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Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring Rotunda
Building, P J Towers, Dalal Street, Fort,
Mumbai - 400 001
Script Code: 543533

The Manager Listing Department
National Stock Exchange of India Limited
"Exchange Plaza", C-1, Block G
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
Symbol: EMUDHRA

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on July 25, 2022

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the transcript of the Earnings Call held on July 25, 2022, post announcement of financial results of the Company for the quarter ended as on June 30, 2022. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website <https://emudhra.com/investors.jsp>

This is for your information and records.

Thanking you

Yours faithfully,

For eMudhra Limited



Johnson Xavier
Company Secretary & Compliance Officer
Membership No. A28304



e-Signatures



Trust
Services



Authentication
and Access



Digital
Transformation



eMudhra Limited

Q1 FY 23 Earnings Conference Call

July 25, 2022

MANAGEMENT PARTICIPANTS:

MR. VENKATRAMAN SRINIVASAN - EXECUTIVE CHAIRMAN

MR. SAJI LOUIZ - CHIEF FINANCIAL OFFICER

MR. KAUSHIK SRINIVASAN - SENIOR VICE PRESIDENT, PRODUCT DEVELOPMENT

Moderator:

Ladies and gentlemen, good day and welcome to the eMudhra Limited's Q1 FY2023 Earnings Conference Call, hosted by IIFL Institutional Equities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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. Rishi Jhunjhunwala from IIFL Institutional Equities. Over to you sir.

Rishi Jhunjhunwala:

Yes. Thank you. Good afternoon, ladies and gentlemen. Thanks for joining us today on Q1 FY2023 Earnings Call of eMudhra Limited. On behalf of IIFL Institutional Equities I would like to thank the management of eMudhra for giving us the opportunity to host this call. Today we have with us on the call, Mr. Venkatraman Srinivasan, Founder and Executive Chairman; Mr. Saji K Louiz, Chief Financial Officer; and Mr. Kaushik Srinivasan, Senior Vice President, Product Development. I will hand it over to Mr. Srinivasan to give the opening remarks and take the proceedings forward. Thank you and over to you sir.

Venkatraman Srinivasan:

Thank you, Rishi. Good afternoon everyone and welcome to the eMudhra Limited's Q1 FY2023 Earnings Concall. Trust all are staying safe and healthy.

We had the debut listing on BSE and NSE in June, 2022. During our previous earnings call, we had presented a detailed overview of our business model and underlying strength, our business segments and product portfolio and the financial performance for FY2022. Our Q1 FY2023 investor presentation has already been shared and copy of which is available on our website and on the stock exchanges. I hope all of you had the opportunity to go through the presentation.

For all the new participants to our conference call, I would like to briefly summarize the company overview. eMudhra started its business in 2008, with the mission to accelerate the transition and to secure an integrated digital ecosystem with the digital identity and trust, at its core for individuals and organizations. Over the past decade, we laid great focus on product development, enterprise solutions, cost management, while also laying stress on security, compliance, governance and client support.

As of now, we have around 1.6 lakh retail customers and about 1 lakh channel partners in our Digital Trust Services segment. In the Enterprise Solutions our client base is 614 and we have 277 partners in India and 288 partners in 21 countries. Our client base consists of a diversified mix of government, BFSI and private sector.

Now, moving on to quarterly performance, I am pleased to report that we have registered a strong quarterly number in Q1 FY2023 and continue to maintain our growth momentum. During the quarter, we have delivered strong Revenue of Rs. 522 million with growth of 21.7% year-on-year and 15% on quarter-on-quarter basis. The company delivered strong margin profile with EBITDA margins at 40.1% and PAT margins at 26%. The quarter-on-quarter PAT growth was 27% and year-on-year PAT growth was 44.4%. This was aided by growth in our Enterprise Solutions business, especially in international markets. This is also a reflection of enterprises globally, adopting cybersecurity and paperless transformation solutions as part of enterprise digital initiatives.

We have also registered key project events during the quarter, such as:

- Implemented emCA Certificate Life Cycle Management for a large telecom company in Asia Pacific, to help them issue digital signature certificates for various B2G and B2B use cases
- Completed rollout of emSigner for end-to-end paperless transformation for a large bank in West Africa for various use cases across retail and corporate banking customers

- Implementing ePassport rollout for a country in middle east using emCA and allied solutions to comply with ePassport issuances as per International Civil Aviation Organization
- Implementation of solution for usage and integration of identity backed digital signatures for a blockchain platform in USA for secure exchange of documents.
- Won deals from Smart Cities in India for digital signature based authentication for secure user and device access.

We look forward to maintaining this growth momentum in our Enterprise Solution business backed by our competitive advantage, established presence in key markets and diverse product portfolio in the area of digital security and paperless transformation.

And again, coming to the near-term strategic focus areas, globally pandemic has resulted in businesses, moving towards contactless touchpoints, processes, products, and that's helping them moving towards digital ecosystem backed by a strong focus on data security and compliance. This initial requirement has forced enterprises to adopt completely digital ways of doing business, creating new business opportunities for companies like ours. eMudhra is glad to be part of this digital transformation ecosystem and our emphasis is on:

- Creating market leadership through innovation, product superiority and growing market presence across our identity, authentication and eSignature workflow suite of offerings
- Market expansion: We see opportunity in expanding the market through growth in some of the geographies where we have already been operating and penetration into newer markets through partnerships
- Developing sector specific new products: We have already been verticalizing our product emSigner for banking industry, which has yielded good results. Similarly, we aim to focus on other industries, such as insurance, pharma, where there is need for identity based digital workflows. This will strengthen our positioning in such industries, which present significant growth potential
- Tapping into new age industries: There are a number of developments in the blockchain, IoT, and Electric Vehicle ecosystem where security and identities are becoming critical. We will continue to position our digital trust offering to these new and emerging industries

With the above strategic imperatives, we intend to grow from strength to strength globally supported by our commitment to deliver solutions to our secure digital transformation. Our more than a decade long experience and presence in this niche space positions us uniquely as a one-stop-shop player and continues to enable us maintain our leadership and expand our presence in the Enterprise Solutions, both in India and internationally.

I now request Mr. Saji Louiz to take us through the overall performance of the company for this quarter.

Saji Louiz:

Thank you, Mr. Srinivasan. A very good afternoon to all the attendees. I will present the recent financial performance of the company.

In Q1 FY2023 I'm pleased to report that our revenue from operations grew by 22% year-on-year basis to Rs. 522 million, the revenue growth was led by Enterprise Solutions segment, which registered revenues of worth Rs. 331 million, a strong growth of 52% year-on-year basis. The Enterprise Solutions business in the international markets grew by 140% on a year-on-year basis. The Trust Service registered revenue of Rs. 191 million with de-growth of 9% year-on-year basis. However, it registered a sequential growth of 6%.

Our EBITDA for the quarter was Rs. 212 million grew by 37% year-on-year basis and the margins also improved from 35.2% in Q1 FY2022 to 40.1% in Q1 FY2023. We recorded a strong net profit of Rs. 137 million up by 44% year-on-year basis with margins of 26%. EBITDA growth and margin improvement was driven by higher contribution from Enterprise Solutions business and operational efficiencies. The company has become a debt free at the end of June, 2022.

We will continue to set new strategic benchmarks across all our business categories, diversify our client base to increase our wallet share. In addition, we are working to put new growth strategies into place while optimizing and enhancing overall operational efficiencies. The combination of these factors will allow us to deliver sustainable growth and improve our profitability in the coming quarters.

Thank you very much. And now we will be happy to answer any question you have on company's recent performance or business model.

Moderator: We will now begin the question and answer session. The first question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.

Amit Jeswani: Sir I've got few questions, I'm just trying to understand your business model. My first question is on the enterprise side. Sir, out of the Rs. 33 crore revenues, how much would be implementation revenue and how much would be like a recurring revenue kind of model?

Venkatraman Srinivasan: Yes, as earlier indicated -- because we sell, both on-premise and also the cloud model, but predominant sale is the on-premise model and some amount of sale is the cloud model, particularly the emSigner and on the on-premise model, mainly license revenues and some implementation customization revenue and on the license revenue around 20% AMC comes. So that's where within our Enterprise Solution around 20% revenue is recurring revenue, balance revenue is the one-time revenue, but this one-time revenue, again, it depends on the number of users, number of instances and all that. So when that increases, there is a further potential to increase. Then the second aspect is, generally we sell every four, five years, we do a tech upgrade and that upgrade the people buy a newer version instead of older version. So that also gives the opportunity to get the new license revenue. So this is how our enterprise business model works. So quite a lot of revenue now will be predominantly the new license revenue and also the professional services revenue to implement and customize that.

Amit Jeswani: Got it. Sir your last con-call you said that your order book had doubled from last year. Sir what are the trend and what's the order book as of today, can you like what's the total contract, executable contract that we have in the next, like three months, six months that we can do?

Venkatraman Srinivasan: The order book is improving in the same trend, but the number on what is the order book, we have not revealed. So that's where that we have still not decided. So, but the trend is quite good and trend is improving.

Amit Jeswani: Got it. So on the Trust Services sir, you get Aadhaar based revenues also or you get primarily from DSC based selling, is where you get the revenues? And every two years the person will have to renew their DSC. Am I right?

Venkatraman Srinivasan: Correct. Yes. Generally technically some DSC can be valid up to three years, but in India, somehow the practice of doing a two year DSC is there. So that's where every year predominantly 90% people go for only two year DSC. So every two year it has to be renewed.

Amit Jeswani: Sir do we get some money from the Aadhaar based OTP also?

Venkatraman Srinivasan: No. Aadhaar based there is Aadhaar based eSign and DSC can be issued on Aadhaar based, both Aadhaar fingerprint and Aadhaar OTP. So those are only mechanism to ensure the KYC. And after that, we issue the DSC. So upon issuance of DSC, if it is a crypto token based DSC, then for that, we are selling the DSC, which we get, if it is a eSign then on the eSign sale we get, but both are issued based on Aadhaar also, and

Aadhaar method also CG office has prescribed, which is a PAN card and Aadhaar address proof and all that. So on any basis which is prescribed by the Ministry of IT, we can issue. One of the basis prescribed as the Aadhaar OTP and Aadhaar fingerprint.

Amit Jeswani:

Now sir I'm trying to understand your business model little better on the growth side. Sir what kind of growth rate you expect? Like today let's say enterprise is 60% of our business, right 19 out of total Rs. 52 crore revenue, if Rs. 19 crore is Trust Based, and rest is Enterprise. Just trying to understand where are you seeing the traction and what's our growth, what's our aspiration? Do we want to move from let's say a Rs. 200 crore company today to Rs. 300 crore, Rs. 400 crore company and what are the things that we will have to do to get there?

Venkatraman Srinivasan:

No aspiration is really big. Everybody has to ask for big then only one can succeed in life. So that the aspiration is really big. But big thing is, as earlier, even in the earlier meeting, we had told that the Enterprise Business is likely to grow better than the Trust Service business, because the Enterprise Business, it is not only limited to India there is a global growth possibilities are there. And even the market research reports and all had predicted almost 30%, 35% growth rate globally on this various, the Enterprise Solutions, what we are having.

So that's where we are more and more enriching those enterprise solutions. One is as part of this project, for which we raised money, three new product we are doing, which are complementary to our product like remote signing, discovery and IoT certificate and all that. Apart from that, also we are evaluating more on how, when the quantum computing comes, what is to be done with the cryptography, then even today, if you see for this cryptography, one of the thing is the storage happens in a machine called the HSM and all the HSM machines are imported. So whether anything can be done on the HSM research can be done. So like that, many areas, allied areas we are working on and then see how to grow in those areas, not only domestically, but globally.

Amit Jeswani:

My last question is on the Trust Business side. So why did you see a 9% revenue drop in the Trust Business? Because, in a Y-o-Y basis, because assuming it's not a return filing season, but this quarter, but that was the same thing last quarter as well. Do you see decent like, because I was seeing that Frost & Sullivan Report it was showing 18%,- 20% growth. Do you expect 18%- 20% because I understand your Enterprise Business is, where the hyper scale will happen for you. Right. And that is a very large opportunity. We're trying to understand, do you think you can, the DSC model way of working can get disrupted?

Venkatraman Srinivasan:

No. The growth, 18%- 20% of growth has to happen not only in the DSC business, but also including SSL business. And we have got the SSL, because SSL also will get transferred under digital services. So that full ability to do SSL we got only in December. Now we are perfecting the SSL issuance and already some orders have come. So that is one area of growth which has to happen.

And the second thing is, the more and more issuances to IoT devices that also has to happen then to your question why the last year first quarter to this year quarter why there is a drop? Because there is also a pricing pressure compared to the last year, first quarter. So because of that pricing pressure, also it happened, but sequential quarter, we have grown. And generally also the Trust Service, Indian DSC business is the weakest during the first quarter every year. Then once the signing season and filing season pick up, it'll improve. And in the fourth quarter also because of the lot of government tender and all it'll improve, but the first quarter is generally weakest quarter. So that's where we feel definitely it'll pick up in the coming quarter. And also this SSL and IoT also is picking up. So including all that, this is what the Frost & Sullivan Report projects almost.

Amit Jeswani:

Sir, I was just going through in your retail market, which is 24% market share. Okay. Like out of your Trust Services 24% is retail. There sir, your realization is Rs. 1,300 Rs. 1,400 per DSC, right?

Venkatraman Srinivasan:

Yes.

Amit Jeswani: And your distribution business, which is 75% of the business there, our realization is Rs. 300. Basically our margins are way higher in the retail part. Right?

Venkatraman Srinivasan: Correct.

Amit Jeswani: So why are we not scaling up the retail part aggressively? Why are we not like, because your realizations are basically amazing, right? Your growth margins are like 95% plus in that side. So why we not scaling up the retail part?

Venkatraman Srinivasan: No we are scaling up. If you see last three years, retail business has grown three times. So now we are more aggressive, our aim is even now, we are in terms of volume, we are only 4% to 5% of volume in retail business. Our aim is to grow it to 10% over the years. But for that again, earlier, lot of impediments were there. I had explained in an earlier call also, because two years back, everything was not fully digital. So we needed this RAs sub RAs to do document verification and all that. So that's why at that time, direct retail business was not viable, but now it is viable and we have started two year back. Now we have come to considerable position. This is where we are putting more focus and then improving the direct sales, but it takes lot of time and another thing is the people are also aligned with their chartered accountant, their company secretary, and they are aligned with some wholesale distributor.

So if we are all breaking all this and approaching that it'll take some time, which, but it is happening. So it is not, that last two, three year retail has not grown, in the last two, three years, almost it has grown three times. And we expect that is where the growth will come, because in the partner led model continuously it'll come under more pricing pressure. But this retail model is where we feel the growth can really happen in terms of the value. And we are definitely working towards that.

Moderator: The next question is from the line of Vimal Gohil from Alchemy Capital. Please go ahead.

Vimal Gohil: Sir just wanted to check again on Trust Services, the performance of 9% Y-o-Y decline,. Despite the fact that we do have an inflation led adjustments with every year, so we would have some kind of inpatient that we have with our client, especially the retail client. So when the renewal happens at a certain inflation rate firstly, what is that inflation rate? And despite having that clause, what really, this fall of 9% seems to be, if you could just help us match the numbers there?

Venkatraman Srinivasan: The main thing is, as I said, compared to last year, first quarter, if you see, the prices were higher and comparatively with more and more competitive price in channel, I'm not talking about price in the retail. So almost compared to that some 10% to 15% prices have reduced over the next one or two quarters. We are currently working, even at the time of public issue, we worked with revised prices only, which is currently also continuing. So that's where, compared to that first quarter, there is a decline, but compared to the last quarter, there is a growth because in spite of the, generally the growth happens in the DSC business in the more in the filing season and also in the last quarter where lot of tender filing seasons were happening in the June month. So both are very important drivers.

Generally it is less in the first quarter, in spite of it compared to the Q4 of last year, it has grown almost 6% because of this, in spite of the price decline compared to the previous year, first quarter. So that rate is an increasing trend only, not in a declining trend, but the mainly because of the pricing pressure compared to one year back, compared to that it is slightly lower.

Vimal Gohil: For the full year, sir, are we on track to report growth for Trust Services vis-à-vis FY2022?

Venkatraman Srinivasan: Yes, yes. Because the main season is in the next two quarter, then third, fourth quarter are the tender filing season and all that. Then another thing which is accelerating is the SSL because SSL itself, we have started getting some orders now that will also accelerate.

- Vimal Gohil:** So the SSL business, sorry to interrupt, the SSL business is the website certificate business, right?
- Venkatraman Srinivasan:** Website certificate, yes.
- Vimal Gohil:** Okay. Yes, please carry on.
- Venkatraman Srinivasan:** Yes. So that's where we feel we will be in trend only.
- Vimal Gohil:** Got it. And sir, lastly on margins, we are at the level at what we are at right now, at almost 40%, how much more upside from here? And if at all, there is going to be an upside. Where is that going to come from? I mean, I'm sure if you really want to sort of scale up the Enterprise Business, we will have to invest, probably in more manpower bandwidth, etc?
- Venkatraman Srinivasan:** Yes, right.
- Vimal Gohil:** So where do you see the margins coming from, or what are the levers to maintain margins at these levels?
- Venkatraman Srinivasan:** No maintaining it because ours is a product business on the additional sale, gross margin will be higher, but to get to more and more additional sale and growth momentum, we need to employ more people in multiple geographies. So that will also involve cost. So I would safely assume that current EBITDA margin of 40%, if we maintain it is very good and it is maintainable. So assuming that we may go to 45%, 40%, maybe if we go ahead, it may be possible, but at this juncture, I don't want to go into that direction
- Moderator:** The next question is from the line of Vivek Gedda from SBI Mutual Funds. Please go ahead.
- Vivek Gedda:** Firstly, I wanted to check on the Enterprise India Business, it looks like bulk of our growth came from outside India. And from that context, while our Enterprise India partners grew by 8%, what happened to the revenues? Was it actually higher as well on a Y-o-Y basis?
- Venkatraman Srinivasan:** Enterprise India, a lot of large government business, the sites were not fully ready and they could not go with the implementation and all that. So that's where, the revenues could not be booked. So that's where, there is a slightly that did not grow as well as how international business grew, but the order book, everything is intact. And then the more of implementation now we are planning in the second quarter. So with that, I think it'll come back in the second and third quarter.
- Vivek Gedda:** Sorry. Just on the Enterprise Business, what percentage of revenues have come from system integrators?
- Venkatraman Srinivasan:** That is the same around 28% - 30%.
- Vivek Gedda:** 28% to 30%.
- Venkatraman Srinivasan:** Actually some of the government projects now we are directly winning, some of the government projects only come through the system integrator. So it is around the same thing.
- Vivek Gedda:** Got that. Lastly, I infact wanted to check on the margin part itself. 40% margin seems to be much before CAR expectations, is that function of also revenue mix, you spoke about licenses being higher and because of which your gross margins were better. But I also want to check if is that a function of the revenue mix in this quarter? I mean, is there a difference between exports and domestic by any chance and Trust Services and Enterprise, for example, we know that?

- Venkatraman Srinivasan:** The hardware, if you see the gross margin level, the gross margin level is almost maintained, if you see the Q1 FY2022 was 82.4%. Then Q4 FY2022 was 83% and then Q1 FY2023, also 83.5%. So the mix of hardware to software and the enterprise to other, that mix remains the same still, we are not really focusing on the hardware business. So if we put too much hardware into that top line can increase, but it can reduce the gross margin.
- Vivek Gedda:** Okay. So and just to get this right in the next quarter, when the Trust Services business kind of improves again, I mean, as a percentage of the overall revenues, our margins could still sustain around 40%?
- Venkatraman Srinivasan:** Yes, EBITDA margin right? Yes.
- Venkatraman Srinivasan:** Trust services also predominantly it is DSC only know, that's not much as the token, which is a hardware. So as long as it is DSC is what we are aiming that margin can be sustained.
- Vivek Gedda:** Okay. Lastly, I think you also called out that there are macro challenges, while your exports have done really well. I just wanted to get an outlook on exports from full year basis? Also, since you've called out the macro challenges as well, has it impacted in form of delays or deferments in any part of your order book so far?
- Venkatraman Srinivasan:** No, no, not up to now, because macro challenges are at a very big level. We are only looking at niche segment and not such a large number in a way of affecting the macro challenge, no. So that, you have to know, it has not affected, up to now, the pipeline, order book, everything is going very well. So not, that way.
- Vivek Gedda:** And we are on track to strong exports this year compared to what we were expecting earlier?
- Venkatraman Srinivasan:** Yes. Definitely because more and more lot of projects are coming, even in US, there was a very good win. Now another one good win we are expecting in this quarter from the US, which comes that could itself be \$1 million order per year. So those kinds of things.
- Moderator:** The next question is from the line of Amrish Kakkar an Individual Investor.
- Amrish Kakkar:** Just a follow-up on the earlier question on Enterprise Revenue split. I understand that AMCs will probably kick in one year after the license is installed, but would it be possible going forward to split the revenues into customization license and AMC and what could be that split as on today, if you're able to share for this quarter, please?
- Venkatraman Srinivasan:** No quarter wise splitting is very difficult, on the whole generally the AMC is around 18% to 22% of the AMC, which is charged. And in that again, somewhere, it starts immediately upon delivery of license also somewhere in three months, somewhere in one year. So that way exactly in each then it has to get into project wise, which is very different steps.
- Amrish Kakkar:** But the customization revenue is that possible to understand what proportion is it half the revenue or is it less?
- Venkatraman Srinivasan:** No, customization will be 20% of the overall project not more. Ours are all quickly implementable project and we don't entertain too much customization.
- Amrish Kakkar:** Just on that, following up on that, just to understand the cost evolution as well. Is there anything to read into the increase in employee costs as a percentage of revenue? Is this more normalized trend because of pricing in the market or are we already starting investing in say the US or something like that?
- Venkatraman Srinivasan:** Yes, we have already started employing more people, employing more people, not only in geographies, US as well as other geographies and also for the inside sales and sales in India. So that's where inline with the sales trend it will increase, but percentage wise, it'll will yield, the EBITDA margin.

- Amrish Kakkar:** And last question, just to understand a little, the cost of goods sold, you have something called operating expenses. What is this? Is this your data center costs? What exactly? How should we read this and understand this going forward?
- Venkatraman Srinivasan:** Yes, the operating expenses is mainly for example, in our Trust Service revenue, we are paying commission to the channel partners, so who are achieving whatever budget prescribed. So those commissions, so whatever is directly relatable to the revenue that comes under the operational expenses.
- And for example, for some company, if we do a resource based billing, monthly billing kind of thing, that will also come under operating expenses, then wherever we sell HSM or where we sell the token. So that will be hardware and that will come under the purchase of stock in trade and also change in stock of stock in trade. So that represents the hardware from the hardware revenue, but the operating expense is related to the commission revenue and the other direct expenses relating to a specific sale. Those are all coming under it now.
- Amrish Kakkar:** So this is more driven off the Trust business. I mean, there will always be other costs also.
- Venkatraman Srinivasan:** Trust business sometime some enterprise business also where we give commission, where we have transfer pricing, then that only comes in the top line, but where we are billing directly to the end customer and passing on some 20% commission or 10% commission, those will come under the operating expenses.
- Moderator:** The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.
- Amit Jeswani:** I'm just trying to understand, since you spoke about the SSL business broadly, sir people sell SSL certificates for Rs. 400, Rs. 500, right?
- Venkatraman Srinivasan:** Yes.
- Amit Jeswani:** Is there a number of website that we are looking to target? Like we want to have, let's say, like 10 lakh SSL certificates or like, what is it that we offer that the competition doesn't offer? Because, sir this is a very competitive market.
- Kaushik Srinivasan:** Yes. So when Frost & Sullivan did the research, they estimated the India market size itself to be around Rs. 250 crore. The Rs. 400 crore, Rs. 500 crore again, there are three types of certificates. One is a DV certificate, OV certificate, and EV certificate. The OV, EV certificates are much, much sort of higher in terms of their pricing, right? So while there is no exact estimate on the number of websites, as you can see, the number is fairly large, both in India and globally. And that's the market that we're looking to go after immediately in India and then adjoining emerging markets and overtime established, a base for going global.
- Amit Jeswani:** So I was just speaking about the next few quarters of growth. Do you think it's a good way of modeling 35% growth or we will do better than the industry growth in the Enterprise business for the next three, four, five quarters?
- Venkatraman Srinivasan:** No, we do not want to give any guidance so.
- Amit Jeswani:** But sir we will be growing at least at the industry side is that right way of thinking?
- Venkatraman Srinivasan:** So that way we don't want to give, we will work harder to see whatever maximum can be possible, but we don't want to give any guidance for the growth.
- Amit Jeswani:** Right, sir. So on one question I was trying to understand in our India business, we've got 600 customers, right? And global business, we've got, 50 customers. And then how do we calculate that recurring model that 90% of our clients are recurring. It's only the 20% of the revenue, which is recurring. And that's how we count that the retention ratio is 90%.

- Venkatraman Srinivasan:** No. Those same customers, if they order next year also something, for example, additional licensing, they order or additional some other product they order or for maintenance, they order something or they say, we give you a staffing assignment of eight people to do some further customization. So wherever the customer again, next year also, they continue to be the customer, apart from using the product everybody will use, but they give some fresh revenue to us. We are calculating as a recurring customer, but it'll not be like a staffing service IT Company where the same level of service 100 people means 100 people will continue. It is not like that.
- Amit Jeswani:** So these 614 customers are largely financial, or they are across industry? Largely will be financial am I right financials and the government?
- Venkatraman Srinivasan:** No. Across industry government is also there, then BFSI is there, then the other industry is also there because our products are really industry agnostic. So if you see the three product only the paperless transformation it can be used for any industry though banking specific product we have made, but general product is also there, which goes into any industry. Similarly emAS authentication solution, also in industry agnostic and predominantly used by lot of government organization and also large banks. Then if you see the CA solution, it is a specific solution for creating a Certifying Authority and then issuing the certificate itself. So, which is again, a separate industry. It's not BFSI industry or a government industry, but today more and more of niche areas like this defense and various things, they want to issue their own certificate and encrypt everything. So that the data becomes very confidential. So they don't want to use the public certifying authority's digital certificate. So this is another area which is a niche area, which is evolving and where we are able to supply our products. So it is across industries.
- Amit Jeswani:** So, at Enterprise business is like a tech services business model, right? Where analysts will start looking at your business on quarter to quarter basis, right? Like quarter over quarter both, whereas the Trust service business has got seasonality right. Sir in Trust services, you have this thing that typically Q1 is 20% of the revenue Q2 is 20%, Q3 is probably 50%, something like that?
- Venkatraman Srinivasan:** Seasonality in Trust service is also not very high or like what it used to be, but somewhat it is there, but in the next three quarters, it may not be highly seasonal. First quarter, generally it is slightly less.
- Amit Jeswani:** Got it. So first quarter will be like 20% rest would be broadly 27%, 27% like that you're saying.
- Venkatraman Srinivasan:** Yes.
- Amit Jeswani:** And sir, the enterprise business should we look at it like a IT services company, like quarter over quarter growth is what we focus on?
- Venkatraman Srinivasan:** Yes. Quarter-over-quarter, but it is not like an IT services company., In IT services business, it is based on the number of people you employ and for the same people again and again, until they come out of that company, they will be continuously billed. Here, you have to supply the product and on the product there will be an AMC there will be customization. Then product is the licensed so as long as they use additional licenses, they give additional business and additional money to us like that. So first we may give 50 user license, then 100 user license and somebody comes, so generally we don't give, unless it is a very large company where we want to get brand, we don't give enterprise wide license. We give only limited user license and limited number of server license. So that there is an additional scope for getting from the same company. So it is not proportionate to how many people we are employing or not like that.
- Amit Jeswani:** Got it. So, sir we've got three products, emSigner would be our largest product?
- Venkatraman Srinivasan:** Yes.
- Amit Jeswani:** Got it. Sir like how big do you think we can scale these EMs, because we are trying to understand, it's a new business, right. And there is no other company like yours, which

is listed. So I'm just trying to understand how big can this emSigner business get, and how big is that global market for that emSigner because I know you're very popular for the emSigner part like globally?

Venkatraman Srinivasan:

No global business if you see DocuSign, they are also a paperless workflow product. And they had some, two, three years back in their prospectus they had written the global market size is 25 billion. And they even achieved 2 billion revenue. So that way globally immense potential will be there. And how far we are pumping the money and we are able to capture the global market and all that. Another thing is even as per the market research report, we are also ranked on par with the big players. So that's where overtime good potential is there. But now we are not into that league. We are now only at a very smaller level compared to all of them so I feel there is a very good potential overtime.

Moderator:

The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala:

Firstly, on the Enterprise Solution business and the revenues and the pipeline that is coming from outside India, can you give some color in terms of, you know, which geographies have been doing relatively better, both on revenue as well as on pipeline? And also I think earlier you had mentioned that incrementally, we are going into a software-as-a-service model, for international geographies. Is it something that playing out, at all and, how much of proportion would be coming from that?

Venkatraman Srinivasan:

Yes. First is, which geography is doing? One is the US, US itself is picking up well. So now we have got one order in the first quarter, then again, another good order we are negotiating. We are, hopeful we'll get it in the second quarter, if we get it should do well in the US, then the Middle East continues to do well. So we got another large bank order in the last quarter and one or two more banks, we are negotiating particularly in the Middle East and also in the Africa. So, and in Europe, again, we are negotiating, through one of the major system integrator in the UK market. So that way the international business is going very well. And I think it'll go as per, what we had internally projected and all that. So this is one thing. Then the second question is about what?

Rishi Jhunjhunwala:

So, from a revenue model perspective.

Venkatraman Srinivasan:

Yes, recurring revenue, the recurring revenue side. We have to make everything more into, that also we are consciously starting, infact using on the cloud. But today our product usage is predominantly not on the cloud, predominantly in the, on-premise model. On-premise model itself how can we make it into a recurring model that is another attempt we are making, so that instead of collecting the license revenue upfront, we can make it into a three year license, five year license, two year license like that. And then every two year renewal so that is also starting. So in one or two places on that basis, we have bid and in one place, most likely on that basis, we will win also. So that, that is starting now only. So maybe over next to one or two years, it'll get into some size, it may not take into some big size in the immediate year, but in the next two years, it can do.

Rishi Jhunjhunwala:

Understood. And in terms of proportion of revenues coming from emSigner versus emCA versus emAS, I mean, is any one particular product outgrowing the other two in terms of their revenue share within solutions?

Venkatraman Srinivasan:

It is in the same order. Main thing is emSigner next is emCA and the third is the emAS. So in the same order, it is growing, even in the international order, the emSigner is where even the Middle East Bank, mainly went for the emSigner, then the African Banks are also going for emSigner, but the emCA product, also one or two traction, we had one in Middle East itself, and also in Europe. So that way it's also going but proportion wise emSigner is much better, much more compared to emCA. And we are, one more thing on the emCA also, we are saying how to do into SaaS model, or that as a managed service if we can offer the emCA. So once our certificate discovery product

is ready, which may take another, maybe two to three months' time, then we may be able to offer that on as SaaS model emCA also. So then that can also grow very well.

Rishi Jhunjhunwala:

Okay. Sir, on the Trust Services, on the DSC, basically, while you mentioned about pricing compression on a year-on-year basis, but, would you have some color in terms of volume market share if that number has gone up gone down, how it has moved over the last 12 months?

Venkatraman Srinivasan:

No volume has not gone down. The volume we are monitoring every month on month basis. Volume has not gone down and we may be same, even if for this year we calculate the thing we may be still 37%, 38% of market share, which we are sure, but we are not done such engagement, which we may have to do, but we may be in the share. So volume is not down, but compared to the first quarter of last year, because what happened is last quarter of 2021-20'22, because what is happening, the price suddenly improves. Everybody come together and improve it right. Then the price go on dropping then after that again, sometime it'll improve. So such a major improvement in the price happened in the January to March, 2021. Then in March, April to May 2021 also price was higher then the price reduced. But for all our internal working, we had assumed the reduced pricing only. So compared to that pricing, it is not further reduced or anything like that. So we are able to maintain it and everybody is realizing and everybody is maintaining it also. So that's where I feel in the coming three quarters because the season is coming and because finally last quarter, all the government tender and other things will come and also SSL will come. We definitely can achieve whatever we had initiated.

Rishi Jhunjhunwala:

Understood. Sir the other question is on, employee costs, right so what is our wage hike cycle in which quarter do we end up giving it? How much have we or do we plan to do? And also if you can give some color on hiring for the year?

Venkatraman Srinivasan:

We have, we give the wage hike from April 1st of every year, so this year we have already given. So the total wage hike given is almost some for the people whom hike is given. It is around 15%, but there are also new joiners for whom the hike may not be given so on the total, if you take everything into account, it is around 12% hike which has been given. So then in the next quarter that hike will not come because we generally give the hike from April 1st.

Rishi Jhunjhunwala:

And hiring, what is the headcount and what are the plans for hiring for this year?

Venkatraman Srinivasan:

Hiring based on needs it is going on. So almost, at present we want to hire around 200 people. And last quarter, I think some 50, 60 people has been hired. And now we want to hire 200 people because, we want to position mainly for the inside sales, and also some of the international roles so that we can deeply penetrate the market.

Rishi Jhunjhunwala:

Great. And just one last question on margin. So now that we are operating at almost 40% EBITDA, just wanted to understand over the next 12 months, do we have planned investments, which will ensure that margins normalize a bit lower compared to where you were in FY2022 or, we are actually, the profitability of the business has improved, and this is something that can be maintained even with the planned investments we have for the next year?

Venkatraman Srinivasan:

No. In the planned investment if you see the data center, product development, these kind of investments, only the out of the public issue money, only the repayment of loan, which we have repaid. And the second thing is the data center investment, which will get capitalized, but some depreciation will come, but it'll not affect the EBITDA but it may affect a PAT to some extent. Then the product development also will be capitalized. But the main thing which can affect is US market expansion, where it may go in revenue expenditure. But to that extent, we will also do it gradually so that when, along with the improvement in the revenue, if improvement in revenue happen that can add to more margins, so this cost can be offset, but 1% or 2% here and there can be there, but, we will not do in a very indiscriminate manner so that the margin falls down in a big way.

- Moderator:** The next question is from the line of Amit Shah from Deep Research Capital. Please go ahead.
- Amit Shah:** Yes, the couple of questions on the growth front. So if we see our enterprise business, this quarter we've grown about 50% for this quarter and our growth for the Trust Services business also, we are down 9% on that business, this is a one off quarter in terms of pricing pressure in that. So can we see a Rs. 230 crore to Rs. 240 crore revenue number let's say for FY2023 and from there onwards we could see 20%, 25% growth where Enterprise business grows at 30% and the trust services business grows at 20% is that a fair assumption to make?
- Venkatraman Srinivasan:** No, I explained. No, we do not want to give a guidance as a policy. So if I state the amount, it will be like giving a guidance.
- Amit Shah:** No, this is just to understand, because if your numbers, if you just translate your numbers to enterprise growth was fairly high.
- Venkatraman Srinivasan:** You have to interpret, I do not want to add any guess and give a guidance.
- Amit Shah:** Okay. So in this pricing pressure, which you spoke about, which happened this quarter, so is that a phenomenon, which keeps happening every year or there is something which is one off, which has happened this year?
- Venkatraman Srinivasan:** No, every two, three year it happens. So what happens is because the competitors think that they're putting more, reduce the price, there can be market share more, then they come down to a certain point and again, everybody jacks up. So this the last seven, eight years it has continuously happened like this. So again, last year, the prices were reset because before that, it was 185, 175 from there suddenly it was reset to 340, 350 during the COVID time. Then from there, again, it started coming down and now it has stabilized almost from even July, August of last year itself. It is more or less established. It's not declining at that rate.
- Amit Shah:** So, let's say if the prices seven or eight years back were Rs. 100. So what will be that price today? Let's say you started at Rs. 100.
- Venkatraman Srinivasan:** When the DSC started if you see the Information Technology Act, they have put a maximum price of Rs. 25,000 for DSC. That was there originally from there, it went up to even Rs. 80 at one point of time. So then again it went up to Rs. 350, Rs. 400. Then again, it went down like this it went up and down, over the last several years.
- Amit Shah:** Got it. Currently, what would be your capital allocation policy? Because you'd be generating close to Rs. 50 crore, Rs. 55 crore of profits in FY2023. So that would be redistributed as dividends to shareholders, or you'll have some other acquisitions to make. What kind of reinvestments you will be looking at?
- Venkatraman Srinivasan:** We have made a dividend distribution policy up to 35% of our, Indian profit will be distributed as dividend in line with that the last year also, we are distributing around Rs. 10 crore as dividend. So, and, again, if you see the cash balance, also, we have raised the money and then we are cash positive and EBITDA positive, net profit is there, net profit plus depreciation, cash accrual is there, so as a result as per policy we will be distributing dividend.
- Amit Shah:** Okay. So we won't be having any interest costs, in the next three quarters?
- Venkatraman Srinivasan:** No, because we have fully repaid the loan.
- Amit Shah:** Right. And just coming back to the license, AMC revenues, which you spoke earlier, so 20% would be recurring revenues for us and 80% would be one time and out of four

or five years, you will get an upgrade of the software that's where they'll pay you back. Is that a right assumption to make?

Venkatraman Srinivasan:

No, out of that one time also, one time is limited to 50 user, 100 user as and when they cross the number of users, they have to pay the additional license revenue. So that way it is not that for next five years, you will have no revenue. Next five years also incremental revenue will be there, but it may not be as much as see originally when you enter, some cases, it can be originally what it was, some cases, it may be lower. Originally you have entered with the 200 people license. Then additionally 10 people they want, or 20 people they want. They'll pay extra every year, but it may not be equal to the 200 people license.

Amit Shah:

Got it. And let's say, what kind of new product innovations we are doing, be it in other platforms, other applications. So what kind of revenues, let's say the new products would have generated in the last three years, any idea on that?

Venkatraman Srinivasan:

The new products are all allied products to our existing lines. So if you see the remote training product, it is again, allied to Trust service. If you see the certificate discovery product again, allied to Trust services, then if you see the other IoT product, it is again related to our onsite emCA as well as Trust services. So within this group of product, we are enriching the operational aspect and enriching the product, which will give our competitive capability and also enhance our pricing power. So we are not going totally into completely new product, which will give a new set of revenue kind of thing.

Amit Shah:

Got it. And your focus let's say for the next three or four years would be completely on Enterprise business, right the paperless transformation market, which you all have been speaking about, or it would be on the DSC side where opportunity is a bit limited, but your margin is significantly higher?

Venkatraman Srinivasan:

The Enterprise side we will grow more, but nevertheless, even the Trust service side also we will grow and Trust service side also, we are trying to go more and more international. So both side we will grow, but the percentage growth, we feel at this juncture could be more in the Enterprise side than in the Trust services.

Amit Shah:

And in the Trust services, which you are taking it outside of India today, what kind of competition you would be facing there or would you be having or it would be a market where you would have first mover advantage?

Venkatraman Srinivasan:

No. Initially, we are taking it to countries where the number of providers are low. So that's where in Africa we are taking and in Middle East, we are taking where the number of providers are lower, where the number of providers are very high, there we have not yet taken and there, we are trying to align with other Trust service provider and sell our solutions through them or to their customers.

Amit Shah:

Is it fair to assume that, the outside of India revenues would be around 50% in next two years, right now for this quarter, it was around 35% or so. So would it be fair to assume it will be 50% after two years?

Venkatraman Srinivasan:

International revenue yes, overtime because international is a very huge opportunity. So it'll grow in a big way.

Amit Shah:

The receivable terms will be similar as at of India?

Venkatraman Srinivasan:

International receivables could be better than India because generally internationally, the credit terms are fully honored and then the procedural hassles are lower. So that way the credit will be better, it will be better more when you go to the US and Europe and all that. But Middle East, Africa it will be similar to India.

Amit Shah:

Yes. But Europe and US would have established competition already, right, countries like countries in Africa or Middle East, that is where you would have lesser competition to penetrate in?

Venkatraman Srinivasan: No, Europe and US also, because if you see it today, the kind of range, what we have developed, not many companies have developed in even in US and Europe. So even within Europe itself, we are trying to, our emCA product, has taken one of the system integrator to substitute a local European product with our emCA product. So that way it is not that, there is a number of people there. So our product superiority is there and then, the name is there and it is featured in major report, like Gartner report and IDC report and all that. So that's where we are able to penetrate.

Moderator: That was the last question for today. I now hand the conference over to Mr. Rishi Jhunjhunwala from IIFL Institutional Equities for closing comments.

Rishi Jhunjhunwala: Yes. Thank you. So on behalf of IIFL Institutional Equities, we'd like to thank the management of eMudhra Limited to give us the opportunity of hosting this call. I will hand it over now to Mr. Srinivasan for any closing remarks. Thank you, sir.

Venkatraman Srinivasan: Yes. Thank you. I, once again, thank all of you for joining our Q1 FY2023 earnings call and thank you for continuing to follow our journey as we embark on our mission to accelerate society's transition to a secure, integrated, digital world. For further questions, you can feel free to connect with our Investor Relations team for any questions. Thank you.

Moderator: Thank you. On behalf of IIFL Institutional Equities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

Notes:

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For further information, please contact:

Churchgate Partners

Ravi Gothwal / Anvita Raghuram

eMudhra@churchgatepartners.com

Contact: +91 22 6169 5988