are some of these partners are becoming very clear and that is again you mentioned the partnership and we were talking about Snowflake. For example Snowflakes, it does not have a big coverage on the telco segment, but we have a good coverage on the telco segment. So it works for both sides. We are able to bring them into our customer base and they are able to bring us into their customer base; however, our current focus Rajesh is on the telcos segment but having said that through partners and with some inbound, we have started looking at the other segments because if we can find somebody who can develop the use cases or if the customer themselves have a team which can develop the use case then this is a platform that can serve just about every segment, Rajesh. So that is on the first part. Rajesh what was your second question, sorry I have missed that second question part?

**VP Rajesh:** We have a lot of managed services contracts, so what is your thinking on transitioning then to the SaaS model?

**Vinod Padmanabhan:** Rajesh, Managed Services in any case a services model, it is a monthly services model. I would not call it completely as a subscription type of it, so I think the subscription is more on the technology side, Rajesh. So this HyperSense is where the license is what is getting transitioned into a subscription model, but the operations part of it, you see even today operations is on a monthly service charge basis. I do not see that there will be any

impact on that. If the customer wants us to do the business operations and that will be something independent of the platform or the platform or subscription that we are talking about, Rajesh.

**VP Rajesh:**

Just not to believe a point, Vinod the way I was thinking about it that earlier we were using technology which was let us say old gen and we were charging x percent to the client for the services on a monthly basis. Now with HyperSense coming in because it is a new technology, you can argue that your operations will become more efficient and therefore you will have the higher savings of the services meaning your profitability per contract will go up and from the client perspective they can argue that because we have this new technology then why don't you pass some of the savings to us also so that is where I was coming from if you can just comment on that?

**Vinod Padmanabhan:**

I think you have a point in the sense that the new technology is much more nimble and easy to use but having said that the operational requirement does not come down. So let me give an example. We provide a fraud management system and we provide the best fraud management system that will point to fraud much more smarter than what it was doing in the past, but still there is a need for somebody to evaluate that and take an action. Now that is the operational part that we are talking about. So, the requirement that managing, maintaining the system will come down but the business operations is a separate thing all together. So the customer would need support, I mean, in many cases the customers have their own team to support but it is based on the customer view, I mean, we are seeing that an onshore-offshore kind of model and wherever there is a possibility for customers to offshore they will look at offshoring the business operation so that they get the advantage of that so we do not see the drastic change happening on the business operations side of it, but on the IT operation side, yes, there will be a much reduced need for IT operations and to that extent the operations need of both the customers and if we are supporting the customers that might come down but that is not our focus area when we talk about the managed services. When we talk about managed services, we are talking about the high value services that are we are talking about consulting on an ongoing basis or the business operations on the ongoing basis and that does not drastically change with the platform change, Rajesh.

**VP Rajesh:**

That is very helpful. Then this new slide that you have added on the deck regarding the Analytics of \$500 billion market opportunity. So, in what product are we mapping this to? Is it the CrunchMetrics or is it the IDCentral and what realistically is the market we are going after in the near-term because I am sure this is like more five years kind of market opportunity, but if you can comment on that?

**Vinod Padmanabhan:** Rajesh, that is the opportunity of just the platform, not the applications on top of the platform. If you look at today what we are expecting there, starting with telcos just about every segment, every enterprise will go through a cycle where they change their existing technology and invest in a technology of platforms where they can start doing things digitally much more faster. So, the mapping of what we are talking. So if you look at telcos we are talking about that being about US\$10 billion. Now telcos, now that US\$10 billion we are talking about just the platform market, not the application that will sit on top of it. Now after US\$10 billion there are a lot of players that will play in that space as well. There will be players as big as like for example Snowflake plays in that in that market, Cloudera will play in that market, so there are a lot of players who will play in that market. Now our thing is that we are leading with AI while some of Snowflake and Cloudera, etc., they have been focused, they have been looking at the normal plumbing elements like data management, data visualization, we are taking a pole position with respect to AI/ML studio and how we can sort of democratize AI and ML and that is where I think our story is ticking because we are going and telling the enterprise CXOs saying that with all the investments that you have done in data analyzing, business intelligence etc., your business is still waiting on your IT team to deliver insights. This is an opportunity for you to change that paradigm. Can we go and say that with a small subscription, offer this to your business users and the business users without any knowledge of data sciences can use drag and drop? Of course, we are creating some library for each of those areas for example if they want to look at customer churn. We will have a library of AI models that is adaptable to solve the churn issues. So the customer can apply this model using drag and drop, get the data, use the drag and drop, see the results and act on it and see whether it is working. Now this is how we think that the democratization of AI will happen where business uses without any training will start using analytics and that will be probably a very enabling thing for the businesses as well, so that is what we are leading with, Rajesh. Each of these areas have been mapped out and currently our focus is we are going after the teleco segment specifically but with our partners etc., we will slowly start expanding it, Rajesh.

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

**Chetan Laddha:** Hello Vinod and team. Congratulations for the good performance last quarter, and also for the double-digit revenue growth guidance that you just provided. My question is more towards the disclosure that you made regarding the dividend distribution policy. So, if you can give some details around that as to like what percentage of profits are we speaking about or any more details that you would like to provide as of now?

- Vinod Padmanabhan:** I just want to quickly confirm GVK is that something which we can discuss right I just want a confirmation with GVK can we share that information in the call now?
- G V Krishnakanth:** We have not made it public, so it has to be first disclosed, and we can do it.
- Vinod Padmanabhan:** We will park that question because we will make that public first and then we will address that if you do not mind.
- Chetan Laddha:** I think that is fine. We will wait for it. That is it from my side. Thanks Mr. Vinod.
- Moderator:** Thank you. The next question is from the line of Supratim Basu from Americorp Capital. Please go ahead.
- Supratim Basu:** Thank you. I last looked at Subex back in 2003 or something, so congratulations to you Vinod and your team for setting the foundation for a new interesting company. I have two sets of questions, the first is actually really a suggestion for creating a data sheet which will help us understand the company better as an analyst or investor. So, if you could provide the revenue breakup in terms of license fee, managed services, others revenues and then the revenues geographically and then the revenues sector-wise for the last four quarters as an example, and then if you could also provide the number of active customers per quarter and also the metrics for what is your net revenue retention rate or net expansion rate on a quarterly run rate basis? I mean, I think these would be really helpful for us to understand the company better and it also would help us to map the progress of the company better? So that is just a suggestion from my side happy to send this laundry list to Diwakar and then he can probably coordinate with you guys.
- Vinod Padmanabhan:** First of all thank you for that suggestion. If you look at, we have started and we are providing the breakup of Managed Services Support and Implementation Customization and License as a three component and that is how we are tracking.
- Supratim Basu:** I did not see that on the deck though?
- Vinod Padmanabhan:** It is there in slide #18 of our deck which gives...
- Supratim Basu:** The point is this basically says if you could strip out license from Implementation and Customization that would actually be helpful and if you could provide this metric in the form of actual numbers rather than these percentages. You get what I am driving at right because just help us understand to what extent this can be a non-linear company versus a leaner people-based model that you have on the Managed Services side?

**Vinod Padmanabhan:** That is where I think, because of the product side of different companies, I presume that you understand the product side of things. Now in our case the license implementation and customization that is all driven by new product implementation, so it is becoming more and more as one thing together and we also want to package it that way by the customer because of some of the account based or the customer dimensions kind of things.

**Supratim Basu:** Here is the suggestion Vinod, the previous comments also mentioned you would actually want, you instead of selling an enterprise license which is valid until the next release comes out, you would actually want to look at moving to a per seat basis licensing, whether it is an existing product or whether it is a new product I mean I am sure you will get pushback from your customers but essentially you will have to put bells and whistles on existing products and say that this is a new product and therefore you got to pay me in this new model for me but, I mean, see this is the Managed Services base right especially given that telcos are about 80%, 90% of your revenue that business will grow very slowly. The key growth that you are going to get is, I mean, and even for whatever you want to do with HyperSense you really want to have a first seat model you do not want to go with an enterprise license model.

**Vinod Padmanabhan:** It is it is going to be a subscription model. It is not going to be as a per seat but it is going to be the per compute because that is what is relevant for us, similar to the Cloudera and things like that so all the new areas we have already transitioned to a subscription basis. For example, IoT security or Identity Analytics, HyperSense everything new is based on subscription and as I told you as we migrate all of our existing products on to HyperSense that will also be taken to the market on a subscription base. Now at this point of time that revenue is very small, but as we go through this year, I definitely think that the subscription thing will become a larger portion of the overall or rather an impactful portion of the overall revenue and we will start bringing that color when we provide the details. It was very insignificant at this point in time, the subscription part to provide that, but we take your point and we will bring that as we make progress in that area, we will start providing more metrics around that subscription part.

**Moderator:** Thank you. The next question is from the line of Anuj Daftary from Daftary & Associates. Please go ahead.

**Anuj Daftary:** Good evening. Congratulations on a good set of numbers. I just wanted to understand whether the HyperSense platform has already been monetized or is the monetization

going to start shortly and secondly in the same context what is the charging structure going to look like in terms of per enterprise or per user or how does that work?

**Vinod Padmanabhan:** On the first part, we just launched it last month. So, we are just in the phase of discussing with customers and hopefully as a part of the next quarterly update, we should have some updates around how we are progressing there. With respect to the charging, we now have six modules, specific modules on HyperSense. So each of those modules are going to be separately charged and it is the component of it, right? Every component is a model by itself and each component has got a monthly subscription charge. Three modules are based on compute and two modules are based on number of seats. AI module and Business Intelligence module are based on seats and the rest of the modules are based on compute. We also have a storage model, which is again based on the compute. So this is the model that we have. It is consistent with the other products and other platforms that is available in the market.

**Anuj Daftary:** Just one small follow up question in relation to this. When you talk about charging per compute module, so you are saying three modules are compute modules and three are in terms of the number of business seats. So, what is the charging structure for each of these business seats and each of compute modules, if data has been structure there or it is subjective?

**Vinod Padmanabhan:** No. We are working with a list price and we have a specified priced for per compute and specified price per seat basis. So I mean I did not fully understand what your question is so we have a list price based on per compute what will be this thing. So the idea here is that the customer can start small and as they add more and more used cases on top of our products, the subscription, the compute will increase and therefore they will have to pay us more subscription fee. So that is how we have done, so we have a price list which we are working with and that is how we are engaging with our customers at this point in time.

**Moderator:** Thank you. The next question is from the line of Jay Dattani from BJD Securities. Please go ahead.

**Jay Dattani:** I just wanted to know what kind of revenue growth or additional revenue, we are expecting with all the new developments like the HyperSense, the new partnerships like the Tech Mahindra the SkyLab, O-RAN Alliance. So what is the kind of revenue addition that we are expecting in the current year and also in the long-term let us say five years down the line?



**Vinod Padmanabhan:** Our expectation is that we are looking at the new areas to contribute about US\$15 to US\$20 million to ARR in the next two to three years. So, we stick with that guidance that is what we are working towards. With respect to the specific guidance for this year or this quarter etc., that is not something which we are providing but overall this is what we are providing but as and when, at least by quarter two, quarter three at least we feel that we should be able to provide you some more color on how we are doing with respect to the how the MRR or the ARR is growing for these new areas because at this point in time it is very early contract, so it does not make from an overall standpoint, if you look at our overall new product revenue is about US\$2 million at this point in time so if you cut the MRR and ARR which is very small number in overall thing, but as it starts growing we will start providing how is the growth happening in the MRR, ARR and things like that.

**Jay Dattani:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Ratan Juneja from CoValue. Please go ahead.

**Ratan Juneja:** Hello Vinod congratulations. My question is on the interesting market size of Analytics that we presented in the investor presentation. What is the addressable market that we are going after out of this \$500 billion? The \$500 billion seems to be a very large number. It excites everybody. So what is the exact addressable market over a period of say five years that we would like to address? My second question is that how do we compare ourselves to a company like DataRobot which is tied up also with Snowflake and also provides Artificial Intelligence, ML and all that is about it?

**Vinod Padmanabhan:** I think the first question, the segment that we are initially focusing is on the telecom segment and if you look at the size that is estimated is about \$10 billion is the size that is estimated today of the platforms in the telecom segment and as told there are a lot of players playing in that space, but we have a sweet spot when it comes to given us a 200 customers at this point in time and we have a possibility for us to convert all these customers eventually into HyperSense customers, starting with our products and then encouraging them to use the platform to solve other use cases which they might have. So that is in the current approach of targeting on the telecom segment. With respect to DataRobot, DataRobot is a product which is in the AI space but I think if you look at the components that we have as a part of our offering, it is not just doing one part of Analytics, while we are leading with AI and ML capability we do have the capability to provide an end-to-end platform taking right from the data management, data visualization, AI/ML and the operations and the workflow management, so it is an end-

to-end platform that we are providing. So at least for core segment to start with telecom this is a quite an interesting proposition where they do have data lake, so we do not have to replace them we can coexist with them but what they want to do is a platform that can leverage their existing kind of investments that are done in the storage etc., and thereby leveraging the existing processes rather than ripping them all together and that is what we are playing with to start with and the advantage that we have is the existing customers and our ability to migrate them over a period of time to this new platform.

**Moderator:** Thank you. The next question is from the line of Amit Bachhawat from Optimum Financial Solutions. Please go ahead.

**Amit Bachhawat:** My question is what is the revenue sharing with Snowflake like in terms of any business you get from them what will be the revenue sharing that is first question. Second like what has been the capex on HyperSense product which you have built and ongoing basis what kind of expenses you would do on the platform?

**Vinod Padmanabhan:** On the first part, I do not think that we are in a position to share the details of the commercial arrangement that we have with them. At this point what we are focused on in creating a joint value proposition that we are going to take into the market. So we are in the space of developing and training and creating the content for the joint value proposition to the market and as we get into the market we will provide as and when we are in a position to provide more details we can provide that that is where we are with respect to Snowflake. About the question of what the investment update is, at this point in time we have about 100 odd engineers, developers working on this platform and with respect to the marketing and go-to market our existing team all the enablement's we have been working on this for the last two to three months, most of the customer reach out being the initial customer reach out is planned on telco side so our existing field teams will take this to the market. Obviously, there will be some partners for us to sort of move it to the other segments but most of the initial go-to market is planned with our existing team and we have an existing team and a marketing set up that is already in place to take this to the market and the number of engineers who are working as the developers and architecture etc., who is working is around 100 at this point.

**Moderator:** Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

**Subrata Sarkar:** First a suggestion Sir, like since we have launched a new product it would be great if you do an analyst call or analyst day like something on your new existing initiatives and products and you can give some demo on that also. This is the first point from my side. Now relative to question first a few data points I want to know. First is the what is our

total employees in the organization right now and out of which you have shared like 100-odd developers are working on this HyperSense, including all new products and initiatives like how much is total manpower who are involved into this area? This is the second question. Third Sir if you can share, I understand that like we have recently launched this product but if you can share one or two case or experience or initial reaction from the customers regarding this product HyperSense?

**Vinod Padmanabhan:** Based on the total number of Subexians, we have at this point in time about 1200 Subexians, out of that if I count the total team members who are on the creation side, I would say it will be closer to about 300 to 325 will be creation side, all new products engineering everything together giving, our AI labs all put together will be about 300 to 325 people. That would be what I would say on the creation side of things. Then the question on the interaction we are having, we launched it on April 22 and post that we have had on an ongoing basis we are engaging with our customers and the overall response is quite positive. We are moving into the phase of demos and things like that. What it is most exciting for the business users and the CXOs is the AI studio. It is what we call as a data science studio which is where I think the business can apply some of the AI models because even if you look at our existing customer base they are being quite challenged with retraining, I mean first of all acquiring the talent with rest of the data sciences and retraining them has been quite a bit and therefore if you look at many of the telcos there is a long list of request to the IT teams to provide insights and the this has never happened with the pace at which things are happening so this is a welcome change to the approach that they can imply themselves to do this. So I think the initial response is quite positive. We are getting into the phase of demos and things like that so that is where I would say. We have also got some quite investments from the analyst community and that will share us as you as you go along there. Very positive endorsements from the analyst community on what we are trying to do.

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

**Amit Mishra:** Vinod and the team congratulations a lot on very good numbers, very good financial year, I have a couple of questions to ask, some of the questions are already answered. So, I was just thinking that this cloud native platform that is HyperSense and you said that you will be moving all the platforms, products you have on this cloud native platform. So I guess there is some, policy from the government in accounting where you have to show depreciation or accelerated depreciation you put products into cloud from your old technology to the new technology, so is there going to be a D&A for FY2022 because of this transformation? This is my first question.

- Venkatraman G.S.:** Amit, I am not sure what regulation you are referring to typically what happens is wherever there is a goodwill...
- Amit Mishra:** There is a regulation in the telecom, TRAI in India but I do not know it is worldwide, is like that when you move because there are few companies which had to go through the depreciation by removing and when we move the technology to the cloud so just wanted to know.
- Venkatraman G.S.:** The first thing is, in our case we do not capitalize our product development costs. So all of our products which we have developed over the years, we do not capitalize it and it is charged to P&L, whatever development cost which we incur; so to the extent we do not have any of those accelerated depreciation requirements. The only other thing if at all from an accounting perspective if you have to look at it and it is not that we are regulated by TRAI. We are providing services to telecom operators, so our services does not come under the purview of TRAI in any form or manner and the last point from an accounting perspective if you want to clarify, there are goodwill and investment related impairments which we need to make on an annual basis, which we will continue to do and I do not see any risk of any impairments given that we took a large impairment last year.
- Amit Mishra:** So that is the Rs 340 Crores still remaining right?
- Venkatraman G.S.:** Yes, so I do not see a problem with that, and I think whatever projections of the business which we have right now and we have closed our financials to last year as well and the auditors have also looked at it, so we do not see any potential or a need for any further impairment on that remaining goodwill which is there on our books.
- Amit Mishra:** Second question from me is just our focus on bringing institutional investors like we talked in various concalls previously. There is a thing called ESG, Environmental Social and Governance model where you have a lot of funds which are dedicated for companies following this policy within the company, so I am not sure if Subex is considering something like incorporating this new thing or new trend in investing community, your thoughts Vinod and Venky?
- Venkatraman G.S.:** I think in the last couple of years we have been actively reaching out to the industry community and we have stepped up the activities on that front and that is why we have Diwakar and team helping us as well. In terms of taking on additional disclosures like ESG and all those are things which will evolve, and I think we want to step up our investment activities and get some institutional investors on-board and then we will

continue to look to evolve how do we do that. There are no immediate plans to do that, but I hear you and that is something we will consider as we go along.

**Moderator:** Thank you. The next question is from the line of Ravi Kumar from Hyderabad Tech. Please go ahead.

**Ravi Kumar:** Firstly thank you for the performance. How stable are we financially? What is the current debt on the books and cash position if at all any?

**Venkatraman G.S.:** We are completely debt free. We do not have any debt on our books. There is a small borrowing which is there in the financial if you see I think that is a PPP loan which we have got the Paycheck Protection Plan which we have got in the US. That is a small number apart from that there is no debt on the balance sheet so we are comfortable from a financial position. I think we have cash in the balance sheet is also extremely good. We are almost like Rs 142 Crores of cash in the balance sheet, so financially we are fairly strong and we do not see any challenges to whatever growth plans we have or funding requirements we may have for our growth plans in the near future.

**Ravi Kumar:** Thank you.

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

**Deepak Chokhani:** Hello Vinod, just wanted to know would EBITDA margin also start going up given new product mix and better product offerings in the near future?

**Venkatraman G.S.:** I think it is still early days. I think so if you really look at HyperSense I think there will be a transition process which will happen as we move from our existing products getting onto the platform and then customers adopting it and us transitioning it into the newer model, so as we get to scale we should start seeing benefits. I think more than the HyperSense I would say if our newer areas like IoT security, IDCentral start scaling up that is when we will see a significant uptick on the margins because those products are all purely subscription based and as it starts scaling up, the margin profile of the company should improve, but I think we will need to give it a little more time before we can start profiling that or giving you forecast around it.

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

**Bharat:** Thank you for the opportunity. Congratulations to the team on the performance. I have two sets, one basically on the P&L side fairly basic question, the performance for the last quarter was muted, so just wanted to understand, is it because of the transition to the new model or we had a loss of legacy business or something like that?

**Vinod Padmanabhan:** Look, I think we are qualified in the sense that in the previous quarter if you compare that with the FY2020 last quarter, we had a hardware supply revenue of almost close to Rs 10 Crores so that was a one-off thing that was an event which happened on FY2020 Q4 so that is something which we have to consider because this is the one-off kind of thing so to that extent it is not an unusual let us say kind of a lack of growth, but having said that we did have some challenges on the delivery front due to the challenges of delivering on new projects, we secured some very large new projects and it was difficult for us to progress it at the pace that we wanted because of the remote working mode, both from our end and the customer end. So as a part of that we have added the capacity as we incubated in the last quarter, but we added significant capacity so that we can factor some of these additional requirements of working from working remotely. I would still do not really think that we have fully solved that because it is not so much from our end it is both have not been suited for running brand new projects on a complete remote mode, so we are learning some of those things and hopefully by next quarter at least in Africa and all our teams have started traveling so some of these things will move on. So two points there, one is that we had a one-off revenue of the 10 Crores in the last quarter of FY2020 so that should be something which you consider when you compare. The second aspect is that we did have some challenge with respect to the deliveries of new projects on account of both remote and on-site, so that will get ironed out as we will increase the capacity and that should get ironed out as we go through the same.

**Moderator:** Thank you. The next question is from the line of Aditya Sharma from ICICI Prudential. Please go ahead.

**Aditya Sharma:** Hello Vinod, just a quick question. I just wanted to ask that our cash position has actually moved up since last year and I was just looking at the P&L our other income has actually gone down. So now that we have a fairly substantial number in terms of we are rolling our balance sheet, is there a thought behind using it much more wisely or because almost Rs 150-odd Crore's earnings at Rs 4 Crores annually, are we putting some mind behind it?

**Venkatraman G.S.:** I think the other income going down it is not necessarily because of the cash position Aditya, I think it is more around the fact that we had some one-off, some insurance they

have get claimed it came to the last year which was not there this year, otherwise our other income from deployment of surplus cash has only gone up compared to the previous year. On the larger question on cash itself, I think we continue to look at how best we can deploy this cash and this is why I think the board has also been looking to return some of this money to the shareholders by a way of dividends and that is how you would have seen the interim dividend which was declared of 10% and then about 5% now so this quarter which the board has recommended for the shareholder's approval and apart from that we continue to look at opportunities for how to deploy this in terms of and as you would have heard I think we also have a lot of plans for our new businesses and that also needs investments, so some of this cash will go into those investments that. If you look at it from our own internal plans, we are looking to spend at least anywhere in the range of US\$4 to US\$6 million in the newer areas. So there will be need for some of this cash to be deployed on those newer areas apart from that if there are any other better ways to deploy this cash that we continue to evaluate that and we will continue to update keep you updated on the progress we make.

**Aditya Sharma:** Thanks Venky, but just one thing so what we are trying to, tell me is this account this Rs 140-odd Crores is sitting in our current account earning us nothing or probably just in an FD or something of that sort if I am not mistaken?

**Venkatraman G.S.:** Yes, obviously I think to the extent of whatever this cash is not required immediately we do park it in FD, but I think there is also a need for that money to be deployed in newer areas and that does not necessarily happen in one go. I think it happen over a period of time so therefore there is a little bit of timing to that extent, but we continue to evaluate other options as well in terms of how we look to deploy this cash.

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

**Alkesh Jain:** Congratulations for the steady set of numbers. Vinod I would like to ask you that with the launch of so many products we are doing with regarding IoT, IDCentral, HyperSense, what kind of orders we are expecting from such kind of products? What can be the size of the orders we are expecting?

**Vinod Padmanabhan:** As I clarified to an earlier question, our expectation is that in the next two to three years you should be able to get an ARR of about \$15 to \$20 million, annual run rate revenue of \$15 to \$20 billion from these new areas. This is a subscription business and that is what I am saying that the ARR becomes more relevant. So that is what we are expecting and as a technology company and we are not a services company, so as a technology company there are two things that we are doing one is, we are logging into areas that

have got a lot of runway for growth so therefore we find Subex compete it in much larger segments that we have done in the past when we are gearing up for that fight in that larger segments that is point number one. And as we go to these larger segments, we will have adjacent products that we can cater to the same segment. So if you look at our entire set of products are coming into a bucket of Digital Trust, so our vision is to be the largest player when it comes to enabling Digital Trust for customers and that is where we are working and there is a lot of things around Digital Trust that is still as a portfolio of growth that we could have. So we are very clear that we are playing in the area of Digital Trust and the expectation I could set in the near-term two to three years is to get to an ARR of about \$15 to \$20 million.

**Alkesh Jain:** Thank you so much.

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

**Avinash Malpani:** Congratulations for good numbers. So my question was around institutional buying which is already been answered so you can maybe pick another person.

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

**Amit:** Congratulations Sir. My question is this much talked HyperSense product, is this product can be used in governments also worldwide because you have AI, ML and big data science and is this product can be also effectively used in like Amazon, Flipkart like e-commerce companies is there any plan you have to go there?

**Vinod Padmanabhan:** First two questions that can it be used in any environment? Yes it can be, but are we talking about taking into the Amazon may not be, but I think at some point in time we would, based on the used cases there might be something that probably we might engage with the large e-commerce players, so as I told you our current focus is on telcos because that is where we see a natural traction for us and we have a path to migrate all our existing products, existing customers to the platform but every new product that we come up will leverage this platform, if you talk about tomorrow IDCentral, Security everything will start leveraging this platform. So today we have customers with security in Oil & Gas, Smart Cities, Manufacturing, Shipping, by and by everything will go as a part of the platform that is as a part of the plan.



- Amit:** My next question is that what we after one year how whatever you can see the hiring program in Subex right now we have 1200 Subexians what you see at the end of the year?
- Vinod Padmanabhan:** Look, I do not think that we will add significantly on top of this from a number's standpoint. There could be an addition of maybe 5% or something of that nature but from a people perspective we will not have because the idea is to leverage a lot more partners to reach to the market. So, I do not expect in the 12-months period for our workforce to increase more than 5% if at all. I think currently we have upsized the capacity, I mean we have built the capacity for our current needs for this year needs but in any case I do not see it us go above 5% if at all.
- Moderator:** Thank you. The next question is from the line of Ashit Kothi, Individual Investor. Please go ahead.
- Ashit Kothi:** Good evening Sir. I have two questions one was while you have given in your presentation that like analytics, different markets, different segments like healthcare, bank, BFSI and things like that what is the overall international market size would be in that particular product analytics. Now in that would you be able to provide information as to in each segment who are the top three or five competitors we would be competing with?
- Vinod Padmanabhan:** That is something which we can look at that. At this point in time, we are looking at only telecom as a market, but in any case we will start developing that providing more color on some of the competition in the target segment that we are providing, we will provide that as we go along.
- Ashit Kothi:** Because as you have given over there multiple segments you mentioned healthcare, BFSI and telecom and rather in telecom I had seen as to the growth prospect was the lowest among all the sectors which was we had shown as 13% CAGR compared to others. So in a way telecom possibly with a lot of consolidation happening worldwide apart from India the market is shrinking or no?
- Vinod Padmanabhan:** Look Telcos, with 5G and around the corner I do not think that the telcos will...
- Ashit Kothi:** Sorry to interrupt, market will be expanding the user base they might be expanding but the players might be consolidating?
- Vinod Padmanabhan:** I mean last couple of years we have seen a lot of consolidation happening. Will there be more? Maybe, but on the one side also you should understand that with 5G coming in

there is a set of alternate service providers already coming in. So that the market expectation is that when it comes to 5G for the enterprise segment, about 40% of the enterprise segment will be catered by an alternate segment which means that they have nothing to do with the current telecom operators there will be other operators. Let us say operator X who will start providing 5G services to all the enterprises so while on one side we are seeing consolidation on the other side we are having MNOs, MBNOs, and the alternate service providers coming. So it is correct, there is going to be a trend in this market but for the existing telcos yes, I would say that we should at least for the next 12 months it is quite possible that we could see some more consolidation happening, particularly in the emerging markets.

**Ashit Kothi:** With 5G a lot many new operators would come in, specifically with 5G, that is what you mean to say in that scenario what would be the overall business size you are expecting, overall business and of that how much Subex would be gaining?

**Vinod Padmanabhan:** Look we have an existing setup portfolio that we take to telcos, so all of them will have to be migrated or let us say upgraded to support the 5G environment. So we are already having the 5G used cases and we are working with the customer. So that is the kind of a revenue possibility on our existing code to support file upgrade to the 5G. So that is one part. Second, we are looking at two, three areas and the new product offering for telcos specifically around 5G that is on security side, on partner ecosystem management side, and the capacity management side. I mean, one of the earlier gentlemen asked the O-RAN partnership and all those things. The O-RAN partnership and all are very relevant as we talk about capacity management into the 5G side. So we have a new set of products that we are catering to, and then of course the HyperSense is a completely new platform which we have never played in that space so far and this is a new area that will spring. So by and large I think that we have in the last two years what we have been focused on in creating the right side of IP. We have never had so much of IP created in a period of time within our company and now that is what we have created and the next step is for us to execute on the GTM in an appropriate way so that we can just start seeing the benefits of some of these IPs that we have created. Now how do we size that at this point in time? This year as I said, we will get into a double-digit growth that is what we are looking at this time this year and overall I think the new portfolio as I also mentioned we are looking at an ARR of US\$15 to US\$20 million. So we want to stick with this for the time being as our interim target and we will see how it happens as we go along we will provide more clear projections as and when things start emerging.

**Moderator:** Thank you. Ladies and gentlemen we will take the last question from the line of Ashis Dash from Sharekhan. Please go ahead.

**Ashis Dash:** Good evening. Thank you for the opportunity. Just wanted to understand when you say double-digit growth so my understanding is your horizontal one business contributes maximum revenue that is 90%, 95% of your total revenue and that would grow at suppose of mid-single digit or high-single digit rate. So what would be the driver, which area like horizontal two or horizontal three would drive your growth in FY2022 and relating to that when you say new portfolio will become \$15 to \$20 million in next two to three years what is the annual run rate currently, could you please answer this?

**Vinod Padmanabhan:** On the first thing, yes you are right that we should have growth both from core and the new areas for us to get to that number. Please also bear in mind that some of these new business model is on a subscription mode so therefore some of the subscription mode things, it will take time for us to ramp up the revenue but I think we are more focused on getting those strategic wins at this point in time so that it will start providing revenue as we ramp up. So to answer your first question, we should have growth both in the new areas and on the core area because then only we can get to an overall double-digit growth this year. That is what we have planned, growth in both core and new. On the core area all the 5G and the development side we talked about and all those things will support the growth and with the HyperSense and things like that and the newer areas with IoT, IDCentral Analytics, etc., we have also started executing those to the customers who have put together it will contribute to that. So that is the first part of it and the second part with respect to what is the current new of new revenue? This year the new revenue was just under \$2 million from the new areas.

**Ashis Dash:** Thank you so much for answering these questions. The last question is on the margin. So when you say the transition will happen during this quarter, the existing customers will be moved to your new products, would it impact the margin?

**Vinod Padmanabhan:** Venky already clarified, I do not think that this year we will have impact. We are expecting the margins to be more or less in the same bracket, but as we start executing by and by definitely some of the new business have the potential to deliver higher margins, but I think it is too early for us to profile or let us say take a view on it because the SaaS based thing by inherently SaaS based business are more profitable so therefore it should it should lend itself to more profitability but it is too early for us to take a view on it. So for this year our profitability will be more or less in the same range.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.



*Subex Limited*  
*May 19, 2021*

**Vinod Padmanabhan:** Thank you all for taking time and for attending this call and for your continued interest in Subex. I want to wish you and all your loved ones a safe passage through this very, very difficult period. Thank you very much. Stay safe and take care.

**Venkatraman G.S.:** Thank you.

**GV Krishnakanth:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Subex Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.