

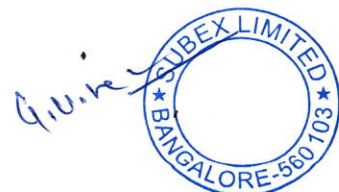


**“Subex Limited
Q3 FY2020 Earnings Conference Call”**

February 10, 2020



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





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Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Subex Limited Q3 FY '20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G V Krishnakanth, 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 December 31, 2019, I would like to introduce to you 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. – the Chief Financial Officer of the company.

I would like to start the conference call by going through the safe harbor clause. Certain statements in this call concerning our future growth prospect are forward-looking statements, which involve a number of risk and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but not limited to fluctuations in earning, our ability to successfully integrate acquisition, competition in our areas of business, client concentration, liabilities for damages in our contracts, political instability, unauthorized use of intellectual property, and general economic conditions affecting our industry.

So with this now I hand over the call to Mr. Vinod Kumar Padmanabhan to take it forward. Thank you everyone.

Vinod Kumar:

Good Evening everyone, I welcome you all to this briefing and thank you for taking time to attend this call. As many of you have seen from the release, we closed quarter 3 at a revenue of Rs. 96 crores up by about 12% quarter-on-quarter from Rs. 85.7 crores last quarter. The EBITDA for the same period was at Rs 23 crores up by about 28% quarter-on-quarter from Rs 18 crores of last quarter, that is Q2. Before I hand it over to our CFO, Mr. Venkatraman, to take you through the details of the restructuring, let me provide some qualitative updates on the business.

Now, Digital Trust and security is evolving as a key area and even in the Davos World Economic Forum, there were lot of discussions on this matter. This is being discussed at this point in time not just at a corporate level or an enterprise level, but even at a country level saying that the digital trust and security is becoming extremely important to take digitization to the next phase. At Subex, we are very focused on the execution of the strategy around making us a leader in the areas of digital trust and we are making good progress.

On our core business, we continue to compete very well and won several key deals in North America and APAC particularly the Tier-1 customers. Our solutions that enabled enterprise business for Telcos which is a new packaging that we have done is generating a lot of interest in various geographies particularly as most of the Telcos are looking at enterprise business as a key



area to augment the current connectivity retail business. On the new areas, we continue to be bullish on IoT security prospects. Many of the partnerships that we have been working has reached a stage where they are self-sufficient to take our products to market. One of our Tier-1 partners have by themselves taken our security solutions to a very large enterprise and have managed to win that deal. Now, why this is important is that we have been working on enabling our key partners with the intent of significantly enhancing our reach. We will continue to press ahead based on the initial success that we are seeing and will on-board more and more key partners as we move into the next phase of execution on IoT security.

On CrunchMetrics, we have updated last time that we are doing some POCs outside our Telco space and I am very glad to inform you that we have concluded the first customer for CrunchMetrics outside the telecom space. We will provide you further details as we get approval from the customer to go public with the information. Now, this is a significant step as it validates our proposition of anomaly detection outside the telecom space particularly when compared to traditional BI. As some of you recall, the proposition is that anomaly detection with root cause analysis will be a big game changer and will sit on top of the BI to start with but eventually that is got the potential to challenge the existing BI as it is today.

On ID Central, which is the Identity Analytics solution the on-boarding process of Telcos are making more time than they originally expected as many geographies are rolling out data regulation and the Telcos would like to wait to understand some of the aspects of the data regulation before coming on-board. As such, we did not see a challenge, but just kind of uncertainty around how the regulations will be and the Telcos will want to get the confirmation on the specific regulation before coming on-board. Now, we are going ahead pressing this where we are also bringing other aggregators of data into this platform and as we have discussed we are initially focused on the markets of Thailand and Indonesia and the competitive pressure will make everybody come onto the platform by and by.

We are also making progress on leveraging technology particularly Blockchain in solving some of the problems. As some of you would have seen, we have signed with RAG (Risk & Assurance Group) on using blockchain to solve one of the fraud type which is called Wangiri fraud wherein the objective is that all the operators will share onto this blockchain platform, some of the aspects with respect to this fraud which will then enable other operators to take corrective measure. This is a good start and we hope that by and by we will build more new stations onto this blockchain-based platform. We have also started using blockchain in other aspects of settlements and the prospect is quite bright in using blockchain across some of the product in our core portfolio.

On the talent retention front, we have allocated the second lot of ESOPs to Subexians. As you would recall, we had taken the investor approval to buy up to 5% cumulatively from the retail market and run an ESOP to. We had about 2% last year and this financial year we have 2% and with this allocation about 4% of the total is allocated to Subexians. We have also inducted into our Board our Chief Operating Officer, Mr. Shankar Roddam, as a whole-time Director and this



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will further enhance the execution focus particularly around new growth. With that, I would like to hand over to our CFO to take you through the details of the restructuring.

Venkatraman G. S.:

Thanks, Vinod. I think all of you would have seen from our press release and financials we have shared, we have now got the Board approval for reduction of the share capital of the company and as we have called out in the presentation which I have shared in our website and also in the notice to the stock exchanges, what we are looking to do is given that we have had accumulated losses in the standalone entities, listed entity of Subex Limited, we are looking to use the accumulated losses to reduce the share capital in the company, so what essentially we do is reducing the share capital of the company by half from Rs 562 crores, it has been reduced by Rs 281 crores, so post production share capital will be Rs 281 and then another Rs 103 crores is getting reduced in the securities premium account, therefore, the securities premium account from Rs 267 crores will come down to Rs 164, so total of Rs 384 crores is of accumulated losses will get wiped out completely and this will help us clean up the accumulated losses which is sitting on the balance sheet and as we progress and start making progress in our business and given that we also have done an impairment of the assets in the current quarter where we have looked at the current projections for the core business, the way we see it versus the goodwill which we have been carrying on our balance sheet has taken an impairment on that as well, so the Rs 384 crores which I spoke about is including all of that, so that will in a way help us reduce the size of the balance sheet and also provide us the headroom to manage our business better and also service the equity based which will be smaller now to Rs 281 crores going forward, so effectively nothing changes for the shareholders.

All we are doing is reducing the face value of the shares from Rs. 10 to Rs. 5 and so by doing this, there is no additional outgo for the company. The equity portion of the company is intact and as there is no adverse impact on the company that will make it delay to either honor its commitments or meet its liability and we believe this scheme will overall benefit the company, its creditors, its shareholders, and all the stakeholders. So that is the big update we have on the share, of course this capital reduction will subject to all regulatory approvals, so we have also laid out the broad indicative timelines during the nature of this exercise, we will have first go to the stock exchanges and then there will be an in-principle approval from the SEBI. After which we will then have to do a postal ballot with shareholders and the shareholders will approve the proposal and once we receive the approval from the shareholders then we go to the National Company Law tribunal for filing this case and then the National Company Law Tribunal will provide approval, so this whole process is expect to take about five to six months from now, so we are expecting this sometime in the August-September timeframe for all of these approvals to come through after which then you will see the impact of that in the financials to affect that and we will reduce the share capital and wipe out the accumulated losses that is there in the balance sheet of the company, so that is the broad timelines we are looking at as we speak. Obviously, our intent and our idea is to see how we can accelerate this, we will continue to provide updates to you as we make progress on this.



- Moderator:** Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Mahesh Jagtap, Individual Investor. Please go ahead.
- Mahesh Jagtap:** My question is basically to CFO, in the annual report of 2018-19, there was a goodwill accounted as Rs 650 crores, out of that Rs 380 crores you are writing off this time, so can you tell which are the cash generating units from which this goodwill is being written-off and the remaining Rs 270 crores is belonging to which cash generating units?
- Venkatraman G. S.:** I think first to clarify, the Rs 384 crores we are now writing off not all of that is goodwill that is being written-off in the current quarter. If you look at Subex Limited's balance sheet as of September, we already had close to Rs 165 crores of accumulated losses which was there in the balance sheet, so what we have now written-off is about Rs 220 odd crores of investment in Subex Limited. I spoke at a consolidated level, so that Rs 684 crores number which you are talking of is the total investments which we have in Subex Limited has got in its subsidiaries, so that investment has been written-off, but if you were to look at it from a CGU perspective, what we have done is there is a CGU called RMS, which is the Revenue Management Solution business, a portion of its goodwill has been written-off in the revenue management solutions business and which is the data integratory management IT, which is held in Subex Limited, these are the two CGUs from which we had written-off the goodwill.
- Mahesh Jagtap:** That is Rs 280 crores is from these two units?
- Venkatraman G. S.:** Rs 220 crores.
- Mahesh Jagtap:** But total we are writing off is Rs 384 crores?
- Venkatraman G. S.:** Correct, so Rs 165 crores is existing accumulated losses which is already there in the balance sheet at the end of September, so what we have incrementally added in the current quarter is Rs 220 crores is Subex Limited, so I am just wanting to be clear that we are talking of two different set of financials which we have released, that is consolidated financials and Subex Limited financials, which you are talking of Rs 384 crores, Rs 160 crores is accumulated losses and Rs 220 crores is incremental impairment which has happened of investment in the current quarter in Subex Limited.
- Mahesh Jagtap:** Now, whatever remaining goodwill is there which is if you subtract that Rs 650 crores and Rs 220 crores, remaining is Rs 430 crores, are you going to do impairment with that Rs 430 crores also in the near future?
- Venkatraman G. S.:** No, the idea of this exercise was to look at our current projection of these businesses going forward and given the way the market has been evolving and how the telecom space has been evolving, we have made an assessment. Normally this assessment of impairment is typically done in the March of every year, so this time given the way the market has been progressing and the way we have seen how the market is evolving, we viewed this exercise forward by one



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quarter and that is how we did it in the ensuing quarter, so we do not foresee any further impairments at this point in time because we have done a reasonably big chunk of impairment at this point and so we do not foresee any more impairment as we see the business today.

Maresh Jagtap: You do not foresee next eight quarters or 12 quarters?

Venkatraman G. S.: Not in the immediate future.

Maresh Jagtap: What is your definition of immediate?

Venkatraman G. S.: Immediate future, I am saying in the foreseeable future, I am not saying eight quarters or 12 quarters, I am saying I do not foresee in the immediate future at all.

Maresh Jagtap: Now, when we are reducing this share capital, what are the other options you have explored and you have zeroed in on to this particular option, what are the rational for that?

Venkatraman G. S.: The rational is we wanted to come up with a scheme which has no additional cash outflow for the company and it does not hurt the shareholders in any manner in terms of whatever options we have looked at, I think there are number of other options looked at getting into the details of it, what we have seen this is the lowest optimal option available for the company and for all the stakeholders.

Maresh Jagtap: In this option, we are retaining number of shares same, so earnings per share is not going to change?

Venkatraman G. S.: Correct.

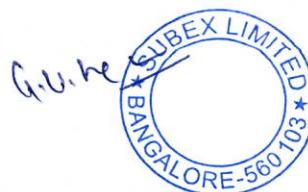
Maresh Jagtap: If this is not going to change then your PE is also not going to change?

Venkatraman G. S.: PE is a function of what is the profit of the company we make, the fact that the profits of the company in the future is expected to go up, the PE multiple will also go up.

Maresh Jagtap: But, your earnings per share is not going to change because your outstanding shares are 56 crores?

Venkatraman G. S.: Yeah, outstanding shares are same, but I am saying my other ratios will improve, my return of equity share ratio will improve, return on capital employed will improve, all of those ratios will improve, right.

Maresh Jagtap: For an IT company having 28 crores outstanding shares or 56 crores outstanding shares itself is abnormal, none of the IT companies if you see Tech Mahindra, TCS, all big fellows their capital, outstanding shares is very less?



- Venkatraman G. S.:** You have to recognize Subex has got a historical problem in terms of how we have got to the situation, all we are now looking to see is how do we correct that situation, so the Rs 562 crores equity base is also extremely large, we do not see many companies have a Rs 562 crores equity base, so now what we are looking to do is to bring it down to a much smaller number which is Rs 281 crores, so this Rs 281 crores given multiple options we looked at, we found this was the most simple and optimal option given all the options we evaluated.
- Mahesh Jagtap:** When the scheme will be effective, how many months it will take?
- Venkatraman G. S.:** You take about six to seven months sir. As i explain there are multiple stages of approvals this has to go through. First the Stock Exchanges will approve and the shareholders and then after that we file the Scheme with NCLT and then the NCLT will take about three to three-and-a-half months to approve, so effectively sometime in September is what we are seeing this scheme will get approved.
- Mahesh Jagtap:** Once you reduce this, what is expected ROE and ROC?
- Venkatraman G. S.:** I think the ROE and ROC numbers, it is a function of how we see the future profits for the company, so then I will do a forward-looking statement if I were to give you a number on that right now, but I can definitely tell you that it will look much better than what it is today.
- Mahesh Jagtap:** Will it be in double digit?
- Venkatraman G. S.:** I am not able to give you a specific number because we do not give guidance in terms of, our numbers are looking at, but I can assure you it will be definitely better than what you are seeing it today.
- Moderator:** Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.
- Jay Daniel:** Sir, you have mentioned that EBITDA is Rs 23 crores and that this excludes forex, why should one exclude Forex, it is an operational item?
- Venkatraman G. S.:** It is a question of how we will evaluate, Daniel, if anyone looks at EBITDA, so we are saying that excluding Forex on a consistent basis, we have been reporting this number and it is not that we will try to do this quarter.
- Jay Daniel:** But it is in operational, it is part of your business right?
- Venkatraman G. S.:** Forex is not something which the business can control, movement in Forex is a function of how the markets operate, so demand I can entirely control our Forex move, so that is why even when companies provides guidance, they say subject to Forex so what we are now doing is, calling that number out and saying what is my EBITDA excluding that.



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Jay Daniel: Now cash and cash equivalents was Rs 42 crores in March '19, right?

Venkatraman G. S.: Yes.

Jay Daniel: Company has generated free cash of Rs 35 crores in the first nine months, so the total cash on the books and December '19 should be Rs 77 crores, but you have given Rs 68 crores in the presentation, can you please help me with?

Venkatraman G. S.: I think some of it are lying in other deposits may be that is why it is showing up differently, but I will send you a reconciliation for that.

Jay Daniel: You have mentioned license and customization for quarter as 40%, what was licenses specifically because earlier you used to provide licenses?

Vinod Kumar: The reason why we have started doing that is based on the market related aspects, we have started offering this component combined to several customers because the moment we expose the license and implementation separately, we were seeing a tendency from the customers to negotiate it the license component even further, so we have started putting this together, but the key thing for you to understand is that there is a growth in our license in the new deals that we are bringing particularly it is not like renewal or enhancement, we are really one new logo this time and most of those deals that 40% component is based around the license or the new modules which we license to the customer, so the key reason what we wanted now is that we are going with the customer with a single component and also for some of the new products, we are trying to see how we can reduce the implementation so that if a customer has got an X dollar to spend, we can maximize the profitability by reducing the implementation which is the cost to us when compared to license so that is the reason why we started looking at this component together, Daniel.

Jay Daniel: FY '19 order book was Rs 55 million, what is it now and how much of this is from orders in two and three?

Vinod Kumar: At this point of time, we have an order book of close to about Rs 35 million and in Rs 35 million we have an order book of new business around Rs 3.5 million, but as we finish the year we are expecting that we will at least double that. We had last year an OI of about Rs 5 million from new business, so our expectation that we will at least double as we finish this year.

Jay Daniel: So you are expecting it to be Rs 10 million by the end of the year?

Vinod Kumar: More or less yes?

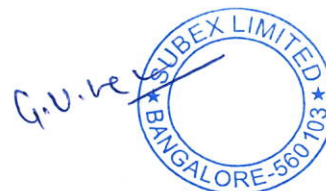
Jay Daniel: Rs 35 million is a drop in order book, I mean is that a cause for concern?





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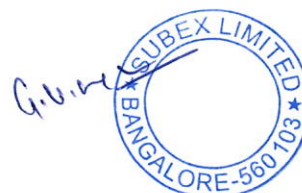
- Vinod Kumar:** No, it is not, it is typically it is heavy towards H2 so it is in line with that trend, so we do not expect any shortfall from our internal expectation on that, it is in line with our plan around that area.
- Jay Daniel:** Sales in the first nine months were up 6%, you have always been holding out that growth in FY '20 will be higher than 7% that was locked, so this is on target to exceed growth of the previous year?
- Vinod Kumar:** By and large it should be, the only concern that we have is around this new issue that some of the projects that we are executing in the Asia Pac region, we have a slowdown there as we have been asked not to come to some of the implementation because of this Corona virus, we will have to just wait and see, by and large we should be pretty much in line with our expectations.
- Jay Daniel:** You still hold out that FY '21 is the year to watch out for?
- Vinod Kumar:** Exactly, we are quite bullish on that based on some of the progress that we are doing on our new areas.
- Jay Daniel:** On this accounting EBITDA thing, what is Forex loss which is charged, what essentially does it cover, balance sheet items or receivables that come in or?
- Venkatraman G. S.:** These are balance sheet items which get reinstated at the period, so that has got routed through the P&L.
- Jay Daniel:** So, this would be largely receivables, right?
- Venkatraman G. S.:** Receivables, bank balances.
- Jay Daniel:** Actually, the margin if you consider after that Forex, I admit it is lumpy, but it is an operational item?
- Venkatraman G. S.:** We can debate this Daniel, it is a question of how much you have control over it, so you can only debate it either way.
- Moderator:** Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- Nagraj Chandrasekar:** You said that 4% of shares are now held by the ESOP trust, how would these vest, how widely are they shared by the top management, how widely is trust holding this purse and what will be the annual addition to this pool going forward and roughly what percentage of comp would be for top management would be cash versus the sort of stock comp?





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- Vinod Kumar:** The approval that we have sought is to have an ESOP with about 5% of the total outstanding shares that is what SEBI also provides with the guidance, where every year you can buy 2%, so last year we bought 2% and this year we have bought 2%. Now, currently about 5% of the company is what is covered as the part of this 4% allocation with the management holding about 60% of this allocation. Management including about top 15 people of the organization, vesting is two years, last year allocation is vested over a period of two years, similarly this year allocation will be vested over a period of two years and this year allocation we have also introduced performance criteria where vesting will be based on the KRAs that we achieve, so that is broadly the architecture that we have around ESOP.
- Nagraj Chandrasekar:** Just one more question and that is on use of cash, so if you are throwing of Rs 40 to Rs. 50 crores a year of free cash flow and you expect that is a sustainable run rate if the existing business is stable, how do you see yourself using that cash, how much of it would you be giving as dividend or returning to shareholders, how much of it would you just hold as a cash buffer, how much of it would you want to be investing in new initiatives, could you give some color on that?
- Vinod Kumar:** Currently, we have allocating this cash around our new initiatives. As you know that we have 3 new initiatives that we have given, IoT security, CrunchMetrics and ID Central. And IoT security is becoming our mainstream product and as we start scaling in a significant push will be done to step aboard the marketing and sales effort which we have already started, but it will go to the next year as well that is from April onwards, so currently most of the bulk of the capital is parked to fund our new initiatives. Beyond that, as we start looking at, we might look at bringing in small capabilities either through small acquisition this will be more tuck-in acquisitions to meet some of our short-term gaps in the portfolio etc., but that is the current plan, but you are right in the sense that we are adding close to \$8 to \$9 million of kind of cash in hand on a yearly basis based on our current operations.
- Nagraj Chandrasekar:** And we should not expect any significant portion of that to be returned to shareholders, we should view it as capital in your hand to do bolt on acquisition or build new businesses, is that fair to say?
- Vinod Kumar:** There is no decision taken on that. At this point in time, we are focused on getting the restructuring done because at this point in time we do not have any ability to consider any options as long as we have those losses in all our balance sheet, but once some of these restructuring happens we will evaluate what is the best way based on the progress we have an organization to deploy this capital adequately.
- Nagraj Chandrasekar:** One follow-up question, what is the annual spend on three new areas or initiatives, I saw in the FY '19 annual report that is roughly around \$ 2 million a year, what would be our current spend rate and is this expensed or is it capitalized?
- Vinod Kumar:** Currently, we are not capitalizing anything, so everything is falling into the P&L. Our current plan is that we will plough in another \$4 to \$4.5 million into our new areas as a part of this thing.



but based on the timing aspect, we may not be able to do all of it this year, but the exact details of it we will provide as we move in to next year, significant addition that we are doing is with respect to the sales particularly in getting the regional coverage done, so we have almost in the process of doubling our sales people particularly on the regions, so that is where the major activities is going. If you recall last call, I did mention that we had about 75 people around these new three areas and expectation was that we will ramp it up to about 100, that process is on and financially we will do pretty much on plan in bringing those sales force for us to take business to the next level.

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

VP Rajesh: Just quick question on the license side, could you just give us a little bit more color around the ROC in the license bucket, is it coming from Horizon-1 or it is coming from Horizon-2 products?

Vinod Kumar: The current numbers are all predominantly corresponding to the Horizon-1. If you look at, we have mentioned during the first quarter, Rajesh, that we are having an overall of some of the strategy for some of the regions particularly North America and Europe, and we started executing that change in strategy there which involved focusing on Tier-1 with our larger set of portfolio that is I would mention about the enterprise business where we saw that enterprise business will be a very important aspect for the Telcos and expectation is that by 2025 they will even constitute about 46% of the total Telco revenue globally. Now, in line with that we had the IPs and new solutions created to cater to that market and we started aggressively pursuing that in the Tier-1 in those regions. Now, that has started giving us dividend, we have started engaging Tier-1 customers and have started seeing success by winning major deals in some of the biggest Telcos. Now, this is resulting in new license revenue along with the implementation and I have answered to one of the earlier questions, we are clubbing this together because the moment you see today it is a big slice, it is a tendency for them to start negotiating that, so we are trying to see it as a total turnkey solution of license implementation put together, but this is primarily what is factored into this financial progress that we have made on some of these markets where we were not performing that while earlier around our core areas, Rajesh.

VP Rajesh: The right way to look at is that the Q3 bucket of 29% last year is actually not comparable to 40% of this year because you are adding implementation also this quarter or?

Vinod Kumar: The overall number is like-to-like, only thing is that last year that component was split and contract but that is no longer relevant because we have started putting that together and taking with the customers, so the overall number is comparable for us.

VP Rajesh: My other question is your employee cost has gone quite a bit down compared to last year, so if you can just comment on that from Rs 48 crores, it has come down to Rs 45 crores year over year?



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- Venkatraman G. S.:** I think it is a function of some of these sales commission and other stuff which we provide on a quarterly basis, Rajesh, so I think it is very even driven, no headcount reduction or anything like that led to the dropping cost, so nothing unusual which we need to read into it.
- VP Rajesh:** But your employee count is also down by 100 people year over year, right?
- Venkatraman G. S.:** Yeah, that is right, but that we have been doing gradually, it has been happening over a period of time, it is not that we have let go people suddenly, so it has been happening gradually and there also Rajesh what we are trying to do now is we are also being little more tactical with this to say that wherever there are areas where we believe we can get things done by outsourcing or getting some contracting support for certain types of activities to be done, we are kind of trying to use those kind of people to get work done versus having full-time equivalent being part of the system, so there also we have been little more efficient and optimal in managing operations.
- VP Rajesh:** The other expenses line I saw a big jump and I am assuming that some of that may be R&D and if it is so then it might be help us if you just break these lines because whatever you are doing on the Horizon-2 and Horizon-3, that is all being expensed out, so it might be helpful to just break out the R&D line, but could you just comment on this big jump actually in the quarter from Rs 23 crores it has gone to Rs 37.5 crores?
- Venkatraman G. S.:** These are again very period sensitive numbers, so what happens is typically in this quarter we have a user conference which we have in October of each year, so there is a big spend which happens around this because we host it outside of India and there are spends around it, so there is specific event or marketing related spends led the jump but nothing which is R&D led which is leading to this increase.
- VP Rajesh:** Lastly Vinod, if I heard you correctly you said the backlog is \$ 35 million right now and if you can just share the expectations by the end of the financial year so that one can understand how it compares to \$ 55 million you had last financial year?
- Vinod Kumar:** That is not the backlog just to correct, it is the new business acquisition, so Rajesh we are on track to cross that number of \$ 55 million. Now, to what extent we will cross could be \$5 to \$7 million, but that all depends on some of the closures that are happening. One of the big ban has been travel restrictions that we have on the Asia Pac region because in Asia Pac region we were doing extremely well, in fact we have won some very big Tier-1 deals there and we have the follow-up deals that was sort of happening, so some of the travel restrictions has put in some issue including the concern. We were having Mobile World Congress later this month and the last month, it is the largest conference that we have in Barcelona and I have seen a lot of big companies getting pulled out and those again is a place where we have lot of CEO meetings and a lot of our contract negotiations etc., so we will wait and see how this whole thing plays out, but as it stands today we should still be on track to cross that \$55 million, to what extent we will close, my expectation is about \$5 to 7 million, but again there is a dependency on this whole new situation which we are closely tracking.

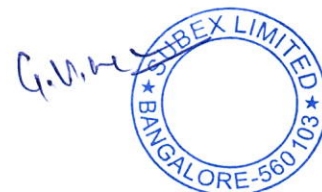


- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Shares & Securities Pvt. Ltd. Please go ahead.
- Sanjay Shah:** Sir, can you throw us a road path towards our growth trajectory in Horizon-3 and even in Horizon-2, I would like to understand the inroads into African and Middle East market, can you throw some light on that?
- Vinod Kumar:** Let me start with Horizon-2 which is primarily IoT security. In IoT security as I said we are working predominantly with partners as we go to market because market is so huge that it will not be practically possible for us to cover directly. Now, we are securing partners which are global in nature, now these partners are either large telecom companies, large SI companies, larger process and consulting companies like KPMG, PwC etc., so we are in various phases of on-boarding these partners and directly we have picked up certain verticals like autonomous car manufacturing, smart city, and utilities as focus areas for us, so the go to market for even some of the countries like Africa and Middle East by and large will be through these partners, there are five of them, the connectivity process which is Telcos, larger size and consulting companies, and the third one will be large OEMs, then large resellers and large one being governmental. In governmental, we are focused on few countries, one in Africa and other one is India, these are the two countries that we are focused on for the governmental thing because it takes a lot of effort, opportunities are very large and large in cycle etc.
- On Horizon-3, which is we have two products now, CrunchMetrics which is anomaly detection and CrunchMetrics we are focused on two verticals other than Telcos, one is e-commerce and another one is Fintech. E-commerce as I said we have got the first customer on-board and Fintech also we have started taking that product into the market and so these are kind of low-tech selling, it is a SaaS-based offering, so we are building the capability to have a DIY that is do-it-yourself model, so beyond the first few customers, our expectation is that the customers will be able to come out through the website, download this and we are expecting that the flywheel effort will start kicking in by and large. ID Central - We have much more initial stage at this point of time, we are on-boarding customers and data aggregators onto our platform starting with Indonesia and once we get a good amount of partners and customers on-board, we will launch it in other market, so that is a quick summary of where we are on all the three new initiatives.
- Moderator:** Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.
- Jay Daniel:** You said that you will be most likely ending the year with an order book of around \$ 60 million, right?
- Vinod Kumar:** Broadly, in that range Daniel, but as I explained that concerns that I have on some of the market dynamics particularly on the cost and travel restrictions.



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- Jay Daniel:** This order book relates to license, implementation and customization right, does not cover managed services and support services?
- Vinod Kumar:** The existing annuity and existing managed services are not.
- Jay Daniel:** It relates to 40% of the sales?
- Vinod Kumar:** Sorry, I did not understand, what do you mean by 40% of the sales?
- Jay Daniel:** Because managed service is 29% and support services are around 31%, so that is 60%, which is annuity in nature?
- Vinod Kumar:** Yes, that is correct.
- Jay Daniel:** So this Rs 420 odd crores of order book is the impact 40% of sales?
- Vinod Kumar:** That is correct, but some new managed services deals are also a part of it, so the existing managed services is fine but these are new businesses, so it is not that all the \$60 million that we book or \$55 or \$60 million that we book is coming in one quarter it comes over multiple quarters, so you are right in the sense that by and large this keeps in to that license and implementation and uplift to that we can get on managed services.
- Jay Daniel:** This would be executable in what period; I mean this ...?
- Vinod Kumar:** By and large our contracts are for three years on an average.
- Moderator:** Thank you. The next question is from the line of Mahesh Jagtap, Individual Investor. Please go ahead.
- Mahesh Jagtap:** My question is related to IoT security, you have set up one smart city project in US in collaboration with one of the town, so what are the orders or what are the other references you are getting after that implementation in US and Europe?
- Vinod Kumar:** That project is one of the most referenceable project customers that we have across any product line, it is an extremely successful thing. Having said that, it is important for us to get registered with a Government that is regularized government for us to get massive projects. We are in the process of enrolling ourselves into the Government list, that is their process and as we have an Indian parent company this goes to a separate queue altogether of validation etc., so we are in that process, so we will have to wait for that for us to get significant advantage from these things and scaling to other smart cities in US. On Europe, we are going it through the partners. Our current focus is to enable the partners, for example, we took almost one year for us enable Telefonica as a partner after them selecting us, but at this point in time, they are able to take us through many customers without our involvement, so in Europe we are trying to work with some





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of these partners. We do not have any deal as yet, but some of our partners have started targeting more smart cities in this area, Mahesh.

Mahesh Jagtap: In previous conference call, you mentioned that you will declare some of the deals after getting clearance from the customer, but I have not seen any announcement after that conference call on the exchanges pertaining to the deals you mentioned in the conference call?

Vinod Kumar: We have definitely won some very, very key deals, but now we have to get approval from both from the final customer and the partner also which is taking time. I am hoping that during this current quarter, we will get some approvals, but we will have to wait, these are large customers because please understand that we are currently targeting large customers, we have more than 100,000 IoT devices and it is not that easy to get the marketing team clearing the customer endorsements on win endorsements, so it is taking time unlike some of our Telco customers where we have direct control over that.

Mahesh Jagtap: What is the traction in India for smart city security particularly pertaining to IoT security?

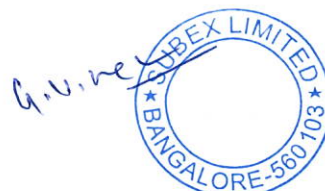
Vinod Kumar: In India, we have started working and there are several smart cities, but unfortunately the whole security was given as an optional item in the Phase-1, many let us say stage which have got the first stage implemented. They have started looking at security, my belief is that by 2022 a lot of capital allocation is going into security from MHA and we should see some projects towards the third quarter. The third quarter-fourth quarter, calendar quarter that is towards the end of 2020, we should see some of the projects coming in, capital allocation has just sort of happened.

Mahesh Jagtap: For digital trust, how many POCs we have done till now?

Vinod Kumar: Digital trust is an overall umbrella under which we have all these trusts, so digital trust side, quite there is nothing like a digital trust solution, but the digital trust can be broken into components like digital identity, digital privacy, digital security, digital risk mitigation, digital insights and confidential data and if we once start managing all these components, it will all come together to provide digital trust that is required for the business just to move forward, so we already elaborated on some of the progress that we are making under those areas, so the area of the domain that we work in digital trust, but solutions are the some of the solutions that we already dealt with.

Mahesh Jagtap: But if there are missing gaps in this umbrella, are you going to do organically or you are going to fill those gaps inorganically and which are those gaps?

Vinod Kumar: We will start with partnering wherever it is required. Now, particularly when we are looking at discussing, I mentioned about solutions that we are putting together or engagements that we are doing for the Governmental side. In the Governmental side, obviously they are looking at end-to-end and therefore there are capabilities required there and there we are partnering at this point in time because our focus is in some of the areas that we mentioned because that is where we



are putting the money and at this point of time, we do not have an ability to take on more products and we want to focus and scale in these areas and we are sort of plugging those gaps with the partnerships, some tactical, some strategic.

Mahesh Jagtap:

For digital risk assignment, are you going to tie up with some insurance companies?

Vinod Kumar:

Digital risk is not in insurance companies, digital risk we are looking at solving with the technology solution whereas some we are leveraging some of the aspects that we already know. We are porting whatever we already know, because we manage risk in one of the complex environment - telcos so we are moving in that. We are also leveraging different models, leveraging AIML to take it to some of the new areas like Fintech and all that.

Moderator:

Thank you. Ladies and Gentlemen, we will be taking the last question from the line of Raj Kumar Ojha, an Individual Investor. Please go ahead.

Raj Kumar Ojha:

My question is you had soft launched ID Central in June itself, has it been hard launched yet, this is question number one? My second question is now that you have cleaned the balance sheet and restructured, now can we look forward for dividend in FY '21 and you had also said in the last con call that CrunchMetrics you have put it on cloud so that POCs can be done by clients themselves, can you tell us how many clients opted for that option?

Vinod Kumar:

On the first question on the ID Central, we have not had launched it because as I mentioned because the data that we are getting rolled out in various geographies we have not been able to, there has been a delay in on-boarding some of the Telcos onto the platform and that is taking more time than we originally expected, so we have to wait till some of the Telcos come on-board to launch it in other regions, but in any case we will only be looking at the nuances we are going from market to market and currently we are scouting for customers to come on-board from that market of Indonesia and Thailand and once we get to some stage, we will look at which other markets to open.

On the second question on the CrunchMetrics cloud enabled thing, we enabled this in cloud, but the DIY, do-it-yourself thing we are expecting that in the first few customers, we are ourselves requesting them to engage us so that we can learn more about some of the aspects and we are having, in fact both the POCs that we have done on new areas have been significant learning opportunity to us, so because it is already in the cloud etc. we are just making to implement it, but we are engaged in the first few things, we want to be engaged so that we can learn and see what other modification should be done on the product.

Venkatraman G. S.:

On the dividend, as we explained the regulatory process of approval itself will take us almost until September of FY '21, so once that is completed only the actual claim of accumulated losses will get computed in the financial, and thereafter, the Board will look at the financial position of the company and then consider dividend as appropriate, so at this point in time...



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- Raj Kumar Ojha:** I was talking only in terms of probability?
- Venkatraman G. S.:** There is a probability and once the approvals come through, after that the Board will consider as the situation unfolds.
- Raj Kumar Ojha:** My question to Vinod Kumar Sir is has Subex any new product launch plan to add it into their portfolio?
- Vinod Kumar:** Not at this point in time, we have some other new projects that we are putting through R&D as a part of the R&D process, but at this point in time our hands are full with these products and we want to scale this one and our focus is on scaling particularly this one.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.
- Vinod Kumar:** If you recall what we have been doing is executing our strategy and a detailed plan behind that. We had communicated through the starting meet up from the mid of last year itself saying that some of these large equity base etc., we are working towards addressing it and you have seen the details of that and also on other aspects of this digital trust executing, we are going as per our plan and we believe that this will translate into high-end growth in the revenue terms and also overall with the value of the company will be significantly increased by some of the activities. Now, also considering the ongoing capital restructuring and the focus to grow new areas of business, we are also re-looking at our investor engagement including the current cadence of quarterly investor call, so we will let you know once we have firmed up for the next reach out and as Venky mentioned as and when we have more information to share on this restructuring, we will keep you posted. With that, thanks again for attending this call and for your support for us to move forward. Thank you very much.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Subex Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.



