



Subex Limited  
Q4 FY2022 Earnings Conference Call

**Event Date / Time : May 31, 2022, 3:00 PM (IST)**

**MANAGEMENT:**

**MR. VINOD KUMAR PADMANABHAN - MANAGING DIRECTOR & CEO**

**MR. SHIVA RODDAM – WHOLE-TIME DIRECTOR & COO**

**MR. SURESH CHINTADA - CHIEF TECHNOLOGY OFFICER**

**MR. SUMIT AGARWAL - CHIEF FINANCIAL OFFICER**

**MR. HIMANSHU SINGHAL - FINANCIAL CONTROLLER**

**MR. GV KRISHNAKANTH - COMPANY SECRETARY & COMPLIANCE OFFICER**

## **Moderator**

Ladies and gentlemen, good day and welcome to Q4 FY2022 Earnings Conference Call of Subex Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch-tone phone. Please note this conference is recorded. I would now like to hand over the call to Mr. G.V. Krishnakanth. Thank you. And over to you, sir.

## **G.V. Krishnakanth**

Thank you very much. Good afternoon to everyone who have joined the earnings call for the period ended March 31<sup>st</sup>, 2022. Now, I'd like to introduce the members of the management who are present for the call. Along with me I have Mr. Vinod Kumar, Managing Director and CEO; Mr. Shankar Roddam, Executive Director, Chief Operating Officer; Mr. Suresh Chintada, Chief Technology Officer; Mr. Sumit Agarwal, Chief Financial Officer, and Mr. Himanshu Singhal, Financial Control 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 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, earning our ability to successfully integrate acquisitions, competition in our area of business, client concentration, liability for damages in our contract, withdrawal of tax incentives, political instability, unauthorized use of our intellectual property and general economic conditions affecting our industry. So, with this, I hand out the call to Mr. Vinod Kumar to take it forward.

## **Vinod Kumar**

Good afternoon, everyone. At the outset, I thank you for joining this call. As you would have seen from the FY22 published results last evening, the revenue for FY22 stood at that Rs. 333 crores. The EBITDA for the year is Rs. 25 crores and the PAT is Rs. 21 crores. The cash and the cash equivalent at the end of the year, stood at Rs. 118.5 crores. Obviously, the financial results have been below our expectations. The delivery issues that we faced on the large deployments around our legacy rock products had a significant negative impact on our revenues and is a primary reason for the revenue dip last year. Having said this, the last quarter was exceptionally good from a business acquisition standpoint, and this has resulted in increase of the total contracted backlog up to US\$ 117 million from the last quarter levels of US\$ 106 million.

The financial results for the last year were definitely not in line with expectations and also not a true reflection of the progress that we have made across our portfolio and directionally in general for the last 12 months. HyperSense AI, which is our multi-personnel AI-ML platform has made its

mark and are seeing excellent traction from customers. Every vertical is adopting AI-ML and the category of multi-personnel AI-ML platform is becoming an important one. Let me briefly explain the problem and how we are solving it. In every enterprise, particularly who is looking at digital transformation, the CXOs wants to make their enterprise into an AI-ML driven enterprise. However, the lack of sufficient data scientists, their inability of the data scientists to discuss with the business is resulting in a very small portion of the total models that they are developing, getting deployed and generating business results.

These multi-personal AI-ML platforms solve this problem by significantly enhancing the bandwidth of the data scientist and also creating a new category called Citizen Data Scientists who are smart, analyst, both from the business side and the technical side to start solving data science problems without being a data scientist by itself. Now, indeed, this is a new setback for Telcos, and we are one of the only ones who are focused on this segment, I mean about the Telco Segment. Our platform has received multiple accolades and recognition from the media and have also been listed as a prominent player in this space by Gartner. I've personally seen the interest in meetings with CXOs and I believe that we are sitting on a goldmine with HyperSense AI. Now, I would request Suresh, our CTO to provide you a general update on our core portfolio.

### **Suresh Chintada**

Thank you, Vinod. Thank you everyone. So, as a part of our vision to enrich lives through AI driven trust, Subex has actualized several initiatives that allow organizations to leverage cloud, 5G, Big Data, and analytics to essentially unify the operations, optimize costs and enable faster and better decision making using advanced and Augmented analytics. Vinod also mentioned our award-winning platform, HyperSense has evolved over the past year, as we have now started transitioning all of our core products, portfolio of products, like business assurance, thought management, network and analytics on the HyperSense platform.

Our partner ecosystem management portfolio also is evolving smartly, as we look forward to integrating some of the key standards into a product as we introduce here. You'll also see increased traction on the platform given the inherent AI-ML capabilities that are embedded in the HyperSense platform as Vinod had already mentioned, thanks.

### **Vinod Kumar**

I now request Shankar our COO to provide you an update on IDcentral Identity Analytics.

### **Shankar Roddam**

Good afternoon, everyone. Subex has a vision of enriching lives by leveraging AI for digital trust. Identity today forms a key aspect of that vision of Subex, and in line with that, IDcentral is an incubation which has been created with the vision of solving the problem of onboarding customers.

If you look at the journey in the last quarter, we launched the MVP of ID Central in Q1, followed by GTM in Q2. We established the product market fit for IDcentral by Q3, wherein we secured about 10 customer contracts, we were able to take that product into production, we were also able to establish clients across different industries such as FinTech, gaming, banking, Agri-tech, and many others.

In Q4, we exceeded our goal of 1 million APIs, we signed our first Telco customer, we also signed our first customer for anti-money laundering, and additionally, we also registered Subex or IDcentral, as a TSP with Sahamati. All of this is evidence enough to say that we are able to take a product to the market, be able to serve the needs of enterprises, which is emerging more so with the digital transformation that is happening across all industries and be able to make a mark for ourselves. In the first phase, we have chosen consciously to focus on two markets, Indonesia and India.

This is primarily based on the growth that we have seen in these two countries. And we continue to build our relationships and interfaces into government databases and many others, which are required as a part of this onboarding validation. From a customer standpoint, the other strategy that we have started to look at is the possibility of trying to not only acquire more customers, but also go after segments or customers with a much higher MRR.

The pricing mechanism for IDcentral is also based on a per API model, which is largely in line with the typical SaaS kind of an industry. And we do believe that we are on track to be able to now take IDcentral to the market and showcase the required velocity in terms of customer acquisition and API growth. Thank you.

## **Vinod Kumar**

Thank you, Shankar. I also wanted to update you that in line with what we had said earlier, we have started providing details of IDcentral and Sectrio in our investor deck. Now, let me cover the progress that we have made on Sectrio, our security portfolio. During the last year, we pivoted to address OT security, which is a USD 10 billion market, which is expected to grow up to USD 10 billion market in 2025, and the current CAGR is for 25%. Now, this was done as we saw delays in IoT deployment due to COVID and supply chain constraints. This also meant that it was necessary for us to have a new identity for this product portfolio, and we launched a Sectrio brand successfully.

During the last quarter call, I had indicated about significant bends both in private and the public sector in India. We have provided those bends in our investor presentation. We are completing the implementation at State Bank of India, and we hope to make it as a reference for the banking segments, and this will be a very important segment that we are looking to cater with our security portfolio. Our current focus for OT IoT security is in the markets of India, Middle East, particularly Saudi and North America, specifically Mexico. In these markets, primarily we are in the evaluation

phase, when we talk about a deployment and post this evaluation phase from the customers, we expect the market to move to a continuous threat monitoring and detection and remediation phase in the coming months.

So, at this point in time, we are doing a lot of vulnerability assessment and visibility of assets, those kinds of exercises. And once those exercises are completed, we will get into the phase of deployment of product and continuous monitoring. Now, let me also provide you an update on the delivery issues that I had alluded to earlier in the briefing. Now, this issue pertains to our old rock platform where some of the contracts that we had challenges with delivering the contracts due to multiple issues, some issues from a platform standpoint, some issues from a customer standpoint, and all these things have resulted in a negative revenue impact. As we stand today, we have we still have a few rock-based projects to be implemented. And we expect that implementation to complete by the second quarter of this year post which most of the deployments if not all, will be on our new HyperSense platform.

Now, with respect to the guidance, we are not specifically providing any guidance going forward. However, let me also clearly tell you the transformations that we are undergoing as a company. The first is from a license model, we are transforming into a subscription model. And most of the contracts that we have secured in Q4 are of this nature. For sure, when compared with the earlier license model, which was a very established model in the Telco verticals where most of our business or core business comes from, having a subscription-based model it is something new. Therefore, the contracting is taking significantly more time than otherwise will happen for a licensed contract. However, directionally, I think it is the right thing for us to do. And we believe that this will have the right impact both for customers and for us, and also it is significantly increasing the competitive advantage that we have.

I also want to preempt some questions so that ESOPs based on some of the investor clarifications that we have received. Now, the ESOPs have been provided to the current management in the financial year, FY19 and FY20. And these were provided at a strike rate, which was more than the prevailing market rate at that point in time. Now, as with any ESOP scheme, the success of the ESOP schemes happens based on the increase in the market capitalization of the company, and in that sense having ESOP scheme has been reasonably successful, because our market cap from the FY2019, FY2020 timeframe is significantly higher.

However, as per this ESOPs scheme, the vesting and therefore, the exercising happens in a delayed nature, and some of the, you know, listing that we have done to the stock exchanges with respect to ESOP exercise, is the exercise of the ESOPs pertaining to the FY19 and FY20. Now, in the history of Subex, I cannot recall a time when we had a portfolio, that we can engage with a customer on an enterprise level. With HyperSense AI, we have that now, and with all the enhancements that we are talking about, in our core portfolio, in Sectrio and IDcentral, we are also generating interest from various other stakeholders of our society like government, public sector undertaking research institutions.

This also made it pertinent to reframe from our old vision of being the leaders in digital trust. Our new vision is to enrich life with AI Lab digital trust. We have made several changes to our leadership, and now have a team that is balanced to try both of our core and new areas. While the transition from a license to a subscription model for our core products, will come with short-term financial impacts, we are confident that directionally it is the right thing to do. As I mentioned, all of our new deals are our subscription plans. We also have a significant competitive advantage, and the increase in the contracted backlog in Q4 is a validation to that effect. Looking ahead, we are entering the new year with good momentum with a fantastic order book in Q4, and with a great portfolio.

During the course of this year, along with migrating our existing customers of fraud and revenue assurance onto our new HyperSense based platform, we intend to increase our market share for our new solutions that is HyperSense AI, Sectrio, and IDcentral. I fully understand that the last year results are not in line with the expectation. However, I would like to again reiterate that what the financials do not come there is the tremendous progress that we've made, including the possibility of creating a category in Telcos around multi-personal AI and ML platform and own it as Subex. This is our future, and we will make it work for all stakeholders. Your continued support means a lot to us. And also thank you for the same. Thank you very much. And now, we will open the line for questions.

#### **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. Anyone who has a question may please press \* and 1 on the telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Our first question from Deepak Chokhani from Rade Capital, please go ahead.

#### **Deepak Chokhani**

Good afternoon, Mr. Vinod. Thank you for this opportunity. I come on this call every quarter. And I ask this same question. Great assurance, great words, but nothing reflects in the number. When will we see that?

#### **Vinod Kumar**

Okay. Look Deepak, I understand where you're coming, we have done two things. We have provided a lot more information with respect to the details on the progress that we are making the investor deck that we have provided. That gives you sort of qualitative information about what is happening. I've also detailed some of the key reasons why we had a particularly a dip in last year, I would say the delivery issues, which was sort of towards the end of it, because as I said, most of

the ROC projects are getting to the end of the delivery and all the new projects on our new platforms, which is significantly easier and faster to deliver.

The second aspect is with respect to the migration, the model change from a license to a subscription. Now some of these things, we could not factor it aptly or looking back we could have been more careful in factoring some of these things, but now, with the benefit of hindsight, we can say that these will have some impact in a short-term basis. But I would say that if you look at the contracted backlog that should give you some confidence as to the fact that we are securing new logos and the ticket size, even though small, you know, the new logos that we are securing in a much larger market, we should be able to grow and meet the expectation.

So, as I said, I'm not going to provide any specific guidance, but we will continue to provide qualitative information that will help you to make a judgment as to how the company will perform. I also feel that we will start providing more specific revenue-based, financial-based information around the new portfolio going forward, but as I said, we were just waiting for the right time so that it will convey the right story, Deepak.

### **Deepak Chokhani**

This is all good Mr. Vinod. You know, the problem is we're not able to judge, because every time we attend a call, it's all good talks. It's all good presentation. It's all good kind of assurances. There's no research report. There's always good talks in the calls. So, we as retail investors just are not able to judge. So, I think it's high time the management, even if it is you're not going to achieve targets, even if we are not growing, we need to know, we need to know from the management where we are heading. I mean, it's been like eight quarters. I don't know. I mean, like we keep hearing the same thing again and again, I'm not pointing any faults, but let the truth come out, we need to know where we are heading, we can't judge because just basis this call.

### **Vinod Kumar**

Yeah. So, look, I think the reason why we are -- first of all, we don't want to give any guidance, but even just this whole aspect of license to subscription conversion is the first time we are doing at this scale, because as I told you, almost 90% of the contracts that were secured in Q4, which was a very large order-booking quarter for us has been in the subscription, where earlier it used to secure the revenue in a period of about 12 to 18 months, that is coming over a period of five years. So, we will see revenue going up gradually.

But as I said, you would have to give me a one or two quarters more so that we can completely profile this and provide you some more information on at least on the annuity base growth, or the monthly subscription-based growth that we can kind of actually show that to you. At this point, it's too early for us also to figure out how the whole thing will work out. But we are acquiring

customers, we are converting the customers and directionally, as I said, the whole effort is to make this Subex known in the new category, with a large opportunity. So that's where we are Deepak.

**Deepak Chokhani**

Okay. Thank you, sir.

**Moderator**

Thank you, sir. The next question is from Pratab Maliwal from Mount Infra Finance, please go ahead, sir.

**Pratab Maliwal**

Hi and thanks for taking my question. Well, one of the questions when it comes to Sectrio, so you've called out SBI as a potentially referenceable client, as I understand Sectrio is offering that they give clients on multiple sites, how should we look at it maybe how many branches of SBI have deployed Sectrio in or if we can get some colour on this we've got some clients in manufacturing and banking. So, is it more of a standard offering or are we giving different use cases across industries and when it comes to SBI, how many branches have we signed, how do you see the scalability that is my first question?

**Vinod Kumar**

So, just obviously, I do not want to get to the specifics of the deal, because there is security in nature. Having said that, I will give you a scale. At this point in time, we are covering about 5000 devices and the total footprint that we intend to cover going forward is about 300,000. Now, is this a standard offering, it is a module of our Sectrio which is around the deception. So, it's a standard offering, it is repeatable in nature, so we are nearing the completion, and once this is completed, we expect to make it referenceable and that will be a big feather in our cap. There are other verticals that we have secured such market customers. You can see that in the list in investor presentations. And there again, we are in the initial phase of deployments in one plant, in one factory and things like that. And our expectation is that once this is completed, we will scale that to other sites and factories of those entities.

**Pratab Maliwal**

Okay, thank you. Now, it comes to IDcentral, are we giving out maybe as a -- are we giving out the ARR as the MRR number for the IDC and Sectrio right now? Is it possible to provide? Because I believe last time, we heard the number like 100 to 150K, so can we get an update on that, please?



**Vinod Kumar**

Look, I think we are still in the in the range of about around 100K I mean by this quarter we will get into the range of 100K. We will provide you the details because to let's provide it one by one. At this point in time, we have provided the growth that we are seeing in the API poll, we were comfortable in providing that, and as we go along, we will provide you the details both MRR and ARR Pratab.

**Pratab Maliwal**

Okay, sure. Thank you, sir. Just one last question, maybe if I can squeeze in, when it comes to the revenue composition, we feel that EMEA has fallen by 8% and APAC has risen by 8%. So, what could be the reason behind it? And is this something that expected to reverse, or should we look at this as a trend going ahead?

**Vinod Kumar**

So, I think it is just a question of the vendor that revenue was booked, and it could be movement of, as I told you because we're delayed in some revenues get moved from one quarter to other. From a trend perspective, there is nothing specific, we are extremely strong in the EMEA and APAC region. In the in the EMEA region, we are exceptionally strong as you see a lot of business coming from the Middle East region, in particular, followed by Europe and Africa. In APAC, again things have been stable. Obviously, one more thing, let me take the opportunity to update that with travels opening up, we are having much more, you know, fruitful and better conversations with our customer, particularly for our new range of products.

Obviously, for our core range, if there isn't any requirement, we will come to know about it, because we are a prominent player there. But for our some of the new products, like the HyperSense AI, etc. There's a lot of market education that we have to do and set pitching to the right level, those things were very difficult when we were not traveling, but with that opening up, we have been a much better control and we are able to generate a much, much bigger impact. So, directionally, there is not much of change. It might be just movement of some revenues from one quarter to another.

**Pratab Maliwal**

Thank you. And that's a few other questions, we'll get back into the queue. Thank you.

**Moderator**

Thank you, sir. So, our next question from Mr. Abhishek Kale, Individual Investor, please go ahead, sir.

**Abhishek Kale**

Am I audible, Vinod?

**Vinod Kumar**

Yes, Abhishek.

**Abhishek Kale**

Yeah. Vinod, question regarding the Sectrio deployment with SBI. Can you provide the details around the revenue and the margins that we are expecting from this contract or is it more at the POC level that we are in?

**Vinod Kumar**

Abhishek, I am unable to provide any specific details because of the security deployment etc. However, I can tell you this is a commercial engagement going into production, it is not POC or anything like that. We have an agreement as a tool to cover 500 devices, and we also have as a part of the agreement extensible, the option to extend that to 300,000 devices.

**Abhishek Kale**

And Vinod, one probably concerns, or take it as in whichever ways you would like to, but in the investors deck, I mean, we are talking more about the awards or we have more to talk about the awards that our products have won, but not more about actually the contract wins. And you have called it out yourself. But I would like to reiterate that for a retail investor like me, it doesn't matter how many awards the product wins, so long as it doesn't translate into an order book, or an increase in the order book or top line and bottom-line growth. It means nothing to me, right? I mean, yeah, we have received accolades from Gartner, our product is referred here, and there point taken, well said, but these are not translating into the top line and the bottom-line growth and at least for the last three quarters, this has been the story and I'm a very patient investor, but now I mean, this has started to bother me as well. So, I would like the management to comment on this as to what is the way forward from here.

## **Vinod Kumar**

So, Abhishek, I think, again, thanks for that question. So, let me start that, I mean it's a new area and in the new area, as I told you, particularly in the Telco segment, this particular segment that multi-personnel AI-ML platform is a new category. And if you look at the go-to market of a new category, there's a lot of, you know, market teaching that we have to provide to say that this is the value and this is how we can solve the problem. And towards that these awards and Gartner mentions etc., it is very significant insight. In fact, I can tell you that the Gartner mention has been one of the key significant achievement last year, because it's so huge that it gives us an immediate kind of validation, and sort of it's not referencability, but at least a credibility is established for us to engage with that. So, it's huge. So, if you look at Sectrio, which is a security, if you look at, we had provided similar validation.

Now, we are not providing any more validation in the awards that we are winning in the Sectrio side, we are providing you, providing the list of customers, which we are winning, which are big logos, very, very critical logos and critical segments in each of the markets. So, it's a kind of, you know, journey that we have to go through. At this point in time, HyperSense AI, I can also tell you that we have secured the first customer each in Africa and in the Australian region. And we have just secured it and this is very, very important because then probably just to reiterate again, this product is the first time the other product that can engage into every part of an organization that has CFO, CMO, CIO, CEO, CTO, everyone, they never had that capability and we are starting with Telco, but this problem and this need is there across all other vertical.

## **Abhishek Kale**

Vinod, one last question, if I may please, probably an ask more nature is, if while we announce the deal and order wins, right, it would be helpful if we publish the deal sites or contractual numbers, unless and until we are bound by some secrecy cases like with SBI, where we are not able to for some security reasons disclose the revenue that we expect from this product or the order size. Would it be possible to include these in our future communications that we send to the exchanges?

## **Vinod Kumar**

Abhishek, our contracts specifically call out that that cannot be done. So, I guess, I mean, in some cases, we cannot even provide the data, security in particular we will not be comfortable in providing any details considering the fact that it is the security stage, but even other customers getting the deal price etc., will be I mean, we cannot get the overall sense that a very multimillion dollar those kinds of things we could broadly can be communicated which we are doing it at this point in time. But otherwise, it's very specific. It's quite difficult, Abhishek.

**Abhishek Kale**

Thank you, Vinod. Appreciate that. I will get back in the queue if I have questions.

**Moderator**

Thank you, sir. Our next question from Mr. Akhil Arora, Individual Investor, please go ahead, sir.

**Akhil Arora**

Yes. Hi, good afternoon. Again, I mean, I know things haven't gone as per the plan, and you have been explaining to us what we have been doing qualitatively. And I do see, like there has been progress. They are just a couple of questions that I just want to understand why we fell short of the plan here. So, and pardon my ignorance in terms of the implementation of the solution. So, if my understanding is correct, our customers are still using our existing core revenue assurance and Fraud Management Solutions. It's just that we haven't been able to move them to HyperSense or convince them to move to HyperSense on a timely basis. Is that what is leading us in not meeting our revenue targets?

**Vinod Kumar**

So, two things, Akhil. One is that our, we had an earlier platform, called ROC platform, where we had most of our current deployments and that revenue is from that deployment of that product. And some of those projects we had difficulty, multiple, multiple difficulties. One was that we had some issues some challenges with our platform, which we got resolved only by the latter part of last quarter. Then we had some challenges from the customer end, with delays on account of providing the hardware because of supply chain issues. So, several issues meant that the project that we secured is taking much more time than what it is otherwise taking, others should have taken for deployment. So, this is point number one.

The second point is that all the new deals that we are getting for HyperSense, now, that our preference and our interest in that is that it has to be of a subscription nature. So that means there's no license implementation, which is you give a license implement and recognize the revenue, but this is on a subscription basis. So, means that, that will get converted into a four year or five-year term of similar to what the Microsoft has done for OS 365 or Adobe has done. And if you look at some of the challenges, and if you look at the revenue profile of these companies who have gone through the transition, when you make the transition for the license to a subscription, there would be a dip in the revenue because whatever you are taking over 12 months or 18 months come over much longer duration. So, we are going through that phase in all our new contracts. So, these are the two things that are called out.

## **Akhil Arora**

Okay. That's helpful. And the second thing that I want to understand, like, I think, these contracts that we are winning recently, both on the newer areas of Sectrio and IDcentral is obviously focused on India and Indonesia, but on Sectrio and some of the other products are more EMEA and APAC based. Whereas the tie up that we have done in the past with snowflake, Tech Mahindra or even for that matter with Telefonica, were on Europe and US. So, what's the reason that we haven't been able to crack or been able to convince logos in the US and Europe?

## **Vinod Kumar**

Okay, see, in this space, right, I mean, in the Sectrio space, if you look at the go to market, there are three to four types of channels that we are using, one is the direct to customers through partners. So, they are distributors, so we have appointed key distributors in the market that we are focused on, which is India, Middle East, and North America. And through the distributors, we directly approach a customer. So, for example, many of the manufacturing customers that we have listed like Mabe, Godrej etc., we reach them through the distributors and local partners, so this is one group. The second is through large OEMs, which are global in nature because when they talk about operational technology, they are the OEMs providing those technologies and there is a lot of influence, they have on the choice of a suggestion of the securities that we work with their platform.

So, it's important for us to work with some of these partners, the OEM partners. The third is the largest size. So, if you look at some of their size that we are talking about, Tech Mahindra, you know, Telefonica etc., these are large MSS spaces, which have bundled our product offerings, and taking into the market as a part of their offering. Now, what most of these partnerships initially focused on was IoT security, because that is where we enabled them, and we created the product offerings, and as I said, delaying this adoption of those things because IoT deployment projects itself are delayed, and most of them are happening. Many expectations are to start this year or towards next year, because of COVID, and supply chain issues and their inability to get on the ground and deploy it. This is not our product I'm talking about the core IoT deployment that is getting delayed. So, therefore, some of these projects, while we have enabled them, we have had initial things, we have to scale back many of these efforts because of the lack of traction in the market.

That's where we have pivoted ourselves to cover OT security, OT very, very hot and active with a number of cyber-attacks on companies and factories. It is very, very hot. And so therefore, now we completed the product offering is there, we are there, I think they are working very, very closely with some of the OEMs and asides that are very focused on this market. So, it's not that we have enabled and that will not be there, but because of the market realities we are focusing more on OT and that's a separate set of partners and an aside that we are currently enabling.

**Akhil Arora**

Okay. That's helpful. I just have one last question if you allow. So, that's on IDcentral. I mean, I heard you saying that pillar revenue run rate is around 100K whereas the numbers in terms of the KPIs that we are tracking, which is API, that has increased significantly, and that's encouraging for us to see as well like, is there a trial period initially for some of these customers, and once they get comfortable, do we start charging them?

**Shankar Roddam**

IDcentral. This is Shankar here. IDcentral is a self-serve platform where customers come in and sign up. We tend to then talk to customers to understand the business case and propose a solution. There are no free credits or anything like that, customers come in, buy a certain number of APIs and then start consuming itself.

**Akhil Arora**

Okay. That's helpful Shankar. And just so if we see that then I think from Q3 to Q4, the APIs have almost tripled, like 1.5 million to 4 million. Why is it that like, it's still not reflecting in a run rate, as an extension to that if you can also give us some guidance, based on your discussions on the number of customers on the run rate that you see and any indication of the API?

**Vinod Kumar**

Look, I think overall, the customer acquisition, we are sort of almost doubling per quarter at this point in time, but we are looking at also qualitatively improving the type of customers so that we can get higher MRR, it's a very competitive market. And at this point, we are replacing the existing providers based both on terms of the higher accuracy that we can provide and also the appropriate commercial engagement.

Now that said, we had seen an increase in the MRR with additional, there is also a delay in onboarding these customers, because after, as Shankar mentioned, they come in to buy an API, there has been particularly with some of the larger customers, you know, this time taking that's something which we're trying to resolve, it's a market reality that it's taking more time than normally, a SAAS to get into a production kind of thing and full production or in particular from the larger set of customers. So, we are going to in this case, it's not that MRR is not increasing in line with our expectation. Look, I think as I told you, the next milestone is for us to get to an ARR level of US\$1 billion. And as soon as we get those details, we will come back to you and we hope that, at least during the course of this year, we will get very, very close to that number, if not crossed that. I'm talking about ARR, not MRR.

**Akhil Arora**

Okay. I mean, I was just curious, because we had that target to achieve by this year, so just thought I will just ask this. Anyway, thank you best of luck for the next year.

**Moderator**

Thank you, sir. So, next question from Mr. Lalit Tomer from Contemi Trading Solution, please go ahead, sir.

**Lalit Tomer**

Hello, Vinod. I mean, as you stated, I mean, we are in transition phase from license-based to subscription-based model. So, I would just like to know I mean, how much time it will take and plus, I mean, what percentage of customers are migrated and how much time it will be going to take?

**Vinod Kumar**

Okay. There are two aspects to it. One is our existing customers, and we are migrating from the current model to a subscription model. There are two things we have many customers already, but of course, they will have to, you know, secure the budget etc. Because this will come at some cost from there and even if let's say we are making it very, very compelling, so there is a budget to be allowed to go to the budget cycle, but most of the customers are very, very interested because it's a much better model.

The second part is that all the new deals that we are winning for new customers, both replacement of existing vendor and brand-new customers, all of them are on subscription model. We are only offering subscription model for the for the products like fraud and revenue assurance for HyperSense AI and things like that. So, pretty much everything that we are signing up, except for maybe some things which we are not ready, or the platform is not ready as yet on our HyperSense platform, everything else we are securing on a subscription model at this point in time.

**Lalit Tomer**

Ok. I also have a concern related to dividend though I mean, I was not expecting it last year, but just would like to know why we did not take a call on dividend this year, plus I mean how much cash is lying in our books and what call we are going to take on it going ahead?

**Vinod Kumar**

So, this time because of the way the standalone entity, we did not have the sufficient accumulated results to consider that. So, you know that might be aware that we have done a restructuring we completed during the end of last quarter whereby we moved all the assets from Subex Assurance LLP, which is bulk of our core offering into the standalone entity. So, that issue has gotten to solve, and I guess that going forward based on how that vote based on both considerations, we will do you know, what is the right thing and obviously, I guess that the emphasis is to have the growth balance with other aspects, but as I said, this is not considered this time because of reserves not being adequate.

**Lalit Tomer**

Okay. I mean, how much cash is lying in our books and what call we are going to take in future. I mean, will there be any buyback, or we are going for any acquisition in near term, or I mean, it will take no time.

**Vinod Kumar**

Look, as I told at this point in time, our closing cash and cash equivalents read about Rs. 118.5 crores that was where our cash and cash equivalents. At this point in time, you know, this is the emphasis is that we have identified these areas of HyperSense AI, Sectrio etc. These are large markets multi-vertical markets. At this point in time, we are focused on a small market because we want to make an impact rather than spreading through things. We will definitely need a lot of capital to scale it to the level that we want. That would be our priority, but as I mentioned the board in its wisdom will consider what is the right thing to do once we get there.

**Lalit Tomer**

Okay. Thanks for the information. I'll wait in queue for more question. Thank you.

**Moderator**

Thank you, sir. Next question from Mr. Mahesh Kumar, individual investor, please go ahead, sir.

**Mahesh Kumar**

Good afternoon, Vinod Kumar. My question is, what is the order book as on today and how much of that order book can be billed in the next year, FY 22-23?



**Vinod Kumar**

We have provided that information in the investor deck. The total contracted book is about USD 118.5 million out of that about USD 36 million what is revenue coming for this financial year.

**Mahesh Kumar**

Okay. So, my next question is Mr. Anil Singhvi, he was the chairman of the board, he has sold all his shares. Now what is his skin in the business and he's not attending any investor call. So, what is his value addition to the board and to the company?

**Vinod Kumar**

Mr. Singhvi has been on the board for several years and has been very instrumental in turnaround from a completely debt-ridden company to where we are today. So, he has been providing the direction on some of the new things that we are doing and very, very actively involved in guiding me and the management on taking the company forward. With respects the investments etc., that is his personal thing, and that's not something, which I would like to comment in this call.

**Mahesh Kumar**

See, he's coming on television for Digvijay Cements, but he has never come for Subex, what is the reason for that?

**Vinod Kumar**

So, I think he's here is an independent director and there he is an executive director that is main reason, but that's what I can say. I just want to confirm that he is very, very actively involved on an ongoing basis and how to help me and the management in taking our strategy forward.

**Mahesh Kumar**

See, we expect him to be present in the investor call even though he's independent. So, if independent he will be more useful to us, to analyze the future?

**Vinod Kumar**

Okay. I will take that feedback and we will see.

**Mahesh Kumar**

I have one suggestion you need to take somebody on the board who has a global experience in SaaS business, so that he can guide you where are the pitfalls like whatever problems you have been facing for last one year. Such person would have in advance told you that these are the problems we need to address upfront. So, you should get somebody global experienced person.

**Vinod Kumar**

So, this is precisely the right reason why the augmented that the board with George Zacharias. George comes with tremendous SAAS experience and has been associated, both as a director and a mentor to many of the SaaS successes in India. That's the reason. And we are taking a lot of his help in driving that. So, SaaS business takes time for us to set up and that's why I think if you look at, we are very, very focused in a small market, small-large market to create an impact. So, if you look at the way we are learning SaaS, it is very, very different than what we are doing core. And this is some of the guidance or mentorship that we are getting from George. We also have Nisha on our board, Nisha is also very well connected with SaaS business. And so, we are at this point, we see that we have sufficient cover for both core and new areas.

**Mahesh Kumar**

I'm not seeing any global person on the board. All are local Indians.

**Vinod Kumar**

Okay. Yeah, I hear you.

**Moderator**

Thank you, sir. Our next question from Mr. Vivek Kumar, individual investor, please go ahead, sir.

**Vivek Kumar**

Thanks, Vinod for this presentation. And I have been an investor with Subex since 2015, since the era of Surjit Singh, and when the company was debt ridden, as you mentioned, and the company has turned around. So, two things I am invested in Subex for lifetime that I when I invested, I took that call. So, I have only two questions. I understand when we are transiting from one kind of business to another, there will be a time lag. Like I remember in 2015 also Surjit Singh had told that we would become US\$100 million dollar revenue company in two years. We haven't become so far yet. So, my first question, what is the vision, I know you are not giving guidance, though,

you had given last year that we will be having a double-digit growth, and we are reducing, there is no growth. So, what is the vision for 10 years, in 10 years, where do we see Subex?

**Vinod Kumar**

Look, I think the vision is, as I mentioned, to enrich lives with AI like digital trust, what does that mean? In a near term basis by FY24, that is in the next 24 months, we want to ensure that we enable about 100,000 business users with AI. And the second thing is that if you have to also have to do that, we should make Subex a place where we are able to attract exceptional minds coming together to create great results while having fun. So that's where we want to have that. This would also ensure that from a stakeholders' standpoint, or investor stakeholder standpoint, if we can get to that we will establish as a key player in the space of multi-personnel AI-ML platform, which is I think it is our future. And we have an opportunity as a Subex to own it, and particularly in the Telco space. So that's our focus at this point in time, I know that this is, I mean, this some of the numbers is hard, to chew for us as well, but I think that's not deterring us from the single focus of getting the execution right in this area. Now, once we get that I just again to don't want to hazard a guess and give you a number, but we will be a significantly larger company once we get to that phase. So, our near term is whether we can, we are able to enable 100,000 business users with our HyperSense AI.

**Vivek Kumar**

Anyway, I was not expecting. As I said, see when I invested, I knew that this company has potential that I can see in my old days also to become a global leader. So, and I agree with our previous investor, that perhaps there is some lack of vision, like as you said that you were not giving guidance, but though I saw that potential that you are going to give a vision when you spoke to us last year, and you were so confident that we will definitely have a double-digit growth. I could see that there is not so, I don't know so much focused on the number per se but the vision of the company or the business per se, but though number also, at some point of time that has to be reflected and translated into the number also.

That's something when I see missing, I feel a little bit of dent in my self-confidence because I can be, I can leave my investment in Subex for my future generation. So that thing I feel somehow now that somebody who has a long-term vision, like I can give you one example of Infobeans, a very small company like yours for same market cap and almost same revenue. Though they have a better EBITDA. I also don't understand why EBITDA has gotten dent on your revenue side. When you had a long, a very large amount of interest outgo, I couldn't understand that your EBITDA was negative. Now, there is no interest outgo, but your EBITDA is still coming down, down, down and your employee benefit is increasing multifold, so when you are giving the benefit to.

**Vinod Kumar**

Vivek, I think, at that point in time, you're right, we had the interest thing, but we already have three product portfolios. We had fraud, RA and partner management. Today, these are our core, obviously, these are. I wouldn't call it as not important. It's important, we are progressing it. But today we have portfolio that I mean, when we talk about enriching lives with AI, like digital trust, what do we mean by that, that it's working on a very large space and making a significant impact in the market. Now, we are very excited by that vision, obviously, like you said, somehow, at some point in time, the numbers should reflect the progress, not the portfolio alone.

And I sincerely hope that that will happen. And it will happen soon. But I think the fact that we have now three core new portfolio added, would mean that we have more resources, striving those things, because that's the future, right? I mean, as you hopefully agree that that's the future. So, we are investing on the future, so that's why, you know, I mean, our view is that we will continue to invest even though as I said, this has been a big dent for us. We'll chew this, and we will get on with it, and probably in the coming quarters, slowly we will build this up.

**Vivek Kumar**

Oh! Thank you.

**Moderator**

Thank you, sir. So next question from Mr. Arun Thirumalai, Individual Investor, please go ahead, sir.

**Arun Thirumalai**

I represent the company called Earthwise Investor. Just wanted to check, you know, Vinod in terms of the EBITDA, the previous question also. So, you have a steady state, kind of an employee, you know, expenditure on a quarterly basis of about Rs. 50 to Rs. 55 Crores, right? So just wanted to understand that, you know, since you're going to be SaaS based in terms of the revenue model, so is there a platform effect to these businesses? So, because I'm assuming that the entire USD 117 million of order-book going forward is completely on a, you know, on SaaS based kind of revenue model?

So, would that entail an operating leverage to your, you know, business? Because I just see that if you're, for example, as your revenue uptake happens, your costs would not increase proportionately, right? So, will that happen going forward, and also because you more or less guiding for a flattish growth, right? Because you're saying that executable order book for the next year is only going to be about USD 36 to USD 40 million? So even if it started about USD

10 million a quarter, so would that be cost is about five, you know, as of now say about Rs. 55 crores, will that remain or where do you see your employee costs going up, and will there be some kind of operating leverage inherent in this business, because I'm sure the development costs would already be, you know, undertaken for most of you.

**Vinod Kumar**

Okay. So, see, the cost would remain more or less at this level, at the current revenue levels, as the revenue goes up, as you rightly said, it could not be a proportionate increase, but there will be some increase as we will have to increase the delivery capacity and things like that. So, the EBITDA levels on a steady state basis will come up, because this year, the EBITDA is much lower, because we had the revenue dip, but as that gets resolved, we will get back to EBITDA that we normally are setting the expectation of, you know, 15% to 20%.

But I just want to also caveat with that if we find a huge opportunity to scale any of our new businesses, we will not hold back and we will actually, we will definitely make that investment to scale that because, you know, it's early days for us for some of the new areas. And if you think that even we are just moderated the investments in line with what we are expecting the market to absorb, but if you see a fast traction there, our investments will go on, but by and large, right. We will be at the current levels of spec.

**Arun Thirumalai**

So just to rephrase that, so what I've been saying, so for example, the USD 117 million of Order book you have so that would it costs in terms of see as of this month, which is roughly the same revenue, you know, on an annualized basis of what we've done last year or something, right approximately, I'm not asking you for this one. So, the employee costs, which is the main component of the thing, right, so would it remain in those Rs. 200 or Rs. 250 crores? So, for example, if the following year, your order wins increase at 23-24, to charge you, you're expecting the product to catch up.

So, if we hit a say revenue run rate of say, Rs. 500 crores per annum, then would you see that entire thing translating into EBITDA agreed, I agree that you would want to invest a little bit more on future, but at least on the current core, which is IDcentral, and the three products right, the security product, the other one, so that should start the scaling and give you the operating leverage, right, at least on those particular products?

**Vinod Kumar**

Yeah, look, I think that expectation that problems we want to set is that we will still operate around 20% EBITDA, that's what we are looking at in a steady state basis. Obviously, as we really scale

this business, it will go up, but at least for the next two to three years, that's what we are expecting our view is that we will be around that range of EBITDA.

**Arun Thirumalai**

And also, just one last question in terms of the execution of your order book, right? For example, currently you've said that about USD 36 million will happen in 12 months, is there any upside to that or either only these existing orders which are going to be you know, executed, will something new come through the year or you expect something like that to happen through the current year?

**Vinod Kumar**

Obviously, there will be some new contracts that we will book and recognize during the course of this year, so that will definitely happen on top of it.

**Arun Thirumalai**

No, but in terms of contract win to the actual revenue, what is the kind of timeframe which you generally foresee on an average across order?

**Vinod Kumar**

Look, I think that has changed significantly, right. As I said, typically, otherwise, I would say that within the 12 to maximum 18 months, the entire contract will get executed. However, now that is getting extended to the contract duration, which would be either three years or in many cases five years. So that's the way I would put it that it is currently getting executed over a period of five years.

**Arun Thirumalai**

Okay. Thank you. I'll come back in the queue.

**Moderator**

Thank you. Our next question from Mr. Aditya Sharma, ICICI Mutual Fund, please go ahead.

**Aditya Sharma**

Hi Vinod, I just sort of wanted to understand, you know, over the last five years that I've been tracking this company, we keep talking about turnaround, empowering, additionally, adding, attracting talent and all. The way I see this basically I had a Rs. 60 Crores interest outflow which we all sort of dilute our equity, you know, stop that interest outflow. And then somehow, we just

managed to, you know, just take care of those Rs. 60 crores by using my employee cost. I just want to understand, is there an actual... lot of previous questions were also revolving around this, do we actually have a vision because I see this company for the last old almost a decade or so, just hovering around that, you know, Rs. 300 to Rs. 350 crores of top line number? Is there an actual plan that we, you know, sort of intend to scale it up really like, actually scale it up or just sort of keep floundering around these numbers and making stories? Thanks.

**Vinod Kumar**

Yeah, so first of all, I don't know the interest that you're talking about. But that is over five years back that might be there, but off late there is no interest or anything like that. Again, on the vision, I'm not going to repeat it because I hope you heard that. The key is like I agree with you Aditya, unless we get the this translates to the number, the basic delivery will be there, but I think if you look at the SaaS businesses, take more time and we were also hit, we just have the new portfolio and we were hit by COVID also, so we lost some time on. This is a new area, and new areas, new domain which will take time for us to try to tell the customer what this new value is all about. So, it is taking more time, but I'm confident that it will show up in the numbers and then we'll start believing the story.

**Aditya Sharma**

So, the number that I'm talking about is 2015, I had a Rs. 60 Crore interest outgo in my P&L, you know, I don't know if you have that number or not. Then diluted my equity, I increased my share capital, you know, at whatever Rs. 13 to Rs. 14 bucks got in equity, you know, repaid my debt, or converted my debt to equity and basically today, if I would have done nothing and just simply just selling the same business, I would have had a Rs. 60 Crore EBITDA.

**Vinod Kumar**

You know, I agree with you. You would have had an EBITDA, but no portfolio to sell and grow the future. So, what we have done today is that we have a portfolio, which we can make, otherwise, it would have been a declining business. Today, we can talk about it because we have a new set of portfolios, which is an emerging growth market, that should that is giving us the confidence that we will be able to grow the company, if you have not done anything, it would have been, I mean, we could have managed this, like that. But I think we have managed to grow and create a portfolio competing well in the market and the numbers will come Aditya.

**Aditya Sharma**

Fair enough. Thank you so much Vinod and best of luck. Thank you.

**Moderator**

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

**Vinod Kumar**

We thank you all for taking time for attending this call. And thank you again for your continued interest in Subex. You can always reach out to us at the [investorrelations@subex.com](mailto:investorrelations@subex.com), if you need any further clarification, thank you again.

**Moderator**

Thank you, sir. Ladies and gentlemen with this we conclude our conference for today. Thank you for your participation and for using Doorsabha's Conference Call Service. You may disconnect your lines now. Thank you and have a good day everyone.

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**Note:** 1. This document has been edited to improve readability