



Subex Limited
Q2 FY2022 Earnings Conference Call

Event Date / Time : 29th October 2021, 10:00 AM IST

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

Presentation Session

Moderator: Ladies and Gentlemen, Good day, and welcome to Q2FY22 earnings conference call of Subex Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch tone phone. Please note this conference is recorded. I would now like to handover the conference over to Mr. GV Krishnakanth, Thank you and over to you sir.

GV Krishnakanth: Thank you very much. Good morning to everyone who have joined Earnings call for the period ended September 30, 2021. Now, I would like to introduce the members of the management who are present on this call. Along with me I have Mr. Vinod Kumar, Managing Director and CEO, Mr. Venkataraman GS, 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 considering our future growth prospects are forward looking statements which involve a number of risk and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risk and uncertainties relating to these statements include but not limited to fluctuations in earnings; our ability to successfully integrate acquisitions, competition in our area of business, client concentration, liability for damages in our contract, withdrawal

of tax incentives, political instability, unauthorized use of intellectual property and general economic conditions affecting our industry. So, with this I now handover the call to Mr. Vinod Kumar to take it forward. Over to you sir.

Vinod Kumar:

Good morning, everyone. Thank you all of you for taking time for this call. I hope all of you and your families are safe and doing well. As you would have seen from the results announced yesterday, the revenue for the quarter stood at Rs. 86.3 crores, EBITDA at Rs. 9.9 crores and PAT at Rs. 4.8 crores. This quarter has turned out to be one clearly below our expectation. The overall financials are not looking good as there is a dip in the revenue when compared to Q2 of last year. But the primary reason for this dip is that we could not initiate some major projects in the Middle East region. As we updated in our projects, customer is supposed to provide us the infrastructure to start the project. Recently one of the prominent Hadoop vendor had a change in the pricing strategy and changed from a free open-source to a full license-fee model. Now, this has resulted in customers needing additional budget to procure their infrastructure and as Telcos being big organizations, it has taken time for them to secure their additional budget for the overall project. While this is not an issue created by Subex, it is having a knock-on effect on us with delays in initiation of one project. We expect these customers to sort out this issue through this quarter. Further, the pace on some of the ongoing projects also have been slow due to the challenges of remote implementation. As we have updated, we have started some new projects last quarter and while on the, some of the existing projects considering the fact the we have finished the data gathering etc. Once we finish the data gathering, we can proceed at a pace but during the data gathering phase, it is new to many of our new customers who are starting new projects. It is definitely taking more time than what we had originally envisaged. But overall, this resulted in a low implementation revenue and that had an effect on the overall revenue of the company. Now having said that, the order book is intact and the emerging market, particularly of APAC and Middle East region is doing very well. The H1 order booking is 38% more than that of last year. While we do not want to give any specific guidance on a full year perceptible, we expect the order booking to continue to be robust in Q3 and Q4. On the cost side, Venky will subsequently provide for the clarification. Coming to the portfolio update during the quarter we launched HyperSense AI Studio on the SaaS option to engage the wider user community. The projects on HyperSense are progressing well and we plan to start more projects on HyperSense once the current project reaches a stage that validates platform stability. We also expect the roll out of fraud management on RA modules on a HyperSense during this quarter. So overall HyperSense roll out and customer adoption is

progressing as per our plan. Incidentally, we also won the pipeline innovation award for HyperSense. This is a prominent global award presented in the Telecom segment. I also want to bring to your notice some remarkable work that we are doing along with TMF on our core area. Subex is a part of an innovative TM Forum capitalist project championed by Verizon and Colt. These are major telcos to revolutionize B2B2, B2B2X business model on the 5G market place. In this catalyst, our AI based capacity management solution will solve the quality of experience and versus quality of service based predictive analytics capabilities for network slicing using thesis like connectivity as its survey which will be very, very prevalent and predominately the use case that is going to be in the 5G environment. The second catalyst project is around measurement of trust in AI environment. In this project, Subex will build a framework and a tool set to enable enterprises to build trustworthy AI model. This project is supported by Axiata Group and outcome of this project will be an AI trust measurement framework along with the required tool set to measure and quantify AI model with the trust code which then will help consumer to understand the challenges in any AI model. And as the trust code gets lower, then the intervention can be done and make the corrections in the algorithm so that the trust code comes up again. Now, this is a significant development and we expect this to be the standard framework trusting AI going forward. Both these catalyst won awards in the respective categories in the recently concluded TMF award ceremony. Only nine catalysts among the best total of 41 this year went on to win an award and we won two of them. Further, as we already announced that we also were granted the patent on revenue management in the handset. Now as the compute moves more and more to the edge with 5G and IoT, the capability to manage revenue management at the edge will be very important to prevent both customers and subscribers from fraud and other nefarious activities. Coming to the new areas of IoT, OT products, we have a new identity for it. It was re-branded as Sectrio, indicating a triad of coverage of IoT, OT and IT. We are progressing well on adding the OT capabilities and have significantly improved the threat intelligence detection capabilities of our honeypot network. The new GTM approach of going via distributors and channel partners are increasing our reach and we have signed up three distributors in North America, Middle East and India, which is our current focus markets. On IDcentral, the uptake from on-boarded partners are increasing as per our expectation. As you recall this is a SaaS business, where our revenue will depend on the uptake or number of API calls they make into our platform. We expect to more than double the number of customers during the quarter. This whole business is getting into the profile of a fast-growing SaaS business, which is precisely what we wanted. Also, we are proposing a restructuring wherein the business

carried out by Subex Assurance LLP will be transferred to Subex Limited. This is primarily done to achieve higher operational efficiency upon integration and consolidation of the business in the listed entity. Venky will further elaborate on this. Coming to the people side as we have announced, Venky, our CFO, will be moving on to pursue some opportunity outside Subex. We have initiated the quest for the backfill and I am working very closely with Venky on this transition. While the Q2 results have definitely not been in-line with expectation, the lead indicators of our business, specifically the order book, remains to be strong and better than last year. Our focus continues to be on execution of digital trust vision and thereby unlocking possibilities for all our stakeholders. We look forward to your continuous support. Thank you and I will now handover to Venky to clarify on few points.

Venkataraman GS:

Sure. Thank you, Vinod. Good morning, everyone. Maybe, I will first talk about the restructuring which is been approved by the board in this meeting yesterday and then talk about some of the specifics around the cost in the last quarter. So, I think what we're looking to do is, do a slump sale of the Subex Assurance LLP business into the Listed entity Subex limited, which will enable us to reflect the core business which we have in the listed entity and also would help us drive certain operational exigencies as part of this exercise. And, so that is the purpose of this exercise. It will have to go through the required regulatory approvals before this can reflect in the listed entities' financials. So, we are working through to get those approvals in place and we'll continue to keep you updated on the progress we make on these clearances. So that the approval with the board gave. And the performance for the quarter, I think, Vinod already spoke about revenue EBITDA margins for Subex on a consolidated basis. A couple of things that I wanted to call out, I'm sure some of you would have observed that. a) I think our employee's benefit expenses have gone up from Rs. 51 crores in the last quarter to about Rs. 54.4 crores. Primarily, due to two factors, one, we rolled out increments for our existing subexians upto a certain level in July of this year. So, the impact of that increment are reflected in the increase in the employee benefit expenses. And you would also see a reasonable jump in other expenses from Rs. 13.3 crores to Rs. 21.98 cores. This is primarily in the count of two or three factors. One, we had a Forex loss this quarter. We had a Forex loss of about Rs. 1.5 crores versus Rs. 2 to Rs. 3 crore in the last quarter. So, that's about a movement of about Rs. 4 crores on a quarter to quarter basis if you have to look at our movement. And then we also had, we've also stepped up some of our other activities given that when we are seeing the movement in the market and we're also seeing some traction. So its all about marketing and travel related things have also gone up and so that has also led to about Rs. 2.5 to Rs. 3 crores of cost

going up compared to the previous quarter. And in the first quarter, we've also cleaned up some of our, some of the provisions we were holding for specific things, which was about Rs. 2.5 crores so all of that has led to this Rs. 9 crores kind of a swing between the quarters. Nothing unusual in terms of the way this cost are. Obviously, the big-ticket item is Forex and Forex is the function of how the currencies moved. In our case, the dollars trendsetting to Euro and GDP had the biggest of impact on the Rs. 1.5 crores of loss reported for the quarter. So, primarily, on account of the Forex movement and a few other cost increases, we've stepped up given the traction in the market we've seen has led to the increase in cost. Otherwise, I don't see / anticipate any significant increases in our cost going forward.

Vinod Kumar:

Okay, thank you Venky, now we can move to the questions.

Moderator:

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you'd like to withdraw your request, you may do so by pressing star and one again. Participants are requested to do six to two questions per person in the initial round. Ladies and gentlemen, if you have any questions, please press star and one on your telephone keypad. Our first question from Ashish Koti, individual investor. Please go ahead.

Ashish Koti:

Thank you, I wanted to ask sir with regards to the one time sell-off loss in LLP. I think, I have missed out your earlier conversation so if you've already discussed that. But I would request you to just share that and what is the purpose of still maintaining our LLP structure? Because that does not give a clear, overall clarity of performances as well as activities being done. Thank you.

Venkataraman GS:

No, Ashish, I didn't pick up your first part of the question. What is that one-time thing you spoke about?

Ashish Koti:

Not one time. The loss in LLP.

Venkataraman GS:

Loss in LLP, are you talking about digital LLP?

Ashish Koti:

When I was looking at the result, if I'm not wrong, Rs. 9 crores of loss or something in LLP, one of the LLPs?

Venkataraman GS:

Okay, okay, I got it. So, the loss which you're referring to is in Subex digital, Ashish. All our new businesses, be it IoT, OT security, or be it IDcentral, which Vinod spoke about. All of them are currently under the Subex Digital LLP umbrella. So, as you know, right now, we are in the investment phase for some of the newer areas. The revenue momentum for them is picking up and

Vinod has provided updates in terms of how we are seeing traction in IDcentral and IoT, OT securities as well. So, to that extent the revenue momentum has not yet picked up, those are in investment mode which is why you are seeing losses in Subex Digital LLP. On the second part of your question, what is the need for LLP? I think, these LLPs were carved out three, three and a half years ago for very specific reasons in terms of how we wanted to look at the business, in terms of having two LLPs, one focusing on the core business and one focusing on the new. But then, we have also realized that the core part of the LLP which we have carved out at that time, while it had given us some benefits. But we are now looking to see how do we consolidate them back into the listed entity, and that was the first step they did yesterday. The board has approved the Slump sale of the Subex Assurance LLP and business in house is coming back into the listed entity. So, we will continue to see it looking at the structure and see how we can optimize. But as you can imagine some of these things once you have created, unwinding does take time, therefore we have to do it or gradually, and most reasonable manner considering all angles of statutory, regulatory, tax and other regulations.

Ashish Koti:

Another question is in regards to selling which is done by the major shareholder. Though it would be always considered as an investment decision, the concerned entity, it also raises out in terms of, do they not see the further growth in the coming year? Why we are talking about new technologies, new platforms, new businesses. Are they not seeing the growth per se and that's why they're selling out?

Vinod Kumar:

Look, I think that's the difficult question for us to answer after what is there beyond that. But as per our view, we are very, very clear that we are at a point where all the three new areas that I listed on security Identity Analytics and HyperSense. All of them are in the position where their market validation is there and as Venky mentioned we are stepping up the investment for the business development so that we can scale those things and make it into a main stream thing. So, we remain very committed and very positive on the outlook and the prospects for these new areas that we are working.

Venkataraman GS:

Ashish just to clarify, I think, these are some of the insiders who are selling are our employee shareholders or got these options as part of employee stock option program. So, these are by no stretch of imagination were major shareholders. Yes, they are insider, but then we also have to recognize all of them will have their investment views and need for cash at various point of time. So, to read too much into that, I wouldn't read too much into it because I think we need to see the larger picture the way company is looking at the business.

- Ashish Koti:** But sir, ICAN , has been selling for quite some time and they will reduce their holdings, many now to a minuscule 1.13% or something. That's my concern.
- Venkataraman GS:** I hear you, but ICAN by itself is never a very large shareholder, right? It is about one and half percent it maybe they have brought it down. So, and those are...
- Ashish Koti:** No,no,no. Sir, sorry to interrupt. Earlier, they were holding more than three or four percent down the line I mean to say four years back or so three years back. I could be wrong. My reading could be wrong. But what I recollect is they were holding three to four percent or may be more, which has come down to one. And when the company is going on a growth trajectory, major move is happening now. Technologically new advancement, new openings, and that's why investors are doubtful about Subex. In that scenario that's raising the question and I suppose CFO sir has also moving out.
- Vinod Kumar:** Look Ashish, I think, as you can appreciate while individuals take a call on this matter but I would want to reiterate again what I said. That, my view and the management view on the prospects of this things are quite robust and we are actually stepping up our investments on these new areas because as we see the market, as I have told you may be by the end of the year we will be in the position to provide you the specifics of the, the profile that we are talking about saying that IDcentral and IoT are getting into the profile of fitness that we wanted. Which is primarily IDcentral being a SaaS-based profile and IoT being a distributor channel-based profile. So, we are getting there. We are very, very confident and we are setting our investments. Now, there are personal reasons, there could be other reasons, but as per as the company and our views on concern we are consistent that these are, we see this opportunity very real and we are quite bullish on the prospects of this products going forward.
- Ashish Koti:** Sir, I requested for in earlier meetings also.....(Moderator announcement...) just one second ma'am, just please.
- Vinod Kumar:** Go ahead. Go ahead.
- Ashish Koti:** Earlier I had requested for major competitors on our new products offering the new platform. So, I was told that it will be shared later on in next one or two meetings that these are the main major competitors vis- a vis us and where do we stand in compared to them. I would really appreciate, because we are also new to many of these things... So, for us to understand the industries also it would take time in new product.

Vinod Kumar:

Sure, sure.

Ashish Koti:

And sorry for asking too many questions.

Vinod Kumar:

That's fine. Look I think, I can provide update on that. When it comes to security, our major competitors today are a company called Claroty it is an Israeli company and another company is Nazomi. So, these are the two companies, that are competing with us in the specific areas of OT, IoT at this point in time. There are many others planning to get into this space because this space is definitely getting hotter. When it comes to Identity Analytics, as we said we are working today in the two markets of India and Indonesia. We have many smaller competitions. But as it is, these are planning that we talk and probably maybe in the next call. Because there are so many, not somebody, I can call out and talk as a Global player. It is an emerging space as we talk, right? So, we will be able to share you, because it is very early so, not that, we are not in an competing in many places in one on one with others in that earlier stage. But it is evolving. With respect to HyperSense, I think we have too much competitors, which we can consider as competition. One would be Alteryx and DataRobot. These are the two players that we consider as competition. There are others also that are emerging. So, all these things are emerging spaces and these are some of the competition that we have started competing on them in some of the opportunities. We will also provide an update on some of these things next time when going forward in our investor presentation.

Moderator:

Thank you sir. Our next question from Mr. Deepak Chauhan from Rade Capital. Please go-ahead sir.

Deepak Chauhan:

Hi, thank you for this opportunity sir. Just to extend the question about the HNIs, exiting including some of the top management. I'm not pointing fingers at any one but it seems like these HNIs and some of the management were aware of what is coming, which is why probably, again I'm saying I'm not pointing out, but this needs to be noted down somewhere probably these people were aware of what does coming in September. That's my question number one. I don't need answers on that, but on behalf of retail shareholders that's a suspicion we guys have. My second question is...

Vinod Kumar:

Okay.

Deepak Chauhan:

Sorry, You want to say something on that?

Vinod Kumar:

No, no, go ahead. Complete your question, then I will come back.

Deepak Chauhan:

My second question is in spite of your best efforts sir, I am not doubting on the management's capability but for some or the other reason our top line just doesn't grow, is it a right time for us to probably merge with the bigger entity or completely the different corporate entity?

Vinod Kumar:

Okay. So, let me take the second question first. See as we said that there is, which you all say, definitely not in line with our own expectation and we have correcting that situation because as I said the order books are in place and we have the backlog its just a conversion that we have some challenges as I explained in my briefing. Now, as I said the lead indicators are quite robust at this point in time if we continue that in Q3 and Q4 we will definitely be in a better situation with respect to the order backlog and then the focus should be on conversion. Now, we definitely have some challenges with the conversion based on what I mentioned with the customers taking more time than what we originally envisaged for us to initiate the project and complete some of the project and things like that. Dependency, there is a lot of dependency some customer for use to complete the project, particularly that newly initiated ones. But I guess those will get sorted out as we go through and revenue will start going up and then probably obviously I think till that I can only tell you that I can only talk about lead indicator which is probably what will get converted into revenue as we go along. Now, one thing that you mentioned about some of the employees selling etc. I just want to also...

Deepak Chauhan:

Please, it's not only the employees sir, it's the top HNIs I compared the share holding pattern of June versus September sir, all the HNIs have disappeared. My question is did they probably get some hint that what's going to happen in September? So that...

Vinod Kumar:

So, let me clarify. Absolutely not. We have whatever we have had discussion with all the investors that has been listed, that has been notified on the same day to the stock exchanges. So there nothing beyond that we have had any discussion whatsoever with anyone. But let me also take to clarify about the employees thing. Now we do have stock exchange, sorry ESOP scheme, based on vesting and based on some of the requirements for exercising, people had to cough up some money and therefore there were some liquidation that was required them to get more of these ESOP's. before the exercise period is over. So there are some moveents on that front but other than that I think by large as far as compliance stand point we are absolutely clear that we have the same briefing and as soon as we have any kind of invested activity that is updated to the stock exchanges on the same day will be have the discussion. There is no other discussions or information of any kind that we had with anyone.

Deepak Chauhan:

Okay. Is it that the work is over we keep hearing that the next quarter will be better, the next will be better but I mean and that's what we were guided by and my, that's what I'm trying to link that we retail investors like, guided by some positive assurances in this last call where as if you see the shareholding patterns these HNIs went away and here we keep getting assurances from the top management that things are good, next quarter will be better, H2 will be better, but this never happens.

Vinod Kumar:

Yes. Look I think, I am giving you all the stats with respect to the lead indicators that we have that we had order booking which is 40% higher than what we did our last year. Our backlog is intact. So, that all points to things looking good going forward. So I'm not giving any assurance beyond that but I'm just providing you the facts that we have order intake, order booking which is the lead indicator for the revenues to come was strong that we had compared to last year it was around 40% over what we did last year.

Deepak Chauhan:

Okay. Thank you sir. Looking forward to better performance on next quarter onwards. Thank you.

Vinod Kumar:

Thank you. Thank you.

Moderator:

Thank you sir. Participants are requested to restrict to two question per person during the initial round. The third question from Mr. VP Rajesh from Banyan Capital Advisors. Please go-ahead sir.

VP Rajesh:

Hi, Vinod and Venky, hope you guys are well. This is the question on the MRR for the horizon for few products for IoT and ID Trust etc. what was the exit rate at the end of the quarter?

Vinod Kumar:

Okay, so Rajesh, on the true aspects one is on the, let me first start with the IDcentral kind of thing. So, our current ARR for IDcentral is trending at about 150 at this point of time and our expectation is that we will have that almost 3 or 4 times doubled by the next two quarters. So, that is our current expectation and the profile is building up that, because at this point in time our after we on boarded that initial few customers our focus was to stabilise the platform and they are having. And we have not added more customers, because we were stabilising the platform and we were, these customers were onboarded. There volumes have gone up from what we started to almost 500% when we started. As you know that these are API pull. And for based on every API pull we have agreed on a revenue. So, we have seen a 500% increase on the API pull from the excessing customers and that how the platform is stabilised and our next step for this is to

increase the customer onboarding, which we will looking at more than doubling the onboarding of number of customers every quarter going forward and our expectation as I said, Rajesh, is that we will almost, you know, get to about at very, very close, I mean we are working towards getting to the first milestone of a ARR of a one million dollar for the IDcentral business. Now, coming to security business with the transition of its moving into the OT side of head the profile is not fully on a SaaS-based model. We have a mixture of both Capex and the Opex there. So, those details I will provide you as we get into, as I said we will provide the details of both the businesses as we get into the end of the year Rajesh.

VP Rajesh:

Okay, and my second question is regarding this restructuring. So, I believe you are only restructuring one of the two LLPs and the second one will continue. Is that correct?

Venkataraman GS:

Yes, that's correct, Rajesh.

VP Rajesh:

Okay. And so, the idea of getting some strategic capital in the digital LLP, is that still on? Should we conclude that or, you're signaling that, perhaps, that is also iffy at this point in time.

Vinod Kumar:

We will time it at the right time. We would hold that till we get to a particular revenue side based on some of the guidance that we have got from the market and some of the experts in this area, Rajesh. So, we, the plan is on, but from a timing perspective, we would wait to get to a particular level of ARR before we pursue that again.

VP Rajesh:

Understood. And Venky, all the best for your next venture and hope to stay connected. Take care, bye bye.

Venkataraman GS:

Yes, sure Rajesh. Thanks a lot.

Moderator:

Thank you sir. Next question from Mr. Sanjay Shah from KSA Securities. Please go ahead, sir.

Sanjay Shah:

Yeah, good morning gentlemen, thanks for the opportunity. So, my question was regarding this quarter performance that what was the, the reason what you cited, what you see that going ahead, and what about heavy loss in the market share in any of our verticals or have you failed in any of the new verticals where we are venturing?

Vinod Kumar:

Okay, thank you. So, we have not lost any contracts, it is just that it is delayed. As I told you, they will have, they are figuring out additional budget for the infra in some of the cases. And there's been some delay. So, the contracts are not going away, just that it is getting delayed from an execution standpoint. On the new

areas, I think again it is, the market is just getting developed rather than going. So, we have not lost any market share or anything at this point in time. And in the two regions, particularly in the emerging markets of APAC and Middle East, we are competing very, very well. And other markets, we have just sort of opening up and new projects are coming in. We are engaged with our new product portfolio. And that's why we are significantly increasing the business development, both with people and marketing, we have stepped up our thing. So, as I said, that's having the higher OI etc. as a result for that and we expect in Q3 and Q4 for this to continue.

Sanjay Shah:

So, my second question was regarding our transition on SaaS platform, the business with HyperSense and that IoT security, can you highlight more on that how it is transition is and what opportunity you see on this.

Vinod Kumar:

Okay, so there are three specific products that we are taking that direction, one is IDcentral, its completely transitional itself from day one, it's, I have told you it's getting into the profile of fast growing SaaS business. Now, with respect to HyperSense, we are doing three projects at this point in time, it is getting into a stage of completion or rather completion of phase one of the delivery and we are waiting for that to happen, the entire load to be pumped in so that the platform stability can be verified and validated. And that there are other upgrades that we have already secured. So, as soon as we have this stage reach, we will get other projects also move into this mode. Now, with respect to specific HyperSense, the conversion of some of the existing license-based business to the SaaS, that's a work in progress. I would not say that we have kind of, you know, already succeeded in converting all our customers, No, it's a slow process. We are now looking at a blended model where some part of the solutions, which they already have the license can remain at this thing and that at some part of the platform will be on SaaS based type. So, those discussions are happening with the customers, as we onboard the customers slowly things will happen. So, I guess all the new contracts that we are securing from Q3 and beyond. So, from start of this quarter, we are only securing new contracts and upgrades for HyperSense. So, everything going forward will be on HyperSense. Now, most of them, we expect them to convert into SaaS, some will remain in an on-prem model based on the sensitivity of data and some of the customer telco-specific requirements. But it will take a while for us to convert every customer into the HyperSense and into the SaaS model. It's a work in progress.

Sanjay Shah:

So, continuing that is it that during the transition period we may lose some of the businesses or revenues?

Vinod Kumar:

There might be a change in profile of the revenue for a short term, but it's too early for us to factor it at this point and most of our updates, I mean all the sectoral upgrades that you have secured, we are not seeing any loss of revenue, but I think as we bid for the new projects, new RFPs that we have bid. All of them we have bid on a SaaS based model and when compared with the profiling of our existing projects with those projects, there will be a smoothening out of the revenue rather than the front loading of the revenue, if you consider it three or four year term of the contract. So, at this point in time, we are not seeing it, but as we start securing more and more new contracts, that is brand new contracts from customers, not the upgrade one, we will see that smoothening out. But our view is that by that time, some of the new areas will start contributing, so that overall, we will not see sort of that kind of impact that we are expecting from the transition from the license to a SaaS thing. It's too early for us to take it. As soon as we have some more view on that thing, we will provide that. But at this point in time, the dip in revenue compared to last year was not contributed by the SaaS conversion. It was primarily because of our inability to start some of the projects, that we have won, on time.

Sanjay Shah:

Wish you a good luck. Happy Diwali to you all and thank you for answers.

Vinod Kumar:

Okay. Thank you.

Moderator:

Thank you sir. The next question from Mr. Amit Mishra from Inpex. Please go ahead, sir.

Amit Mishra:

Hello, am I audible?

Vinod Kumar:

Yes.

Amit Mishra:

Good morning everyone.

Vinod Kumar:

Yes, good morning.

Amit Mishra:

So, enough discussions on revenue de-growth and insider selling. I would like to raise one issue that we have been talking about 10% or let's say double digit growth since the start of the year. It was mentioned in Q4 and again reiterated on Q1 con-call being it was 10th August, so it is mid-quarter already. So, you know, I want to understand what happened to the guidance of double digit and what is the current guidance? So, that's number one. The second question is there is significant increase in receivables and this reduced of course, the operating cash flow. What happened there? And I don't understand sudden big decrease. And the third question is, we really want to see a matrix in the presentation for new products. It's absolutely

essential. Now, Subex has been saying for three-four quarters that we will include that in presentation, we have never seen it. So, I would urge the management to include this and make it transparent basically including employee attrition if you have any. So, we need to be more clear, more transparent with shareholders. That's my questions.

Vinod Kumar:

Yeah. So, I think as we have been maintaining that we will provide a view of the new areas when it becomes a sizable number, because at this point in time, that's our emphasize is to add more.

Amit Mishra:

I'm sorry Vinod, I understand the point and we are speaking it on board for a long time right.

Vinod Kumar:

Sure.

Amit Mishra:

I understand that it's not up to the scale to report, but this needs to be transparent on quarter-on-quarter, how you are growing and needs to be published, you know. This is not done anything, basically for four quarters to get us the presentation on that.

Vinod Kumar:

Look, I understand this thing, but too I would want you to appreciate where we are coming from, I think as we said, we would want to...

Amit Mishra:

Totally registered for last three-four quarters Vinod.

Vinod Kumar:

Sure, once you get into a profile, that's what I said by end of this year, we definitely think that and I'm talking about the end of this year for IDcentral, we will get into a SaaS profile and we will be in a position to provide you that details. Because at this point, and we are only adding customers, and our emphasize is to add customers, get their usability fixed, get us the feedback, we get the product better before we scale in. So that's our focus and that's, so adding users let me put it back and not even paying and to get in users that's our focus on the new area. Now, coming to the first aspect of the guidance perspective, I just want to clearly call out that at this point, we are not given any guidance. Now, that things have changed, I've already detailed as to what things have changed. This was not expected and we have started on particular thing and then this came in and this was an uncertainty because some of the customers that we are talking about are very large customers having huge volumes of data. Now, you can imagine that infrastructure was coming free to them, and they had to only pay the support fee. And that too support fee is to take the support, many of them have internal capability to support this free Hadoop infrastructure. Suddenly, the providers and one of the mainstream providers changed the model, and it was licensed, which meant at that volumes, it was a large

proportion of the overall budget that they will have to secure again for this projects to go ahead. So, this was unexpected.

Amit Mishra:

Sorry Vinod to intervene. So, this happened, post 10th August. I would like to understand this.

Vinod Kumar:

That's correct. So, we did not expect that thing. Because then, we were not even comfortable to continue with the working unless we get a clarity and then it was anything. Because it was a big amount, it was a sizable portion of the overall project cost, they have to cough up the game. And because infra is, I mean the license of this model and it's quite unsettling. I mean, while it is upsetting on one side on the positive side of this is that this is also prompted some of our customers to look at HyperSense, because HyperSense was a viable alternative to the platform they were using. But you know the Telco is very, very large thing and they have a very large team supporting these products. It's not for, our infra is not for, our products alone, they have a common infra. But I guess that this will get sorted out kind of thing. So while considering these things, I hope that most of these things will get ironed out during this quarter and you will see that in the results. But I do not want to provide any specific guidance at this point in time and probably the clarity that we have is on the order booking that is clear that I'm calling it out there and that we are close to H1 with a 40% higher order booking, which would mean that that will result into revenues going forward. Yeah.

Amit Mishra:

Just another query, the recent 40%.

Vinod Kumar:

Yes, 40% over H1 of last year, our order booking is higher by 40%. Yeah, 38% actually to be accurate.

Vinod Kumar:

Amit, okay.

Amit Mishra:

And the last question is for Venky.

Venkataraman GS:

They have questioned on receivables. I think what's happened is I think, there were a couple of invoicing, which we were awaiting confirmation from the customer and some of them spilled over to the current quarter. So, it didn't happen before the end of the quarter. So that has resulted in the invoicing not happening. So, it is sitting in the unbilled portion versus receivable. So, as soon as we get that we get converted to receivables in the coming quarter. So, it is a one-off kind of a situation which has led to that. I think there were a bunch of milestones which we couldn't get.

Amit Mishra:

You had all of us scared, Venky and Vinod.

Venkataraman GS:

I understand, so I think it is very much explainable. If you look at the, obviously you don't have the details of the breakup of the balance sheet, but a similar movement of increase has happened in the unbilled receivable. So, it is in line.

Amit Mishra:

Okay, and Vinod, you mentioned about IDcentral. Was it ARR or MRR?

Vinod Kumar:

The current ARR is tracking at 100k,

Amit Mishra:

100k you mean.

Vinod Kumar:

With a handful of customers, we have only a handful of customers, but I guess that, but we have seen a 500% increase over the last two to three months on the uptake. We did not add too many customers, because as I told you the emphasis was to streamline and stabilize and ensure that the platform can scale. Now, we have done that we will we will more than double the number of customers this time. And our next short-term milestone is 1 million ARR.

Amit Mishra:

Okay, just on the on the investors. It's not going really well if we see, you know how SHP quarter versus quarter, we have lost many HNIs. We have lost even ICAN, Anagha and Mr. Anil Singhvi manage funds. So, can you just develop on that like what are you facing? Like why you are not able to convince investors to buy in because there's enough liquidity in the counter?

Vinod Kumar:

Yeah, look, I think the fact that is that with this quarter, particularly this quarter, you know, where we have explained where we are and our focus has been to look at how to support particularly on the new areas, where we think if we're sitting on a huge opportunity. We are very bullish. We are more aggressive as we go into the market, and I presume that as we start executing and start reporting some of these on around progress that we are making on the new areas, you will see that the profile is building that of a fast-growing SaaS company. So, while all the activities that we are doing towards convincing or talking to the investors, we are reporting it, beyond that, we are not having any discussions with any of the investors as I clarified, but we are translating all of them and our hope is that as we start providing details of some of these new areas, they will be much more interest on our counter than what we are seeing today.

Moderator:

Thank you Sir. Participants are requested to restrict to two questions per person during the initial round. Our next question from Prashant Sawant from Kailash International. Please go-ahead sir.

Prashant Sawant:

Yeah very good morning. So, I come from a technology background and I have known most of the technology stack right from the early 2000s, where we started with data warehousing, business objects and all this thing. So, I see HyperSense more into that category, which is the undergone level and flavored with Hadoop and AI obviously. From my perspective, for the growth of the company, what I see is, how well connected is our sales team as compared to the product team. Because from my knowledge, and from my experience, a good sales team can definitely make an average product look good. Whereas we do have a good product, but I see somewhere we are lacking on the sales front. That's one thing. And my second question is, most of the companies which went 10X, 8X, last year in the similar segments, they have good connects, as again, come back to the sales team and I have seen that they have been getting projects from the Government of India as well. So, do we have any connects over there? Are we getting into any major 5G projects with any of the big names going forward? Can we expect some big turnaround in Subex with regards to the sales team? Thank you.

Vinod Kumar:

Okay. Look, I think on the strength of our relationships, we have been very, very strong with the CIO and CFO organizations of Telcos. But as you can appreciate with HyperSense and the platform, we are today able to appeal to a lot more constituencies within the Telco's like CMO, CTO and Chief Digital Officers and things like that. Now those relationships are that real we have to build leveraging the existing CFO and the CIO relationships that we have today. So earlier, we were working on a very niche area of revenue management, which is more towards the CFO as a business user and CIO as enabler. But now we have to appeal to a lot more or we can appeal to a lot more within the Telco aspects. Those are the efforts that we are building. We have augmented the team that the people who has got that experience into selling into those CTO organizations, we have augmented the team and wherever required, we are also making the changes to ensure that if the specific account based on what we want to achieve, we want to do that. It's a work in progress, because as I told you I'm talking specifically about Telco at this point in time. So, we expect that as we gain more and more traction on the HyperSense, you will see a lot more new logos coming to us along with existing sites. So, I think that is a work in progress and we have augmented the team and at this point in time, in the regions that we are strong, we have very strong contacts and our sales team is probably very well engaged. Now the areas that we are significantly stepping up our effort is in Europe and North America, where we have primarily we're working with very large Telco's and on small range of products and again with HyperSense, we have an ability to engage with a lot more customers on a lot more areas. And there,

they we have augmented the team by adding more business development teams are putting more people on the ground. We are also leveraging mainstream partners, very large size and we are also engaging them, so that some of the large transformation projects, we can play a lot more than what we were earlier playing in the market. So, that's my view on this. We are stepping up our efforts on engagement both on this new areas by having more feet on the ground.

Prashant Sawant:

Thank you very much, Mr. Vinod. And I fully support you, we are totally going to back you as an investor. I see a definite revolution coming ahead in Subex. So, all the best to you and the team.

Vinod Kumar:

Thank you very much.

Venkataraman GS:

Thank you, I appreciate that.

Moderator:

Thank you sir. The next question is from Mr. Rishi Aneja from Deep Dive Equity Research. Please go ahead, sir.

Rishi Aneja:

Good morning sir. How are you? Thank you for giving me this opportunity to have a question with you.

Vinod Kumar:

Thank you, thank you.

Rishi Aneja:

I've been looking your top line since December 2018 till this quarter. Your numbers are continuously hovering around 80 or an average basis 85 to 90 crores only. Whereas, we have seen number of contracts and tie-ups during this period and those contracts hasn't got materialized or being continued or reflecting in your sales number, to name a few. We have been seeing like, we have seen on February 2019, we have won a ROC contract from Umniah, Verizon, Florence, Arizona partners to which Subex to CyberSecure on August 18; BTC contract in 2019; Six-year contract from VodafoneZiggo; Econet wireless from Zimbabwe; Florence, from Florence in June, 2019; Rhino Niger in July 2019; VIVA Kuwait, September 19; ROC fraud management contract from Jawwal in January. They are numbers of contracts but your sales number are still moving around Rs. 85 to Rs. 88 crores only. Only two quarters are exceptions, March 2019 and it was?

Vinod Kumar:

I think if you look at our business today, I think about 35 to 40 percent of business comes from the new projects that we execute. When I say new projects, it's also projects from existing customers and new projects from existing customers and new logos. So some of the things that you called out are the revenues that are sitting in the 40% of the revenue that we report on an ongoing basis. Now, I guess the point that you're making, is that

why the numbers not going beyond, let's say about 12 million revenue level. Now that is where I think some of the new areas will have to start trickle. The revenues will have to come in from those new areas. Yes, this quarter has been a kind of exception in the sense that we have faced some challenges on initiating some projects. Things would have been very different if that wasn't the case. But, we are tending towards the number that you mentioned about one of those FY 19 ending Q4, but we'll see as we get into Q3 and Q4, probably some of the things will become more clear to you.

Rishi Aneja:

Sir, we have seen selling from your side also on 22nd June, 2021, when the share was at the peak. So, aren't you still bullish on your company itself or you sense it like this quarter won't be good and you have sold your stake also and we have observed that this ESOP has been used to just cash in on it's employees or just cashing on the opportunity.

Vinod Kumar:

Okay, look, so we have some, just because you're asking. We have some restrictions on how much we can sell and how much we can exercise for during the period. I see now because of the blackout period, the period is only available for about 45 days, or thereabout in a quarter. And we have put an internal restrictions let's say internal best practice that we are put that we can only sell 100,000 shares, even if you want. So, there was some cash flow needs based on which that happened and that's why you will see the concentration happens during only that 45 days. And you will see that it happens only in 100,000. These are some of the internal restrictions as a best practice we are put in place. So, this is purely on the cash flow needs and you know, I still have a lot of ESOP's with me and I intend to convert that as we go along.

Rishi Aneja:

Sir we are also seen one announcement from your side.

Moderator:

Mr. Aneja.

Rishi Aneja:

Yes.

Lady:

I'm really sorry to interrupt. Sir, do you mind coming back in the queue?

Rishi Aneja:

Alright.

Moderator:

Thank you. Mr. Aneja. Our next question from Mr. Manohar Ginnu from Nokia. Please go ahead, sir.

Manohar Ginnu:

Thanks for giving this opportunity. Vinod, I got answers to some questions they already covered, but just I want to ask you one

more thing and what are the gaps we can figure out from with our competitors. So, what are your plans on that?

Vinod Kumar:

See, I think on the competition on the base and our core products, which you are talking about, there is this hype of the whole HyperSense, the whole way we are engaging with the customers with ongoing updates and Mac based architecture, it's completely a forward looking and it has been creating a lot of excitement in the market. So that's a big differentiator that we have created at this point in time. On the new areas, for example, on the IoT, OT track, you know, we are developing that threat Intel based on our expensive honeypot, that's something which we are constantly investing to ensure that we have more and more coverages of OT and IoT devices. So, that will be again, competing thing. On the IDcentral, particularly with respect to the opportunity in India, as you know that India, I mean, the RBI has been recently cleared the video KYC. So, these are all moments that we are taking advantage of and we are working on that area of onboarding and on identity analytics. So, these are all things that we are doing and at this point in time, our accuracy is much better than some accuracy of some of the other internal tools that the customers are using. So, we are on a constant basis trying to differentiate ourselves on increased accuracy by improving the algorithms and AI models that we are using. And that will be our differentiator. Second, particularly your question about the opportunities in India per se, we have started pursuing it like for example, IDcentral is predominantly focused on the Indian market and the Indonesian market and we are making good progress there. Some of the logos that we have is very good. Our page company is on the Crypto and on the Fintech space, and they are growing and we intend to grow along with them. So, India is going to be a big part of the market that we focus when we talk about IDcentral, and IoT segments. On the 5G, our current focus is predominantly on Europe and North American customers, because that's where a lot of actions are there. And we will take those, we will engage with the customer here, but as and when, there is an opportunity, but our currently most of our activities are on 5G are happening in North America and European customers.

Manoher Ginnu:

Okay. Thanks Vinod. I have one more question. And I see a quarter and quarter on basis, our expenses are increasing significantly. And so is there any other investment plan so on the expenses or what?

Venkataraman GS:

So the expenses, the movement for the expenses in the current quarter, I had explained earlier in the call, I'm not sure whether you listened to it. I think we have explained it in a very specific reason, which was primarily contributed by Forex and some additional decision-making for the demand pick up we're seeing

in the market. Apart from that, I think our investments for the newer areas will continue to keep making those investments in the newer areas like IDcentral and OT security, which Vinod spoke about. So nothing unusual, I think we will continue to do what they've been doing in the last couple of quarters. The specific moment in the other expenses, you see is factor is influenced by two or three factors, which I spoke about. And I don't see that going up significantly in the coming quarter.

Manoher Ginnu:

Okay, so how about for the next quarters? So is it very less compared to quarter two and quarter one?

Venkataraman GS:

As we have explained earlier, we're not getting into quarterly or yearly guidance at this point in time. I think we will continue to keep you updated as we report into the quarter, but we're not getting into specific guidance at this point.

Manoher Ginnu:

Okay, thanks. Yeah.

Moderator:

Thank you sir. Ladies and gentlemen, that would be the last question. Now I hand over the floor to the management for closing comments.

Vinod Kumar:

Okay, so thank you for all the insights and all the questions there. As I said, the Q2 has definitely not in line with expectation. I think the robust order book give us a confident that directionally we are on the right path and we will continue to focus on execution particularly on the new areas and we are scaling that up. We also thank you for your continued interest in Subex. And if you have any further clarification then you can reach out to us at investorrelations.com. Thank you again and stay safe and take care. Wish you all a very Happy Diwali.

Venkataraman GS:

Thank you, Happy Diwali to everyone.

Moderator:

Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your line now. Thank you and have a good day.

Note:

This document has been edited to improve readability.