



eMudhra Limited
Q4 FY23 Earnings Conference Call Transcript
May 03, 2023

MANAGEMENT PARTICIPANTS:

MR. VENKATRAMAN SRINIVASAN – EXECUTIVE CHAIRMAN

MR. SAJI K. LOUIZ – CHIEF FINANCIAL OFFICER

MR. KAUSHIK SRINIVASAN – SENIOR VICE PRESIDENT, PRODUCT DEVELOPMENT

Moderator: Ladies and gentlemen, good day and welcome to eMudhra Limited Q4 FY23 Earnings Conference Call. As a reminder, all participant lines will be in 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. Venkatraman Srinivasan, Executive Chairman of eMudhra Limited. Thank you and over to you sir.

V. Srinivasan: Thank you. Good evening to all of you and welcome all of you to this earnings presentation for Q4 & FY2023.

So, little bit I will address the origin and where we are today and then going to the financials, then later on Mr. Saji, our CFO will go through the cash flow statement, profit & loss and balance sheet, and then about the technology and various aspects and future strategy, Kaushik will present.

So, coming to where we are today, we have become a one-stop shop solution provider in the securing enterprise transition to zero trust. So, in this, what is zero trust? Now, zero trust is emerging as a major thing around the world. And then zero trust has become necessity because of the interconnected global world, where not only people, the devices, the internet and so many things are interlinked. And when so many things are interlinked around the world, the cyber security is very important and then again for efficiency and cost reduction and all those purposes, digital transformation is very important. So, we are in the digital transformation and cyber security solution provider. With that, we also combine the trust service provider so that we have become a one-stop shop. So, that is our theme in which we operate and we will continue to operate.

The important things are, one, we have marquee customers; 19 out of top-20 8,500 customers and several large banks, large eCommerce pharma companies and automotive companies are our customers. Then mature technology solutions and intellectual property. So, all our solutions are used to be very big banks, big government agencies, and then they are all mature over the last several years.

And we are very focused on innovation. So, we have more than 250 people on the R&D itself and continuously do R&D on the digital transformation, cyber security.

Then global IT research like Gartner, IDC, then Frost & Sullivan, all of these have recognized that in several of their reports we have been featured.

Then thought leadership, quality and security. So we are a Board Member of the Cloud Signature Consortium. I am the Chairman of Asia PKI Forum.

Then, we have several quality accreditation and certifications, especially EAL 4 which is a very important subrogation for the cyber security. And also we are in CMMI Level 5 Certification. And we continue to be the largest certifying authority in India.

So, coming to the zero trust, zero trust is the new security paradigm. Never trust anything but always verify. So never trust and always verify. That is the paradigm. That is where the world is evolving now. So, the digital trust and traceability is becoming a critical factor in electronic document exchange. Only technology that can replace wet signature, provide legal non-repudiation, identity, traceability and non-tamper ability is digital signature and based on the PKI infrastructure.

Then the cyber threats are forcing enterprises to secure their network. Sensitive use cases are rapidly adopting digital certificate-based authentication to secure that infrastructure.

And again, another important thing is data privacy. All around the world, it has become very important. It is forcing enterprises to leverage cryptographic key to encrypt sensitive data. So, both data trust and data motion everything to be encrypted. That is also very important.

So, in this where does eMudhra fit in. So eMudhra has solutions for most of these components. For now, if you see we have authentication solution, which can authenticate users and application. We have encryption solutions for website servers, everything, and then we have signing solutions, which is the emSigner Solution. Then we issue Digital Signatures and those digital signatures are issued based on the cryptographic key. So that way, we have comprehensive solution towards the zero trust, emSigner Solution, emAS Solution. And again, emDiscovery is our recent solution, where the certificate lifecycle management including discovery, we provide a solution. Then CA solution we always have for the last four or five years.

And from this presentation, you can click on the link so that you can more understand about the cryptographic keys and the digital signature.

Then we have global recognition. We have strong partnership; we have driving thought leadership. And global accreditation, IDC has accredited us as First in the Identity and Digital Trust Category. Gartner again recognized in Gartner eSignature Grade as a Global Full-Service Enterprise Solutions, Ten DSE technology, again InsurTech and People Choice Award has been given to us. Then in CEO 20 Most Promising Tech Solution Provider we are featured in. And we have a lot of technology partnership; SAP, Sage, then Infosys, then TCS BaNCS, then DSE Technology, then TALIS, Utimaco. So, with all of them, we have technology partnerships. Similarly, we have reseller partnership with several large companies like TCS, Infosys, Tech Mahindra, LTI, and several others.

Then Global Membership, we are a Member of Cloud Signature Consortium. Member of Asia PKI Consortium, Member of FIDO Alliance, Member of CA Browser Forum. Then we have

AATL Accreditation and Web Trust Accreditation, Safe Accreditation. Then quality security certification. Again, we have several ISO Certification. We have HIPAA Certification, CMMI Level-5 Certification and many other certifications which are necessary for this industry.

Coming to the financial performance, our growth has been very good in the last year. So last year, we achieved 38.3% year-on-year growth and we touched Rs. 254.1 crores of total income. And the EBITDA again, we got an EBITDA of Rs. 92.6 crores, which achieved a 36% year-on-year growth and EBITDA margin also continue to be good; 36.5% margin.

And coming to EBIT, we achieved Rs. 76.8 crores. So, which is 39.5% growth year-on-year and EBIT margin was 30.2%. We achieved a good net profit of Rs. 61.2 crores and which is again 48.8% year-on-year growth and margin at 24.1%. Then adjusted net profit, because in this net profit some amount of ESOP provisions is made. So, if ESOP provisions are adjusted, as we had explained earlier, entire shares have been transferred to the trust and there is no dilution at all, but still based on some 2013 method of accounting, they are putting ESOP expenditure in the profit & loss account, then it is debited to profit & loss account and credited to reserve and there is no outflow or anything like that. So, the number of companies are adjusting this adjusted net profit. On adjusted net profit basis, the net profit became Rs. 64.4 crores, which is 54.5% year-on-year growth and 25.3% margin.

And the cash from operations became Rs. 48.6 crores which is 66.3% of the PBT. And we paid a dividend of Rs. 1.25 per share which is in line with the last year. So, strong revenue growth, strong EBITDA growth and strong profitability and also a strong cash flow generation.

Then Q4 alone, if you take, again, the total income was Rs. 79 crores, again 73.9% year-on-year growth. EBITDA Rs. 25.9 crores, which is 40.6% year-on-year growth with 32.8% EBITDA margin. Then EBIT Rs. 22 crores with 41.9% year-on-year and 27.8% EBIT margin. Net profit Rs. 15.8 crores, which is 46.3 year-on-year and 20% net profit margin. Adjusted net profit Rs. 18.4 crores which is 61.3% year-on-year growth and 23.3% on March. So, that way even the Q4 was a very good quarter and a good improvement in performance was achieved.

And what is our track record over the last four years? The last four years the revenue from operations grew from almost Rs. 116.5 crores to Rs. 248.8 crores which is 28.8% CAGR. And this growth is driven by enterprise solution and international markets also. The EBITDA growth was 42.1% CAGR over the last four years and the EBITDA was 36.5%. Similarly, the PAT growth also had a CAGR growth of 49.3% over the last four years.

And coming to the other key business indicators, the revenue has been shifting more towards enterprise solutions, because as I had explained in the last calls, in the trust services, the pricing little bit came down, but that got more than compensated by a further growth in the enterprise solution. So enterprise solution and overseas markets really contributed very well. And again, the revenue recurring revenue also was 65% in the last year. And the revenue mix if you see, enterprise solutions became almost Rs. 163.7 crore and trust services were Rs. 85 crores in the

last year. While the trust services were almost flat in the last year, you can see the enterprise solution revenue grew from Rs. 98 crores to Rs. 163 crores.

Then geography wise if you see the revenue mix, so, the India geography grew from Rs. 147.7 crores to Rs. 159.6 crores. The international geographies grew from 34.9 to 89.1 which is more than doubled.

And revenue concentration from the top five customers was 27% and top 10 customers was 39%.

Then again, the other details of operational performance, the revenue breakup by sector: The government sector constituted 30% and the private sector constituted 48% and BFSI constituted 21%. Similarly, partner sale versus direct sale, partner sales constituted 25% and direct sales constituted 75%.

Then the revenue breakup by product, cyber security product is 62%. Within cyber security, we have the emCA product as well as emDiscovery product and also the emAS product, whereas the paperless is only the emSigner product which constituted 38%. Then existing customer revenue constituted 72% and new customer 28%.

Again, the closing order book continuously increased almost from Rs. 76.9 crores, it went up to Rs. 118 crores as of March 2023, so that much of increase happened in the closing order book.

Coming to the trust services operational performance, again, strong brand positioning has been created. So, people want the eMudhra Digital Certificate. So that's why though we are a little bit costly, still, we command the leadership position and number one position in authority.

And more and more retail customers are acquired. Then our partner network instead of a top 40, 50 partners, we have broad-based the partner network so that we go to even the smallest of the partners.

And another thing is last year, the new areas such as eSign, SSL Certificate, we have also improved considerably. So, if you see FY22 to FY23, in FY22 72% of the trust service revenue came through the channel partners and 28% came through the retail. But in FY23, 35% came through retail, and 48% only came through channel partners and 17% came through the new products. So that way, the relevance of the channel is gradually declining. And our new model enables us to go direct to many new and smaller channel partners to improve. And also, it gives us more flexibility to directly approach retail. So that way the new model is stabilizing over the last three months and it is giving good results.

And then the number of users if you see the retail users increased from 1,91,000 to 2,49,000. So, there's a good jump there.

Similarly, the number of DSC issued increased from 2.43 million to 2.94 million.

Coming to the return ratios, again return on equity, because equity base you know that in June, we made the IPO. The IPO increased the capital base considerably. So, because of the increase in the capital base, the return on equity reduced to 22.4% and the equity is not fully deployed and has not come up to the optimal level. So, over the next two to three years, it will come back to the original position and may further grow also.

Similarly, return on capital employed also because of the equity injection in the current year, which is not fully utilized. So that's why it has a little bit come down, so it will go up.

Then coming to the trade receivables, the collection days increased from 80 to 95. But again, this is one due to the growth, second, due to the larger and larger projects which we are doing in the government and the public sector undertaking while the collection time takes more time. So, in spite of it the growth is only from 80 to 95 days, which is recoverable. And out of these 95 days recoverable, almost more than 50% is within 30 days itself. So that way the recoverability is quite good.

Coming to the consolidated profit & loss account, Saji will explain about the consolidated profit & loss account and balance sheet and cash flow.

Saji K. Louiz:

Thank you, sir. So, the revenue from operation for this current financial year which grew year-on-year basis by 36.2% to 2,488 million, and with a CAGR of 28.8%. The total income again 38.3% of year-on-year growth with a CAGR of 29.6%. The total operating expense stood at 1,614 million as against 1,156 million in the previous year, which is across operating, purchases, inventory, employee benefit expenses and other expenses.

EBITDA grew from 681 million to 926 million which is about 36% of year-on-year growth and with a CAGR of 42.1%. Margin level is 36.5% for the year ended March 2023.

The EBIT level grew from 550 million to 768 million with a year-on-year growth of 39.5% with a CAGR of 48%. The margin level of EBIT is about 30.2% for the year ended March.

Profit after tax grew from 411 million to 612 million, which is about 48.8% year-on-year basis and CAGR of about 49.2% with a margin of 24.1%.

The EPS of the company stood at Rs. 8.35 with a growth of 42.5% as compared to the previous year, and with a CAGR of 52.2%.

This one is a consolidated balance sheet of the company. The total assets of the company grew from 2,591 million to 4,599 million which is mostly segregated into tangible as well as intangible asset. Major portion is sitting in these two assets. 915 million is sitting in tangible assets whereas 582 million is sitting in our intangible assets. And we have some small portion of right use of asset of about 85 million and assets under development is having about 472 million, these are the major things.

After that, we have 672 million of trade receivables and then we have a liquid investment of about 209 million which is actually an overnight investment. We have a cash and cash equivalent of 984 million and then other assets all totaling to 4,599 million.

In the liability side, the borrowings are internal borrowings, not outside borrowings, 157 million. And then we have a lease liability of 97 million and trade payables of about 182 million and then other current as well as non-current liabilities put together about 240 million. The total liabilities are 675 million as against 1,050 million in the previous year. So, the net asset stood at 3,924 million, which is again represented by the equity share capital of 375 million and other equity of 3,541 million and then we have a small portion of non-controlling interest which is about 8 million, totaling into 3,924 million as against 1,541 million in the previous year.

Coming to the consolidated statement of cash flow. Starts from the profit before tax, 734 million as against 505 million in the previous year. So, the net cash flow from operating activities after income tax comes to 336 million as against 216 million in the previous year. And during the year, the investing activities we spent about 1,067 million as against 377 million in the previous year. And then net cash used in the financing activities is 1,275 million and 160 million in the previous year.

And then we have 44 million of foreign exchange adjustments because of the consolidation. So that net increase comes to about 587 million as against 5 million in the previous year.

And the opening cash and cash equivalents stood at 83 million. So total cash and cash equivalents for the year-ended March 2023 comes to about 670 million. Then if you add back the fixed deposit, which is having a maturity period of over the 12 months, which is about 314 million, and then we have overnight deposit of mutual funds, which is about 209 million. So total cash and cash equivalents stood at 1,193 million as against 133 million in the previous year.

With this I'd hand over to Kaushik.

Kaushik Srinivasan:

Thank you, Saji. So, if you look at some of the key achievements in the last year, we've implemented several major projects. This includes implementation of emAS for identity access management for the defense forces. A lot of the EMC and PKI deployments across multiple countries in defense and government. Especially, we have also achieved deep penetration in banking, where the emSigner product is used for enterprise-wide banking paperless transformation across several large banks and domestically also for solving use cases with lending including eSignatures and e-stamping.

And also, we helped many countries put in place at first certifying authorities in the Gulf region and Latin American region. This is also giving a huge impetus in those markets to sort of further enhance our penetration.

And interestingly, several new use cases in the ecosystem, we were able to drive. One, around IoT for a large global car manufacturer and part of several energy grids.

e-Passport implementation for a country in the Middle East and also rollout of the card security, this is primarily for debit cards and credit cards for interbank payments for a central bank. And also, the first of its kind mobile PKI for digital identity and secure authentication in Indonesia for a state-owned entity. Essentially a number of projects, a number of use cases across all our products, and for several large marquee customers we were able to roll out in the last financial year.

And also, this was aided significantly by strong engagement with global IT research firms who have also consistently recognized our positioning in the market. So, in Gartner several reports now sort of mentioned eMudhra, significant ones include the Market Guide for Electronic Signature, where Gartner recognizes us as a global full service enterprise workflow vendor. Also, their peer insights, platform, rate us 4.4. This is as a result of several customers sort of voicing their opinion. And we are rated as a strong performer in the electronic signature report.

And also, newer set of tools around DevSecOps, which is another emerging area where security is embedded. As a design principle in software development, Gartner also has mentioned us there in the PKI and Certificate Management Category.

And again, as mentioned, IDC ranks as number one in the Identity and Digital Trust Category in India in the last year.

And we were also a Great Place to Work certified, essentially are a testament to the culture that we've been trying to build in the organization.

To quickly give a glimpse of what our businesses and what are the products and how they are sort of different in the market, little of trace back to the company. We started primarily as a certifying authority in 2008, Issuing Digital Signature Certificates. But over time, put a serious focus on innovation and intellectual property development around the Digital Trust space. So, we launched emAS, which was the authentication platform that was required to validate the digital signatures, which over time has been enhanced. Then as part of the whole rollout of Aadhaar and eSign on top of that, we also launched the emSigner product for workflow automation, with eSignatures. Then we launched emCA, which was necessitated to replace our existing vendor for identity management and issuance of certificate itself. And during that year, we also launched our Global CA Operations, essentially helping us go to many countries and put in place similar backbone, and also issued these SSL, TLS certificates for website authentication. Then we went a little deeper. We also enhance emAS capability for identity and access management. emSigner again, was verticalized for the banking industry. And finally, we launched the emSign Hub, which is our reseller portal for reselling SSL, TLS Certificates.

So, if you see, the idea really has been to focus deeply as an IP-based company in this space, which is an intersection of cybersecurity and digital transformation. And our new R&D efforts are also primarily focused on this area around IoT certificate management, remote signing, and how do we position this one-stop shop positioning in the context of this new wave of zero trust, which is never trust, always verify and therefore, identity traceability becomes a very critical component in that whole ecosystem.

Again, business is categorized into two lines. One is the Enterprise Solutions, where we've got three sets of solutions -- Paperless Authentication Solutions, Public Key Infrastructure, and then of course Trust Services where we issue these different types of certificates. So, the overall combination is of a cybersecurity and paperless transformation solution provider, but built on this foundation of Digital Trust, which we are trying to now scale up globally.

And from an R&D team today, almost 250-plus people are there who are all developers who are continuously developing and delivering IP, and the total employee strength is around 780 people. And we've developed very specialized skills in cybersecurity cryptography, cloud technology and this whole new DevSecOps and all of the key members of the product team have been very stable with the company and have spent a fairly long period almost eight plus years and then the subordinates also have spent considerable amount of time in the company developing significant competency that we're able to take to the market.

So this is representing a slightly more granular view of the products. Of course, in the PKI, which is emCA, we've got various flavors of the product for root enterprise managed PKI. And the ability to issue various types of certificates. In emAS, again, we've got different types of authentication, single sign on and access management, and the new and emerging areas where we're able to issue digital signature certificates even directly to the mobile phones, because some of them are fairly secure, and focus on IoT and data encryption, which is emerging as a big area.

And then the new product that we run, which is the Certificate Lifecycle Management call EM Discovery, which does essentially automated discovery of certificates, ability to scan, manage the whole lifecycle of the certificates, and ability to provision back to the certificates even though each individual device and various other types of certificates. And also again, cater to the area of DevSecOps, where things like Docker, Kubernetes are the new technologies that are used to sort of rapidly deploy code and software, but need to be protected and therefore require the usage of cryptographic certificates. So the first two, three products, that is 1-3 the buyer is basically the chief information security officer organization or the IT teams that sort of decide, depending on the organization structure. We're coming to four, which is emSigner, which is the enterprise paperless transformation product. There the buyer is a business user. There the thesis is pretty simple, wherever paper based signatures are used, which is of course extensive in many industries, how do you replace that with digital signature workflow so as to enable seamless completion. Here, the factors are largely aided by cost reduction, significant improvement in customer experience, and also efficiency, whereas the 1-3 is more a cybersecurity driven need,

which is again becoming critical as a result of so many data breaches that are happening globally, and essentially, therefore driving the need to protect your enterprise infrastructure.

And an interesting thing is this public key infrastructure is also emerging as a very important foundation in cybersecurity for data privacy and new areas such as post quantum cryptography, web 3.0, all rely on this technology as a backbone to drive security in the future as well.

Again, coming to Enterprise Solutions, we've done a fairly detailed view of the products use cases, what are the differentiators. I will of course, not go through line-by-line, but to give you a broad glimpse emSigner largely used across any sector. It is sector-agnostic, because the idea is to replace paper-based signatures with digital signatures. But every industry has its own set of nuances and the product is getting sort of better and better, for instance, we've verticalized a product for banking, insurance, pharma. And as we understand more use cases, we are again building deeper capabilities in those verticals. And it has got significant differentiators. The key ones being the ability to leverage identity-backed digital signatures. In India, essentially we ride on Aadhaar as a digital identity. Several countries essentially are building similar programs. It's verticalized for specific industries as I said.

And again, we do private cloud and on-prem deployments because many of the regulated industries want data protection and data control. And therefore, we cater to that. And we essentially have dealt with several large customers in the banking and eCommerce, in IT outsourcing both TCS and Infosys happen to be customers. And essentially the competition here includes DocuSign and Adobe sign when we talk about the global markets.

Coming to emCA, it is basically a software that allows you to issue the certificates, but has a lot of critical security guideline compliances and global standards that it needs to adhere to, and therefore it needs those demands. And from a use case perspective, a lot of use cases both for government CA as well as private CA setups in many countries, e-passport implementations, new emerging areas of IoT-related device certificates. But what is really driving the growth for this product is many enterprises want to use certificates for securing their infrastructure and authentication. So every large enterprise over time, they are looking at leveraging cryptographic identities and cryptographic certificates to authenticate. They will also put in place this software so that they can control and own that whole sort of solution to issue certificates.

From a differentiation standpoint, it's EAL-4 Plus certified by the Cyber Security Agency of Singapore. This is the highest product security certification, a product can get in this space. And we also support multiple types of PKI deployment models, and we have a strong support in-house implementation team. Again, from a customer perspective several large customers across sectors, but primarily in government, banking, and IoT. And competition here largely includes companies such as Intrus, Nexus and Primekia. Intrus is from America and Nexus and Primekia from Europe.

On emAS, emAS is a multi-factor authentication, identity access management and single sign on solution. Essentially, by putting this in any enterprise, it allows them to secure their authentication. So today, many enterprises are still reliant on password-based authentication. And different, different systems force you to log in multiple times. And there is no centralized access control. emAS essentially solves that. It allows you to move away from passwords to far more secure forms of authentication and centralize the whole sign in and login process across different applications. It's implemented at scale. In India, critically, government platforms rely on emAS for digital signature authentication. We also have completed large scale implementations in defense, banking and smart cities for the identity access management platform as well. Here again, the competition largely is basically Intras and this other company called Micro Focus.

So to summarize, the products have really matured over the last several years, and have marquee reference customers and also present significant cross sell and upsell opportunities. So once we sell one product, typically we are able to sell the other products, because all around this similar theme of digital trust and essentially moving to this paradigm of zero trust.

Again, what's the market opportunity? These are numbers that are there and prepared by Frost & Sullivan as part of the prospectus document. But quickly to recap, emSigner has an 8.2 billion market opportunity in the next five years with the 29% CAGR and our focus is to continue and deepen our penetration in the Indian market, expand in the other market that we're already present and then specifically in North America how do we go after select segments such as tier-2 banks to basically penetrate.

And from a roadmap perspective also, we have visibility over the next 12-18 months. The idea to really develop verticalization and also expand on platform partnerships with leading ERP, CRM and HRMS systems and also list on cloud marketplaces such as AWS which allows various companies to easily sort of deploy and start accessing the platform in a much, much more rapid manner.

Coming to emCA, it's a 3.8 billion market opportunity in the next five years with a 15% CAGR. Here really there are tons of opportunities that are emerging both in the private sector, government sector and in enterprise PKI space where enterprises are looking at leveraging digital technical certificates for securing the infrastructure.

And from our roadmap perspective, we are focused on how do we enhance the capability from an IoT certificate management standpoint, newer sets of cryptographic algorithms also emerging in the context of this quantum computing. There are a few post quantum crypto algorithms. So we will embed them in the software to essentially make the software even quantum ready and also enhance e-passport feature set which is emerging as a big theme globally where immigration is trying to be streamlined through e-passport mechanisms.

And last, emAS is an 11.2 billion market opportunity in the next five years with a 14% CAGR. Our focus is to, one, while we are already strong in India, how do we take this product to other emerging markets where there's a need for PKI-based digital signature authentication, access management and single sign-on.

And from a roadmap perspective, we plan to enhance capabilities around identity governance, also embed AI so that various risk anomalies can automatically be identified in the context of authentication and essentially secure the infrastructure.

So, talking more specifically about emDiscovery, this is becoming a need of the hour. We launched this last year. The broader theme is any enterprise environment is becoming very complex. Most of them are open connected, multi-environment and pretty much always on across different locations. Today these certificates are only used to protect external facing websites, servers VPN access, etc., but over time many enterprises are dealing with thousands of certificates. So how do you really manage their life cycle? And this is what the product really solves. It provides a centralized dashboard where all of these certificates are listed and you can pretty much identify when each certificate is going to expire and then automatically sort of renew it and provision back to the server. So as enterprises look at adopting more secure forms of authentication such as digital signature certificate, this software is emerging as a critical sort of need from a cyber security perspective.

Again, this is more a visual representation. So from any large organization if you take a look at, they would have already provisioned thousands of certificates which could reside on servers either on-prem or on cloud, load balancers, other network devices such as firewalls and also on hardware security modules or residing with various individuals in the form of individual certificates or e-mail certificates. So this software allows you to scan all of them in a completely automated manner, request all of these certificates. And this request can again flow into either our public trust which is emSign which is all browser recognized certificates or hosted kind of digital signature certificate model where we hosted on the companies behalf or completely do it on-prem through emCA as a solution. Once you get the certificate, it can go through a set of workflows where the certificates are validated for certain risks, compliance and various other processes. And then any type of certificate can be issued, be it SSL, TLS for websites, individual certificates which most of us use. S/MIME certificates and also custom certificate profiles for IoT devices and supports pretty much any protocol. And these certificates again be provisioned back in a completely automated manner in various types of servers or web environments or through manual or API-based deployments.

So essentially the combination of emDiscovery, our emSign and emCA offer a very powerful and comprehensive certificate life cycle management which we feel will emerge as a significant platform as enterprises try and move to this new paradigm of zero trust where hopefully everything will depend on usage of cryptographic identity to secure the enterprise IT infrastructure.

On Trust Services, again, as outlined by our chairman, the positioning has really been that of a branded player. We've been trying to significantly shift our focus to the online retail where we are seeing continuous growth and then we've also moved away from the earlier model of selling to master partners to a larger subset of sub-partners. And what is aiding our growth also a significant differentiation. We are the only CA to have strong in-house technology for partner management and retail. We have a fairly quick and easy onboarding and fulfillment process before 24x7 direct support and our D2C pricing which is our retail pricing is almost 6x to 7x of the channel pricing. And here two important things are driving the growth. So unlike other distribution we have full visibility of the end customer because we do the KYC for them. And also we enjoy a significant Google Organic Ranking; we almost have 3x to 4x the next competitor in terms of Google Search Trends, and this is also bringing sort of helping us acquire customers at a much, much more relatively lower customer acquisition costs.

And apart from the digital signature, we also do eSign. So eSign is another type of signature where anyone can use Aadhaar or PAN or GST to authenticate and then dynamically sign documents without the need for crypto tokens. This is largely a B2B sale to BFSI to capital markets to private sector and government. And this is a new segment. And again as outlined, this is also considerably growing. Last year was really the first year where it started picking up, but will continue to grow as more and more private sector and BFSI use cases start leveraging the signatures for complete paperless transformation.

Here also we have significant differentiators. We are the only eSign vendor to offer all types of eSign. The other competitors are only on the Aadhaar, e-KYC-based eSign, whereas we offer PAN, organization eSign, bank KYC and foreign individuals. Because many a times the mobile number is not linked to Aadhaar and therefore people are not able to use the Aadhaar eKYC. That is where the other types of eSign also aid in quicker customer acquisition.

From a global CA perspective, again, we are the only Indian company to be able to issue these SSL, TLS certificates. This journey is a significant one. It has a significant barrier to entry because almost it takes four or five years where it requires some demonstration of strong competence and operational expertise to operate the CA. But once you get it, then you are able to issue these website certificates as well as other types of certificates for securing the enterprise network.

From a differentiator perspective, again, we have full in-house technology for partner management and fulfillment, fairly quick verification. In the context of India, this huge push towards Make in India and data localization is helping us. And we've also tried to maintain attractive price points because the entire verification cost is actually from India.

Just a snapshot. The senior management is all stable, the technology and corporate functions has fairly strong leaders who got significant experience with prior companies includes myself, Vijay, Saji, Venu, Kiran and Jana, all of whom have worked for a fairly long period in the company with significant prior experience as well.

And from a business development standpoint, this is where we've been putting a lot of effort in terms of hiring seasoned leadership level folks. Arvind is based for primarily responsible for the international business development. We've got Biju who looks at the Indian market from a business development. We also hired Pankaj who is based out of North America and heads the region. Scott joins us recently as the SVP & Global Strategic Advisor. He has a PhD in Information Security and PKI and was Digiset, IdenTrust and Digital Trust, who has a strong understanding of the PKI landscape in the developed markets. Geetha is responsible for the Indonesian market. Geetha and Mike work there to penetrate and we are also putting a significant focus there. Because Indonesia as a market again is trying to emulate what India has tried to do over the last several years in terms of the digital infrastructure. And then Prasanna is based out of the Middle East who's looking after the Middle East and Africa market and has extensive prior experience in the Middle East and Africa market in sort of selling enterprise IT solutions. So all in all, a fairly strong leadership team that we've tried to put in place and we've been investing into hiring people for our global growth ambition.

The board I will not go through this, because it's the same set, but they've been continuously able to add value to our growth and our global strategy, again, led by our Chairman, Mr. V. Srinivasan.

In terms of strategies for future growth, I think we are at an inflection point. This whole theme of zero trust is playing out pretty well and then in that context also paperless transformation and identity-backed eSignature workflows are paying off pretty well. So there are multiple impetus that is driving our global growth; one is of course a push for strong cyber security as a result of data going digital and the fear of data breaches; two, climate change and essentially (ESG) Environmental, Social, governance, again, providing various opportunity for our solutions.

And we've been able to position as a One-Stop Shop with a strong platform capabilities recognized by Gartner, an extensive range of products with reach and marquee reference customers and verticalization.

From a legality, quality and security perspective, we've again got all of the quality and security accreditations. Our focus is on thought leadership and strong channel partner network.

In terms of the four strategies, one area of course would be to continue to focus on IP development and services to cater to zero trust, invest into geographic expansion to tap market opportunity, go after meaningful markets which are trying to significantly focus on digitalization as a theme, focus on platform partnerships like the ones with ERP, CRM and various other systems.

And from a trust service perspective how do we focus on new markets and how do we focus on this branded retail push and of course how do we penetrate the SSL, TLS certificates directly and through the certificate lifecycle management platform that we have.

Also, what we've tried to do is we put product videos as part of the deck. So anyone can click on these product links and get a glimpse of what the product is all about. And of course we are available anytime to answer any further clarifications you may have on the product. But with this I think we complete the presentation. So I'm going to hand it back to the IR from Churchgate Partners and maybe open it out for questions and answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Prashant from Whitestone Financial. Please go ahead.

Prashant: Sir my first question is, can you explain which product credit category is sold under Enterprise Solutions, and also give some color on critical plan that you cater in each of this vertical plus sales from this?

V. Srinivasan: Enterprise Solutions, as Kaushik explained, we have three products; one is the emSigner product, then the emCA product and the emAS product and the new product emDiscovery. So, all these are sold under Enterprise Solutions category. The trust service category is typically the issuance of digital signatures for the people, then the SSL, TLS certificates and then S/MIME certificates. So those kinds of certificates for the people that will come under the trust services. So, this is the difference between the trust service and the enterprise solutions. Typical customer enterprise solutions will be predominantly you take most of the banks in India use our emAS solutions. Some of the banks have also used emSigner Solutions. And almost all the big government departments use the emAS Solutions like the GST department, income tax department and all that. And some of the banks which is a subsidiary of the RBI and then the defense establishment they use the emCA Solutions. Similarly, even if you take Middle East, several banks use the emSigner Solutions. And some of the Middle East defense forces also use the emCA Solutions. So that way it is all sold to big banks, government department, public sector undertaking and also the large private sector enterprises also, including maybe Infosys, TCS. If you see TCS itself, it is using emSigner Solutions as well as emCA Solutions. Infosys is using emSigner Solutions.

Prashant: So, what will be the average ticket size for this?

V. Srinivasan: Average ticket size, very difficult to say, because it can range from, if you take emCA Solutions can typically go from a minimum of Rs. 2 crores to Rs. 5-6 crores also. If you take emSigner Solutions, it can go maybe from Rs. 40, 45 lakhs to sometimes Rs. 2-3 crores. So, solutions wise it is there. emAS maybe around Rs. 40 lakhs to sometime up to Rs. 1 crore. And digital trust service, it is based on certificate. So, each certificate maybe in retail it is Rs. 1,500, in channel it is Rs. 140, 150. So, each solution has different average prices. So, typically only one average price is not possible.

Prashant: My second question is, will you provide some insights under development that you recorded under company's balance sheet. What will be the execution period for this?

- V. Srinivasan:** Development, three products we undertook under our IPO. So one is the emDiscovery product. emDiscovery product almost we have implemented and we got the first large bank as a customer also. So now it is undergoing some refinement so that that product if only first customer itself may recover the cost of developing the product. Then there may be a lot of other customers. Then the second product is the remote signing product. The remote signing product also, beta our service is implemented and then almost 20, 30 customers we already got. So, further refinements are going on and mostly within two, three months it will be completed. The third is the IoT Certificate Management Product and how to put the certificate into the IoT devices. So, that product, we have also started now. Maybe within another six months, that should also be completed. So, all these will be completed before September.
- Prashant:** My last question is if I purchase DSE from you after expiring, do I need to renew it from you only or I can renew it from other CA? And what will be the realization for renewal of DSE?
- V. Srinivasan:** Original issuance and renewal is same as far as the process is concerned because this is controlled by the controller of certifying authority. There is no compulsion it should be renewed from us, it can be renewed from the other CA also. Similarly, the other CA issued certificate can be renewed from us also. But we make all efforts to see how the person whose certificate is expiring renews with us, because we will continuously contact him one month before, 20 days before, 15 days before to make him to convert and renew customer.
- Moderator:** We take the next question that is from the line of Vivek Sethia from HDFC Securities. Please go ahead.
- Vivek Sethia:** My question was pertaining to the Trust Services segment. The first question is like what is the revenue from channel partners in the fourth quarter? If you could give the channel partner account as well like how many channel partners were there as of Q4?
- V. Srinivasan:** A little bit I will explain the modeling. Earlier what was happening, we had almost one lakh channel partners. But out of that, 40, 50 partners were large and others were small. So almost 70%, 80% of the business was done by this large partner who in turn was selling to small partner and then they were selling to the retail, we were also directly selling to the retail. The large partners is what was commanding a lot of working on us and then say you should not approach the second level, you should not approach the retail and all that. So, that's why in January we change the model. So with the change in model what we have done is we are not selling to the large partner, we are directly selling to the small partner. So, at least that 20%, 30% price preference we get. And the other thing is because of this small partner cannot command us, we are also aggressively going into the retail. Earlier, any customer who has come through this partner network, we won't directly go, but we are now directly going. So because of that this Improvement is there. Otherwise, total number of partner wise, it is almost the same or slightly it is increasing. Then the business side if you see the last quarter again, even whenever we were selling through the large partner whatever was there, almost 6 lakh certificates, 7 lakh certificate were moving. That level of certificate we are now also able to sell directly through the small

partner and also through the retail. So, that way it has not come down, but exact number of what is the amount in the last quarter alone I am not able to recollect, later on I will answer.

Vivek Sethia: Second question would be if I could help me with a breakup of eSign and SSL revenues within Trust Services?

Saji K. Louiz: eSign was about Rs. 5 crores above and then

V. Srinivasan: Almost 16% of this Rs. 85 crores has come from the eSign and SSL. So, 16% of Rs. 85 crores means, almost Rs. 12, 13 crores, another Rs. 5 crores maybe eSign and the balance is SSL.

Vivek Sethia: Going forward, how do you expect this share to change between DSE and new products?

V. Srinivasan: Retail will considerably increase because if you see this year itself from 72% channel partner, it has come to 48% channel partner. Next year, what will happen is this channel partner may remain at the same level because I don't think the prices may increase in the next year because still lot of competing people are there. So the increase from the total trust services we clocked Rs. 85 crores revenue. If you assume a 15% to 20% both, the growth has to happen predominantly in the retail, SSL and eSign. And the channel partner revenue in absolute terms maybe remain the same as it is currently.

Vivek Sethia: If you could give like how many eSign and SSLs were sold in FY23?

V. Srinivasan: That way it won't make any ...because in eSign, there is a version-II and version-III. In the version-II eSign is Aadhaar-based eSign where there are two models; one is the people taking yearly subscription of Rs. 500-1,000, then making unlimited signatures. Then the second model is per signature coming through organization and signing per signature Rs. 5 also. So, both models are there. Similarly, in the other V3 model, again, some of the government departments are taking per user model and per sign model. Wherever they use per user model, how many times they signed. That way we do not have the count of that and calculate in that way. So, that's why both the models are there. So, it is not like a conventional signature we cannot make that this is the only model where we sell 23 lakhs into Rs. 225 will be like this. This way calculating is a little difficult for the eSign because both the models are there.

Vivek Sethia: In both cases, the validity of eSign the same or it differs?

V. Srinivasan: No, validity of eSign is same, but the subscription plan is a one year subscription plan, then infinite number of signature they can sign. But if they are opting for a one-time signature for Rs. 5, that Rs. 5 is valued for one signature, next time they sign, again, they have to pay the Rs. 5.

Moderator: The next question is from Saurabh Farari from IIFL. Please go ahead.

Saurabh Farari: My first question is on the Enterprise Solutions. could you give us an idea in terms of the proportion of the order book split by either products as well as geographies particularly towards the newer geographies like Europe and US?

V. Srinivasan: That way we don't track. From the total order book to revenue what conversion happened, that's what we track. So if we see conventionally last three years compared to the opening order book we have achieved two or a little more than two-time revenue on the opening order book. So that's why this year we have given a slide number 12, if you see the total opening order book on March 31, that is the closing order book of March 31 which is the opening for April 1, has increased from 76.9 crores to 118 crores. So based on the past year thumb rule, this enables us to almost achieve a two-time revenue on this. This is only on the Enterprise plus the Trust Services segment. And if you see internationally the growth has also been very good. If you see the global growth last year we achieved almost 140% growth in the international revenue in Enterprise Services growth and in the Indian Enterprise growth almost 26%. So, similarly, the order book is also coming both from international markets and domestic markets. But we do not maintain a split on this.

Saurabh Farari: My second question is on the cost side. This quarter, expenses seems to have gone up, impacting our margin. Could you just tell us the nature of these expenses and what is the outlook for the same going forward?

V. Srinivasan: Quarter alone, there are two things; one is the year as a whole and the quarter. If you see the quarter alone, one is the gross margin has come down by 2% because it is a little more of the hardware in the overall composition of the revenue. Because when you go to many larger enterprise like public sector bank, government and all that, sometimes for a single point purpose they want us to supply the HSM and supply the specific hardware relating to cryptography. So that we take a single point responsibility. If that component little bit becomes more, gross margin little bit comes down because on the hardware reselling, we may have only 15%, 20% margin as a software. So that's how in the last quarter, 2% gross margin has come down. Then coming to the PAT itself, if you see in the last quarter the stock option expenses also. If you see realistically we have completely transferred the employee stock option shares to the trust. There is no further issue, nothing is there. But based on some accounting methodology, even though entire share is transferred to be trust, there is no dilution at all, they are accounting from stock option expenses which is given in the current year. We gave the third quarter, so that is accounted in the fourth quarter around Rs. 2 or 2.5 crores impact is coming on the fourth quarter alone. And that kind of impact will not repeat in each quarter, because of that, that is debited to the profit & loss account and directly credited to the reserve. There is actually no outflow. That's why we have put the adjusted PAT also. So due to this, the PAT margin in the last quarter also has come down. That is not the regular feature. So regular feature wise, we think we may be able to maintain the PAT margin around 23% to 25%.

Moderator: The next question is from the line of Subhisha Jain from ANS Wealth. Please go ahead.

- Subhisha Jain:** I wanted to understand first what percentage of revenue is repeat business in each of the verticals?
- V. Srinivasan:** If you see the trust service business, it is almost repeat business, because the same customer every two years they will buy the digital signature certificate. Similarly, the eSign and SSL also repeat business. Then in the enterprise business, there are two models; one is the SAS model and the other is the on-premise model. So, the on-premise model, again, the thing is while the license may not repeat but the other services associated with that, that will repeat, and then the AMC of 20% will repeat. So with all these things we have calculated what can be the repeat business and what can be the one-time business. So, almost it comes to 65% of the overall business becomes a repeat business and 35% becomes a non-repeat business which overtime can further increase.
- Subhisha Jain:** So what is our current order book and what will be the execution period? And if you could give me a split of this order book between government, BFSI and private players? And also how much of it is on the enterprise side and how much of it is on the trust service side?
- V. Srinivasan:** Trust service, there is no order book, because whenever needed they buy the digital signature certificate, so there is no order book on the trust service. Entire order book is only on the enterprise side. So we had order book of like I explained earlier 118 crores. And generally our implementation cycle is three to six months maximum and generally the revenue of every year is almost little over two times the opening order book position. So that's how we have fared in the last three years. So that's where Rs. 118 crores is there, fairly, we could estimate the revenue would be from the enterprise segment alone around Rs. 213 crores or Rs. 236 crores like that which will be based on the past three years performance. Then the trust service revenue will be double that.
- Subhisha Jain:** From this, could you give a split between government and private banks or private players and BFSI?
- V. Srinivasan:** In the order book, I don't readily have it. Maybe later on we can send it to you.
- Subhisha Jain:** In the trust service, we do eSign and we do SSL certificates, right. So, eSign means what, we issue the DSE that we have it or it is directly Aadhaar-based?
- V. Srinivasan:** DSE, we are not classifying as eSign. DSE, what we are classifying is what is the digital signature certificate issued in a token. Predominantly for all the government use cases if you see company law board, income tax, GST, everywhere people buy a token and digital signature is in the token and they repeatedly use the token to sign every day. That is the DSE. eSign is without the token. They apply whenever they need to sign, they can get an eSign. And at that time there are two models in it; one is version-2. Every time you sign, at the time you validate your Aadhaar, we fetch your identity from the Aadhaar and on that we issue the 2048 private key public key pair. With that pair, you sign a document and with that that signature is over, that is one model. Another model is you permanently take a eSign account with us through Aadhaar or

through PAN or through any other. So you create the account and once the account is created every time you sign, every time we need not again connect to Aadhaar, we can directly use our whatever identity we have verified, based on that identity we can also secure with the cryptography and there should be eSignature. So this is what we call eSign and not the conventional digital signature which is issued by a token.

Subhisha Jain: We don't issue the tokens at all, right,... we are not into that?

V. Srinivasan: No, in digital signature we issue token also. But it is not mandatory that every signature person should buy a token from us. He may have taken from other source or he may have the old token which he may download, all these are possible. But in eSign, no token at all is needed, directly he's signing on the document, that's all, no token.

Subhisha Jain: So the digital signature is also a part of trust service or it's a part of enterprise?

V. Srinivasan: No, digital signature is part of trust service. eSign is also part of trust service. SSL is issued to secure web sites, that's also part of trust service.

Subhisha Jain: In the slide number 13 of the presentation I think when he said you changed the model from partners to retail. So that is the token business or that is the eSign?

V. Srinivasan: No-no, token based digital signature.

Subhisha Jain: You also mentioned sir that 5x or 6x is what we charge to the retail, right?

Yes, that is also token based digital signature because still predominantly government department accept only token based digital signature, not the eSignature.

Subhisha Jain: Just wanted to understand in this, then because we've moved now, we are not doing the large partners, we are going to small partners and then we are aggressively building up our retail side. So technically it means that we have lost 40,000 to 50,000 of large partners, right, out of the 1 lakh partners that we have?

V. Srinivasan: Not 50,000, 40-50 people they buy digital signature.

Subhisha Jain: For this channel partner and the retail, can you give me the realization for the DSE, the token?

V. Srinivasan: Token is separate. The realization in DSE which was almost Rs. 225-250 one, one and a half year back, came down to almost Rs. 140, almost 30%, 35% reduction in the last year because of four or five new competitors coming and all that. Whereas the same Rs. 140 in retail will realize almost upwards of Rs. 1,500.

Subhisha Jain: Sorry, Rs. 140 will realize upwards of how much?

- V. Srinivasan:** Rs. 1,500. It is almost more than 10x realization.
- Subhisha Jain:** Earlier, you were charging Rs. 140 through the channel partners, now when we are giving to the retail, we are charging Rs. 1,500?
- V. Srinivasan:** Yes, yes, but the whole thing is now gradually we have to shift our focus. If you see last year this DSE business was 50% and the enterprise business was 50%. This year already DSE business has come to 35%, enterprise business has come to 65%. Within DSE business, already, this channel business has come to 15% out of total business. So next year, the way it is going, the channel business maybe hardly 10% of our total business. So even from an analyst or investor perspective all of your focus should be more of the enterprise business and the retail business than on the channel business.
- Moderator:** The next question is in the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** My question is on the Enterprise Solutions. So as you mentioned that based on the current order book, now the visibility of revenue is around 2x which gives around 45% growth for the next year. So within enterprise solutions in terms of the portfolio what we have, if you can explain which part of the portfolio is contributing to this growth? And in terms of evolution of the product where all these products are maybe from emSigner, EMC and emAS? In terms of driving the growth which of these products will drive growth for the future?
- V. Srinivasan:** emSigner and the emCA will drive the big growth. emAS maybe driver a small growth.: But really emSigner, a lot more customers are coming, even in USA we have got the customer, several large customers are evaluating the emSigner. So that way we have a very high degree of confidence on good growth on emSigner. Similarly, emCA again, several establishments are coming and then this zero trust game, everybody has to put this PKI infrastructure and then the CA infrastructure, so there is a lot. So, these two products and also the emDiscovery. emDiscovery, first, we have sold to a very large bank in India. So, now RBI has also made a guideline that the large public sector banks and private sector banks should have such a product to identify and discover all these certificates and renew it on time. More and more RFPs will be coming. So, that's also a good product. That is part of the way. When we broadly classify we classify that also under emCA. emSigner and emCA will have very good scope. emAS will have reasonable scope.
- Amit Chandra:** In terms of the contribution to revenue like presently, what would be the contribution of emSigner because as per my understanding emSigner would be the bulk of enterprise solutions?
- V. Srinivasan:** Yes, yes, emSigner will be 33% to 40%, similarly 35% to 40% could be emCA also and 20%, 25% can be emAS.

- Amit Chandra:** On this enterprise solutions, how important is the reselling partnership because what you have shown in the slide is that we have very strong reselling partnership ecosystem, so how important is this partnership and within these partners with whom we are working the most?
- V. Srinivasan:** The thing is the big partner taking our product always adds to the credibility. Infosys use to take our products or TCS taking our product or in Middle East is taking our product. That immediately established credibility and enables us to penetrate new market. Once in an established market, our own brand will be big, so we will be able to go. So, that's why the reseller partnerships are very important. And they add to our credibility, enable us to quickly complete the sale process.
- Amit Chandra:** What part of the order book would be through these reselling partnerships? Like what part would be through our own sale channels?
- V. Srinivasan:** Last year 25% is through partner and 75% is through retail. But when we grow more and more, we should also more and more should happen through partner because then only easier to grow more.
- Amit Chandra:** Obviously, enterprise business is the focus area and now we are seeing very strong growth there. So are we comfortable in terms of driving this high growth for the next few years or we see increased competition because there are big players who are present and competing in emSigner, so you please highlight in terms of competition how are you seeing that?
- V. Srinivasan:** Competition is there, but we have built a lot of differentiators like Kaushik explained. Maybe later on, if you are able to go through the slide, you will understand all the differentiators. And against the big competition, we are able to win several customers through differentiators which we have built. So, always we are analyzing the competition. Even for example, our emSigner product, we are continuously analyzing against it. DocuSign and Adobe and other platforms and then see how do we make it superior, how do we build extra features. Similarly, if we take emDiscovery product or emCA product, we continuously analyze against Digiset and other Global Sign and those kind of products and see how we improve our products. So that way, we are continuously doing. So that's why we have confidence that the growth momentum can continue for few future years.
- Amit Chandra:** On the Trust Services, since we are shifting from partnership model to a retail model kind of a thing, is this shift going to impact margins because selling directly to retail requires in-house sales team and is it fair to assume that retail will have lower margin versus resellers, so this is for the trust services?
- V. Srinivasan:** Retail will have much higher margins because they were selling at Rs. 140, now are selling at Rs. 1,500. And we have been doing this for last four years. So almost in four years we were zero and from zero we have come to almost 30 crores in retail business and then it is continuously increasing. So whatever number of people you put it, may not cost so much in India. So that way

it will be definitely more profitable compared to the channel, and it is not new to us also, we have continuously demonstrated the increase over time and that increase is continuing day-by-day, and month-by-month we are able to infer how we are able to increase. It won't affect the margin. If at all it will improve the margin, not decrease the margin.

Moderator: The next question is from the line of Kripa Desai from Electron Capital. Please go ahead.

Kripa Desai: My question was, I see that TCS, Infosys provides IAM solutions, that is identity and access management solution. So are they competitors in this vertical or do they resell these products like do they outsource this product to you, so are they are reseller partners in this?

V. Srinivasan: If you take (IAM), identity and access management solutions, there are various varieties; one can be only password, one can be some other factor of authentication. We have created a comprehensive product with almost 15 factors of authentication including digital signature, eSignature-based authentication. So, some of the products they don't have this capability. That's where if you see most of the large government applications, emCA, then the income tax, GST, everywhere, and also large banks, they use our emAS product so that they can also cover the digital signature based. So, how many factors you provide and how flexible your product, accordingly, depending on the need people will take it. If they only need authentication or simple user ID, password, they may not need our product. But if need several factors, simultaneously, two factors, three factors, then they may use our product.

Moderator: The next question is from the line of Subhisha Jain as a follow-up question from ANS Wealth. Please go ahead.

Subhisha Jain: On the enterprise side, I wanted to understand that we sell through channel partners, right, there also, right, we have partner model and retail model there?

V. Srinivasan: That partnership is different from the digital signature channel partner. Digital signature channel partner they just buy and resell, whereas these partners are two types of partners; one is the product partnership and the reselling partnership. In reselling partnership, again, through system integration partnership and as a simple reselling partnership, two types are there. System integration partnership, for example, people like Infosys or TCS, they take a large project. In that large project, this authentication identity management and cryptography is a part of that large project. This portion alone they will outsource to us. So, this is one kind of partnership. The second kind of partnership is for example you take people like Rakniyath in the Middle East. So, any bank wants a cryptography related some project implementation or paperless transformation related project, they do. So that itself is a project, not it is a part of the project. So, this reselling partner will source that project to us, then we will interact with the end customer, we will pay commission to the reselling partner and then we will implement. So, this is another. Third is the product partnership, like SAPCL source segment. So in the product itself, our solution is embedded. So, directly through the product it can also be used and some revenue will flow. So, these are the various kind of partnerships. In that, now we have become strong

system integration partner and reseller partner. The product partnerships need to strengthen a lot in the coming years.

- Subhisha Jain:** How do we do our direct sales in business enterprise market?
- V. Srinivasan:** 75% of sales is direct sales. We have a large number of people. For example, if you take India itself, we have 35 feet on street sale and almost another 60 inside sales people. Similarly, if you take Middle East, we have 110 sales people, in Indonesia four or five sales people, in America we have four or five sales people. So everywhere we have sales people backed by the inside sales people.
- Subhisha Jain:** Sir, margin could be higher in direct sales as compared to partner model?
- V. Srinivasan:** Because the partner commission will be lower, but sometimes the partner model also may be higher, because like a system integration partner as part of a large project he builds and then one portion is outsourced to us. That portion may not be very significant to influence him on the large what to bid. So there the margin for us is higher also... it's all case-to-case.
- Subhisha Jain:** What type of new products that we are looking to launch in the next couple of years, if you could shed some light on it?
- V. Srinivasan:** On around cryptography and digital transformation only. So, earlier, we launched the products; one is the emDiscovery and then the Remote Signing product and IoT product. emDiscovery is launched. Remote Signing is launched and IoT will be launched in another six months. After that, anything we take up, it will be around zero trust theme only in unrelated areas.
- Moderator:** Next question is from the line of Faizal Hawa from HG Hawa & Company. Please go ahead.
- Faizal Hawa:** On the cash flow page in your presentation there is investment in intangibles and also investment in tangibles. Can you just explain where we have made these Investments? Second question is what is our R&D spend that we are targeting for the coming financial year? Would it be a fair assumption to make that we would be growing this business at a CAGR of 18 to 20% for the next four to five years with respect to the revenues?
- V. Srinivasan:** One-by-one I will go into the question. Net addition is Rs. 48 crores. You have to consider the actual amount and the working progress also. And the gross addition is Rs. 62 crores. But in the Rs.62 crores, predominantly the data center itself was Rs. 34 crores, inside the data center, the computing infrastructure which was also put in our IPO prospectus has almost Rs. 31 crores. So, no major over run in that. Then the product development, we had envisaged Rs. 15 crores in the IPO. On that we have already spent Rs. 10.5 crores. So, these two itself has come to almost Rs. 45, 46 crores. And after that, because we have added number of people, we had to expand one more floor in our building, the entire interior, everything had to be done, so that was another Rs. 5 crores, additional floor and the building. Then the data center, other than the infrastructure,

building and electrical was around Rs. 5 crores. Then the other product development, generally, what we spent on intangibles around Rs. 5 crores per year on the general product development, on that we spent Rs. 6 crores. So, most of the product development and capital expenditure this year has gone towards our projects envisaged in the IPO. So, this is where it is.

Faizal Hawa: What is the R&D spend that we made in the previous year? And what is the R&D spend that we target for year '23-24?

V. Srinivasan: Other than the specific project, we were spending almost Rs. 5 crores per year in the earlier years. So, now this year we spent Rs. 6 crores other than the specific project. So, overtime what will be the R&D? Roughly, our depreciation is 13-14 crores. So, almost every year 10-11 crores we may have to spend on the R&D spend.

Moderator: Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Mr. Venkatraman Srinivasan for closing comments. Thank you and over to you, sir.

V. Srinivasan: Thank you all for joining this Q4 & FY23 earnings conference call. We hope we have answered all your questions well and if you have any other doubt, you can get in touch with me or with our CFO and thank you very much.

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

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of eMudhra Limited

For further information, please contact:

Churchgate Partners
Anvita Raghuram / Kavin Sadvilkar

eMudhra@churchgatepartners.com

Contact: +91 22 6169 5988