"Subex Limited Q1 FY-20 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Subex Limited Q1 FY20 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. G.V. Krishnakanth – Company Secretary of Subex Limited. Thank you and over to you sir.

G.V. Krishnakanth: Thank you and good evening to everyone who have joined this investor call for the period ended June 30th, 2019. Now I would like to introduce the members of the management who are present for this call with me. We have Mr. Vinod Kumar Padmanabhan – Managing Director and CEO and Mr. Venkatraman G. S. – Chief Financial Officer.

I would like to start the conference call by going through the safe harbor clause. Certain statements in this call concerning our future growth prospects are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but not limited to fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, withholding taxes, political instability, unauthorized use of our intellectual property and general economic conditions affecting our industry. Now I handover the call to Mr. Vinod Kumar Padmanabhan to take it forward. Thank you.

Vinod Kumar P: Good evening everyone. I welcome you all to this briefing and thank you for taking time for this call. As many of you have seen from the release, we did last Monday we ended the Quarter 1 with the revenue of Rs. 79 crores. We have an EBITDA of 15.2 crores and a profit after tax for the quarter at 5.3 crores. Typically, our Quarter 1 is relatively lower than the other quarters and the results that in line with this trend. As we had indicated in the previous call as well bulk of our revenue still comes from the Horizon-1 portfolio and the nature of business in Horizon-1 is predominantly license and implementation based and therefore there is variation from quarter to quarter based on where the timing of the OI and the structure or the construct of the OI. Further a couple of mega deals that we closed during the end of last year that is towards March of FY19 we could start only early part of Q2 due to the infrastructure unavailability at the customer end. So, these will get executed during the course of the current quarter and the next two quarters and we should see the revenue from some of these big order intakes that we had in last quarter converted into a revenue during the course of this year. So, we urge you to look at our performance more from a full year basis done than at a quarter to quarter basis because of these variations that will continue to have our Horizon-2 and Horizon-3 revenue which is going to be subscription-based ramp-up which will be in the years to come.

Now let me cover some of the other highlights of the market and some of the things that we have been doing on our new product areas:

On our core area that is telecom most of the activities from the customer and we were centered around enterprise business that is ramping their enterprise businesses and also the early deployment of 5G and the preparation towards that. We are tracking this very closely and we have already aligned our portfolio to leverage these trends. With respect to the enterprise offering for telcos both from an internal enablement of the telcos and also creating product portfolio that they can sell to their enterprise customers we have an excellent offer and that we have started taking to almost all the telcos which are currently our customers. In the case of 5G we do have the capacity management and the video analytics which is becoming a very key aspect of the portfolio requirement as and when they start rolling out 5G and we have had discussions with most of the key telecom operators in this regard.

Now on the operations front:

In the recent past we have started investing in the North American sales & marketing and this effort is showing good results and future prospects. During the course of this quarter we have secured a new logo in North America and our pipeline also from North America is looking quite strong. We hope that this region will turn out to be a strong performer for us in this year.

On the market side in our space we did see a major vendor consolidation where WeDo, one of our key competitors was acquired by a company called Mobileum. We are closely monitoring this and we will push ahead with our market grab strategy in various geographies as planned.

Now let me move to IoT security which is the Horizon-2 product portfolio:

Around IoT we have been focused on delivering the projects in various geographies that we secured in the last year and most of the projects the completion of those projects will happen during the course of Q2 and some of them by early part of Q3. We have also significantly increased the focus on Indian market and we have also formed a special team to cater particularly the government sector in the country which is probably going to be one of the biggest spenders when it comes to cyber security and digital security. Last week as some of you would have noticed we launched the first of its kind IoT security state of the union report focused on India and this has been widely quoted by most of the media and also become a reference point when it comes to the status of IoT and particularly the kind of vulnerabilities, the targets and the kind of attacks that we are seeing in the country. On the generic front on IoT security we will continue to secure more partnerships both with respect to SI partners and also OEMs as we believe that this relationships and partnerships will be critical to reach the wide market space that we are targeting.

On the Horizon-3 products we had CrunchMetrics:

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If you recall, we had indicated that we have started a POC with large payment provider in the country. Now we have finished the first stages of the POC and we have announced a very large use case that we believe will be very significant for the entire FinTech specifically the payment part of the FinTech segment. At this point of time payment fallouts are in the range of 40% to 45% and with the CrunchMetrics we are aiming to reduce the fallout rate by a few percentage points that will translate to direct revenue for some of these FinTech companies. So, this is a very valuable use case for the FinTech companies and early efforts that we have done with this POC with this large payment provider is helping us to hone all the propositions and we intend to take in the coming quarters aggressively to other FinTech players starting with India but again expanding to other geographies.

The second product around digital ID, we have already soft launched our product during the course of the last quarter and the product is being named ID Central. We have soft launched and we are in the process of getting early customers and prospects onboard. That is on one side we are trying to onboard the service providers who will be consumers of our service or who will be consuming the service and on the other hand we also have a data aggregators coming onboard we just to start with Telcos and another data aggregators whose data we will be looking into based on specific customer consent to provide value to all partners in the system. There are two use cases that we are focused on, one is onboarding where we look at onboarding for several large entities and institutions like governments and other enterprises and while we do the onboarding, we look at all aspects of digital accuracy, removing all the duplicates, dumping and all that efforts. So, that's one part of the solution. The other part of the solution is on a two factor authentication where pretty much the whole world is moving to a two factor authentication that is the OTP–based authentication. We are doing some digital ID verification before some of the OTPs are being sent. This is extremely valuable to avoid fraud and other digital identity related abuses that happens today in the digital and e-commerce domain. So, these are some quick update on what we have been doing in this quarter.

I would now request the operator to open for questions and clarifications. Thank you.

Moderator: Thank you very much Sir. Ladies and gentleman, we will now begin the question and answer session. Our first question is from the line of Yashodhan Khare from Vimal & Sons.

Yashodan Khare: For the existing customers of Subex what are the switching costs?

Vinod Kumar P: When you mean by switching cost are you talking about switching from one provider of a solution to another provider of a solution?

Yashodan Khare: Yes, like from Subex to another competitor of Subex, how sticky is the relationship?

Vinod Kumar P: Because we are in the product business it's quite sticky and most of the products when they are buying they are looking at an engagement which is about 8 to 10 years kind of engagement and augmenting that with the managed services that we have with several of our customers its quite sticky and unless there is a event like merger or a group consolidation whereby some of the groups have decided to consolidate all their OpCos into one installation and if it happens that the group decides that it has to go or they have some other vendor those are the cases where we

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have seen some of our platforms getting replaced. By and large it is not a routine thing as long as you're able to be at the cutting edge of the technology and that's where all of our investments are going into bringing in more an AI/ML based capability so that we are helping the operators ahead of the curve. So, we are working with the robust roadmap so at this point of time unless there is a consolidation or some other corporate event at the customer end we do not see that much of a threat on displacement of our installations.

Yashodan Khare: You had indicated that we are targeting to double our topline in 3 years, so you expect most of the growth to take place in Horizon-2 or Horizon-3 is what I assume. But does that still hold I mean that the guidance of revenue run rate doubling in the 3 years?

Vinod Kumar P: I think that is what I have said in my briefing that you should not look at quarter-on-quarter and what we have communicated during the last call remains the same this time as we come to the end of the year you would definitely see us breaking out from the revenue levels and moving towards the target that we have set for ourselves for the 3 years, so it remains.

Yashodan Khare: When we are comparing Subex with competitors because your revenue assurance and within that segment, so we want to compare the metrics of a Subex balance sheet or the Subex number with which competitor should we use for our analysis?

Vinod Kumar P: Unfortunately, we will not be able to because of a kind of a portfolio that we have we are not competing with one operator because for some of the portfolio we have some competition, so there would not be a single competitor that probably of our similar size. Like for example I just mentioned for consolidation that happened with a WeDo, WeDo is providing only a fraud and revenue assurance but not some of the other portfolio that we had on partner billing and obviously on security etc. they did not have that. But if you look at on the other hand Amdocs and Oracle, Amdocs for instance who has got a much wider portfolio and they do provide fraud and RA, so it will be very difficult for me to tell you one comparative as a competitor for us who have got the entire breadth of the portfolio let alone the new areas that we are talking about.

Yashodan Khare: You had indicated in the annual report also in the last year that there is some restructuring expected because the float is so high that is one of the supply on the stock is so high that that kind of limited the upward volatility. So, anything to inform us about that….

Venkatraman G. S.: So, Yashodan, we are looking at that problem. We are conscious of the large equity base which we have and we do want to address this. But it is as you imagine is a little complex given that we went through a restructuring about year and a half ago and we need to do it considering many things. So, this is definitely on one of the top items which we are looking to address. So, we will be able to share more updates as we progress through this year but this is definitely one item we want to address in this financial year.

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Yashodan Khare: Thanks for the investor presentation which you had promised last time, we are grateful for that. But last, I have a small suggestion that investor relations doesn't reply any of the e-mails that we send, we try and phone Subex in Bangalore. It's just not possible to talk to anyone; the phone just goes into a loop. I have been trying for more than six months to try and talk to someone in the investor relation but just impossible to get through your lines or even I sent multiple mails also, none of being replied actually. Maybe I am applying or giving wrong idea or I don't know what it is.

Venkatraman G.S.: Let me have a look at that we will address that.

Moderator: Our next question is from the line of Rajkumar Ojha, an Individual Investor.

Rajkumar Ojha: I have a question regarding order wins if any in the IoT security system integrators like Accenture, Infosys, Mahindra, Satyam etc. And my next question is, Subex is a 50 million USD company, the management is striving it to make it a 100 million USD company. My question to the management is has the board of directors ever discussed to make it a 200 million USD company in the next 4-5 years either through organic, inorganic or acquisition mode?

Vinod Kumar P: On the first part, we definitely have system integrators as a major GTM channel. We already have several partnerships unfortunately we are not in a position to announce it. As and when we are announcing the partnerships you will come to know about it but we have started working on it including working enabling, trying to put our product in the integrated digital security and digital enabled lapse of some of these large system integrators, so system integrators and large consulting companies both of them are our key GTM partners that we are looking towards partnering with. On the second question about the strategy, last year we finished better than what we had internally expected from an order intake perspective which is an indicator of the future business and that did give us the confidence that we should look at how to go beyond this 100 million or faster than what we have currently in place. In line with that we have identified certain areas and we have added those initiatives into the Horizon-3 and as we talked the capabilities are being built to explore some of these areas. So, in summary we have definitely started looking what beyond the initial plan that we had and what Subex should be. But it remains that our focus would be in the area of digital trust that is Subex will be probably known as the leader in providing solutions to help everyone trust the digital ecosystem. That's where we are going into and we are looking at expanding our portfolio so that we can grow beyond the 100 million company.

Moderator: Our next question is from the line of VP Rajesh from Banyan Capital.

VP Rajesh: Congrats for a good set of numbers and thanks for sharing the presentation which is very helpful, Just one should suggestion if perhaps you can break the revenue from operations into your Horizon-1 versus Horizon-2 that will be helpful and also since Horizon-2 is more subscription driven if you can share what is the backlog on the order should, some metrics to track quarter-on-quarter growth on that and if you can provide the data for Q1.

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Venkatraman G.S.: I think obviously that's something we will definitely want to go in that direction. But I think right now at this point in time the share of that Horizon-2 revenue number is extremely small so we would like to get that to reasonable critical size and then we will start reporting metrics and other numbers around it. But I get your point we will definitely go there but give us a few more quarters as it achieves critical mass, we will start sharing those numbers.

VP Rajesh: On the employee benefits expense there was a decline of almost 2 crores year-over-year and then there was a footnote talking about 4.5 crores of incentive payments were not made in this Q1. So, could you just shed some color on that?

Venkatraman G.S.: Rajesh typically if you look, there is incentive program in place with the bonus or an incentive program in place for all the people who work particularly sales and other folks who work they have an incentive plan in place and then for the larger organization there is an incentive plan linked to specific parameters. So, through the years we look at the parameters we are likely to hit and make provisions towards that. I think as we end the year then the two of these provisions to say whether what is the actual payment we made. So, as part of this process there has been a reversal of that amount so that's what we are trying to explain in that note.

VP Rajesh: So, that is pertaining to last financial year I would assume.

Venkatraman G.S.: Last financial year, you are right.

VP Rajesh: There is not a significant jump but small amount in your finance cost from 63 lakhs to 1.5 crores, so what's the story behind that given we have totally debt free now?

Venkatraman G.S.: As you know there is this change in accounting standard for leases, there is IndAS 116 in place, so the IndAS 116 requires you to look at all you are future lease rentals that you are required to pay and then that has to be broken up.so it moves out from your expense line item and a portion of it goes and sits in depreciation and the portion of the imputed interest comes and sits into the interest cost. So, about 1.2 crores of that 1.5 crores which you are saying for the current quarter is interest cost related to this IndAS 116 adjustment. So, it's not really technically an actual interest cost just because of the way the standard requires you to report this line item it's sitting in the interest line item.

VP Rajesh: You reported EBITDA margin of 19.2%, so if you take out the AS 116 impact out of it what would be the adjusted EBITDA margin?

Venkatraman G.S.: That's about 4% impact Rajesh, so what we have reported is 19%, so if you adjust this it will be about 15%.

Moderator: We will take a next question is from the line of Rohan Hari, an Individual Investor.

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Rohan Hari: In your annual report you had said that you're going to launch second product in the Horizon-3 space, so when is that going to launch and what would be the aspects of that that you're going to planning to cover?

Vinod Kumar P: The second product as I indicated in the briefing, we have already soft launched our product. The product is called ID Central and you can get further information about that in the website idcentral.io, now we have not done a full-fledged launch of the product. We have done a sort of a soft launch for the product. The idea is that we would want to onboard some service providers and custodians of the data and once we have at least a few of them on our platform we would want to launch that with a full fanfare. Now that we are expecting towards the end of Q3 or beginning of Q4, so that's the status of that. We have already soft launched it and we're in the process of onboarding early customers and custodians of data on to the platform. Just for the clarity, the product is called ID Central and the website is idcentral.io.

Moderator: We will take a next question from the line of Rukun Tarachandani from Kotak Asset Management.

Rukul Tarachandani: Can you just speak about the seasonality of the business as you said it's not right to look at it on a quarter-on-quarter perspective, so what is it that drives the seasonality of this business?

Vinod Kumar P: So, as I told you predominantly our business comes from the Horizon-1 on the core and bulk of the business that we do there is on a license and implementation model. So, based on the structure of the contract, so some of the contracts will be license and implementation which will be capitalized by the customer but some of the customers would want it to be operationalized in the managed services. So, based on the construct of the contract and as to when we get to secure the contract, the revenue recognitions will depend on these two factors, when we secure the contract and structure of the contract. Now this would continue to happen till our other part of the business that's the Horizon-2 and Horizon-3 which is more subscription-based which is more linear and growth oriented would happen. So, the seasonality is more coming from some of these angles. Now typically if I look at the trend of the last few years obviously Q1 and Q2 are relatively lower than Q3 and Q4 for us and this year also the trend will pretty much remain the same based on the backlog and the order pipeline that we have.

Moderator: Our next question is from the line of VP Rajesh from Banyan Capital.

VP Rajesh: The other expenses also dropped about almost 6 crores, so is that also because of the impact of AS 116 or there was a reduction in these other expenses?

Venkatraman G.S.: One part in the other expenses reduction is rightly said Rajesh is because of the rent, so the rent component has moved out. if you compare year-on-year I think last year we had certain specific cost which we had incurred, some consulting cost we had incurred so that has not been incurred this year, so that's why there is a reduction.

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VP Rajesh: So, should we assume that this 20.68 or thereabouts is sort of the new quarterly basis for this line item?

Venkatraman G.S.: It should be but I think I would want to be little careful because sometimes what happens is while the rent has moved out and that will remain so in the coming quarter as well there could be some little bit one-off expenses. Some of our expenses are not necessarily equal through the period for example towards the second or third quarter we will also have spends on our user conference which will happen, so that will come and hit us. So, it may not be necessarily uniform number to that extent Rajesh.

VP Rajesh: And then on the tax side this number seems very high, so what is the sort of real tax rate one should be thinking about? In India you are at 25% I assume and in your overseas you probably are at 25% or I guess I don't know, so that's the question.

Venkatraman G.S.: As I have explained earlier Rajesh, I think our tax number if you really see if I break down the tax component, our tax provision per se is very-very small, it is a very small number. I think it will be for the quarter is about 2 crores but if you look at other items withholding and the deferred tax is what swings the numbers and deferred tax is a function of the mismatch between the current and the future tax expected and that is what leads to the swing in numbers and that is the function of the structure which have to put together given our LLP structure and the way the profits move in these LLPs that has an impact on how the deferred tax numbers move every quarter. The number will be in this range, it may not increase than what we have today but it will be in this range what you have seen in the last few quarters.

VP Rajesh: Let's say on a cash basis, what are your cash taxes? In terms of let's say if you want to look at as a percentage of pre-tax profits?

Venkatraman G. S.: it will be about 2-2.5 crores, it's about 20%-25% will be the range.

Moderator: We will take the next question from the line of Rajkumar Ojha, an Individual Investor.

Rajkumar Ojha: My question is regarding CrunchMetrics; whether this section has started generating revenue and the number of POCs in FinTech and my next question is whether we have won any major IoT security contract in the smart city after Florence?

Vinod Kumar P: On the first question on CrunchMetrics, yes, we have commercial engagements going currently with the Telecom operators. On the FinTech we have just completed the first POC because it was a bit learning experience for us and we expect that we are in the second phase of the POC and we expect it to complete and we should get into your commercial engagement with this particular customer during the course of Q3. But based on phase 1 success and our clarity as to what use case and what problem that we are solving we have started approaching other FinTech operators and we are in the process of starting the second POC with another large payment gateway provider in the country. We have also started another POC with the large travel e-

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commerce company because CrunchMetrics as I told you we are looking at two segments, e-commerce and FinTech. So, we are in three weeks into the POC with the large travel e-commerce provider within the country. We will provide you further updates as we get into and as and when we are in a position to share the customer and commercial engagement. On the IoT smart city we have not secured any contract as a yet because as I told our current approach that we are doing is we are going to separate verticals and creating a use case so that we can understand what are the specific problems in those specific verticals and how we can solve that. But our go to market is going to be through either a large telecom provider, a large SI or an OEM. So, have started putting the bridge together along with large SIs and large OEMs and we hope that in the coming quarters we will have some success coming out that and this is a part of the large deal. It's this SIs and OEMs in providing a larger end to end kind of service for the smart city and we are a part of that consortium. So, we hope that during the course of this year we will have some success coming up from these initiatives.

Moderator: Our next question is from the line of VP Rajesh from Banyan Capital.

VP Rajesh: So, Reliance made this huge announcement couple of days ago and we are in the core of Jio; I was just wondering do you see an opportunity on the IoT side that they we were talking about?

Vinod Kumar P: Of course, there is an opportunity Rajesh. We are exploring that and as and when we have something that can be shared, we will provide you with that update Rajesh. So, definitely as they would start moving into mobile edge computing, we have already integrated our IoT security into mobile edge computing security and we think that that's one of the first use cases of 5G mobile edge computing and for mobile edge computing the security is also very complicated, so we have already have a proposition around that and already integrated with some of the mobile edge computing providers. So, definitely there is an opportunity and we will explore and we will keep you updated on the progress.

VP Rajesh: Other question I have is Mobileum acquiring WeDo. Any idea of how big is Mobileum and if they were already present in the telecom side or this is how they are trying to get into the telecom sector?

Vinod Kumar P: So, Mobileum is erstwhile roam-ware so they do have a roaming product I think they bought WeDo to get some more, maybe they wanted to expand the portfolio or whatever it is. They were with a roaming product, they were doing some analytics around roaming, bordering some fraud etc. but they were not that at mainstream fraud and RA player, so we don't have the specifics revenue figures of that because it's a privately held company. But they were in the roaming space and probably they are looking at expanding their portfolio. It's a VC held at this point in time.

Moderator: Our next question is from the line of Rohan Hari an Individual Investor.

Rohan Hari: Two questions, one your India operations are not that much if we see segment-wise revenue so what kind of growth are you expecting from your India operations?

Vinod Kumar P: So far we have been targeting the telecom segment, telecom operators and in the telecom operators we had a sort of a limited portfolio to sell that so if you look we have all our almost all the operators use our fraud and RA and therefore our revenue thereafter will be only the maintenance, support and enhancement revenue. Whenever some incidents happens or some critical either a 3G to 4G, 4G to 5G migration that's a point when all we will have an increased revenue because all of our platforms will have to be upgraded or when there is a consolidation activity. So, in the recent case where Idea and Vodafone coming together because both of them have their portfolio with the integrated platform or integrated target state architecture there would be work available. So, that was so far our revenue profile. However, with IoT and CrunchMetrics India is a major focus for us and we have started working towards this. I want to give a projection as what percentage would be but as we end this year at least from new order bookings you would see that a considerable portion of that new revenue, new contracted bookings should come from India and from a revenue translation during the course of next year we expect a lot of revenue translation to happen from India. That's my view at this point in time based on what we see from the Indian market from a revenue perspective.

Rohan Hari: The another question was with the launch of ID Central when are you planning to do a full-fledged launch and when does the revenue start kicking in?

Vinod Kumar P: Our plan is end of Q3 or beginning of Q4 for the time being, again the dependency is that we want to onboard a few customers and a few operators before we do a full-fledged launch and there is a dependency because we are very clear that we would only look at the data of consumers with explicit concern. So, there is a kind of legality which we are working across all the interested parties so that's our current timeline. With respect to the revenue coming from it we expect that by Q4 at least we should have some revenue to prove that it is a viable proposition but again it will be a very small compared to our overall revenue but next year as Venky mentioned earlier we would try to provide you the segment-wise over the Horizon wise cut of it either both revenue and the contracted revenue and you should get a better view of how some of these things are panning out.

Moderator: Our next question is from the line of Gopal an Individual Investor.

Gopal A: My question is on one thing like in your one of your announcement you said employee stock options has been cancelled in the BSE or somewhere it is written; just a basic query is there any reason and I have got another question whether your focus on to be a purely tech company or your focus is on marketing of your tech products? I would like to say indepth marketing in other countries and third is that innovation part; one is your CrunchMetrics which we have heard for past two quarters and when you will deep dive into it the marketing part of it?

Vinod Kumar P: First is with respect ESOP. These are some very-very old ESOPs which have not been exercised and maybe again it might have been issued at a very high rates, so it doesn't make any sense anymore. So, those are ones which have got cancelled but our new ESOP scheme as you know that we have got approval from shareholders last year for the new ESOP scheme and those are

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in progress and we have got the approval to acquire further shares this year from the market and then we are allocating this and this year as per the approval we will be executing that. So, that is from the ESOP part. On the CrunchMetrics part if you look at our social media and others we are very-very visible with what the value proposition is and we have already started marketing again and like our core products in the telco side we are addressing a very large segment so the way we market will be quite different. It is a low touch inbound base marketing, based leveraging in the social media and others. So, we have already started it; of course we can take it to the next level but as and when we start revenue ramping up, we will further enhance our marketing thing. At this point of time we have started marketing CrunchMetrics to telecom worldwide, and FinTech and e-commerce in the country because these FinTech and e-commerce are new segment for us and we want to learn and be more confident before we take it to wider market space. With respect to the innovation I think as I told you that we have already started, we have identified a few other areas which we are taking in on as the part of the Horizon-3 and we are building the capabilities to explore those areas and as and when it becomes a proposition which we decide to take to mainstream we will come back to you. So, currently the three key initiatives that we are driving from a marketing standpoint are three – one is IoT secure which called Subex secure, second is the CrunchMetrics with an anomaly detection AI/ML base anomaly detection third is the ID Central which is a digital identity SaaS based offering which will solve a very large digital identity based use cases. So, these are the three specific initiatives that we are working on with all the marketing support required.

Gopal A: My only one simple question what you will say that people talk about billion-dollar company and when we are in European market or half a billion-dollar company and I think your share price has come down from around Rs.370 to Rs.5. What is the period horizon you are looking though that so that the stock price will go up in near future may be in 3-4 years or how would we as an investor how would we have this confidence that we will reach at some level from where it has fallen down, maybe at a in phases?

Vinod Kumar P: When the market pricing is something which we cannot have any specific comment on as you can appreciate. What we can only provide you the color of what we are with respect to the strategy where we think that the company will be in the next 2-3 years and also some of the other capital related restructuring that we would be undertaking as Venky described against one of the questions so that all the structural issues which we which is currently there are addressed by us. The market price as you probably will appreciate is dependent on many other things. So, the guidance that we can provide is on where we are taking the company and we hope that things will look better than what it is today.

Gopal A: I would like to compliment on your reporting part. The presentation is excellent compared to last time and second I would like to compliment that the share price part basically I mean it has shown a remarkable resistance in the falling markets also about 1600 points. I think we can take strength from that. That's what I would like to point.

Moderator: Our next question is from the line of Rukun Tarachandani from Kotak Asset Management.

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Rukun Tarachandani: My question is on the remuneration policy; so the company has an ESOPs policy. Just wanted to understand on what term metrics is the top management evaluated and based on which the ESOPs are awarded? Is it revenue growth, is it margins, profitability growth? So, what are these metrics that the top management is evaluated on?

Vinod Kumar P: It's primarily the hard metrics that is the growth, the profitability and also the new products contribution. So, these are some of the key things. Internally if you look at how we are driving the business there are two aspects; one is what we call as the financial metric and the other is what we call as a power metrics. The financial metrics our revenue, order intake, profitability and cash in, cash collections and other from a power metrics would be the customer satisfaction, a new products that we are able to launch, contribution from new products and the Subexian satisfaction. These are the four parameters with respect to the power metrics. So, this is what me along with the management team are driving towards and we have specific goals that we have for both year and a long-term which we are driving towards.

Rukun Tarachandani: How much do these financial metrics matter in the overall scheme of things?

Vinod Kumar P: The financial matter metrics is the main thing which matters. The power metrics is just for us to manage the business but the financial metrics is the one which matters and ESOP allocation is based on; currently we want to ensure that around 30 to 40 key people of the organization who is driving this change is compensated, have got a stake in the growth of the company so that we can both from a talent retention and a talent acquisition. It is an important aspect for us considering the fact that we are working in a space where just products and also in a space which is very well funded by many of the VCs and in a location like Bangalore. I think the ESOPs the scheme and the ESOP allocation is focused on the 30-40 people and every year we are able to prepare about 2% based on the what is the guidelines and we have done last year and that was allocated to the top management primarily and this year when we allocate we will sort of extend into the next 25-30 people.

Venkatraman G. S.: Just to add if you look at the senior management a significant portion of the compensation is variable linked to these performance metrics which Vinod spoke about. So, it ranges anything to between 35% to 50%. So, there is a lot of stake on these key metrics to be met for the management to make the total compensation they are required to.

Rukun Tarachandani: What is the capital allocation policies you are generating roughly 50 crores odd and operating cash flows and there is hardly any debt now. So, what will be the capital allocation policy?

Venkatraman G. S.: We have called out very clearly that in this year and in the coming years as well we will keep continue to make investments in the newer product areas which Vinod spoke about in Horizon-2 and Horizon-3 areas. A significant portion of that cash which is getting generated will get reinvested back into the business. So, we have called out in our March call that we are expecting to make at least $4 million worth of investments in these newer areas and we have also said that, that we will not hold back investments if we see a need to invest more so that we are making the

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right investments in these newer products which will set us up for the growth in the coming years. So, a large portion of that cash if you will get generated will be required for investment in these areas.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comments. Over to you Sir.

Venkatraman G. S.: Just one point I think one of the early question people on the call made a comment about lack of response to the investor relations ID. I think if you look at the investor deck, we have uploaded we also have our investor relations partner Christensen's email id listed there. So, you can also write to them and they will be able to respond to your queries if you don't get any responses to the investor relations ID. However, I also will look at what is happening to that ID if there is some issue with the ID which is why it is not reaching the right people. We will do that but alternatively you can also reach to our partners and they will ensure that you have a response to your queries.

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

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