



Subex Limited

Q1 FY2024 Earnings Conference Call

Event Date / Time : **August 09, 2023, 11.00 AM (IST)**

MANAGEMENT: **MS. NISHA DUTT – CHIEF EXECUTIVE OFFICER**

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Moderator

Ladies and gentlemen, good day and welcome to Q1 FY 2024 Earnings Conference Call of Subex Limited. 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 any assistance during the conference call, please signal an operator by pressing * then 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G V Krishnakanth. Thank you and over to you, sir.

G V Krishnakanth

Thank you very much. Good morning to everyone who have joined the earnings call for the quarter ended June 30, 2023. Now, I'd like to introduce the members of the management who are present for the call. Along with me, I have Ms. Nisha Dutt, CEO, and Mr. Sumit Kumar, CFO 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 involves a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but not limited to fluctuations in 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 now hand out this call to Ms. Nisha Dutt to take it forward.

Nisha Dutt

Good morning, everyone. And welcome to Subex's investor call. It's a pleasure to have all of you here today. But before I delve into the financials, and strategic outlook, I'd like to actually take a moment to introduce myself. As this is the first time, I'm speaking to all of you, I think after I took charge. I must have met quite a few of you in AGM's before. But just to reintroduce myself. My name is Nisha, and I'm your new CEO. It gives me great honor to be given this responsibility of leading one of India's earliest product companies towards its new next chapter of growth. My prior experience on the Board of Subex has provided me with insights into company's operations, strategic vision and governance. So, I believe that this knowledge equips me to step into this role with comprehensive understanding of Subex's business model and industry landscape. And, of course, our stakeholder relationships that are very vital to our growth.

I bring a strategic and growth mindset. And I'm confident in my ability to deliver to shareholder expectations. And what I've done since I've taken over, over the past three months, I've had the privilege of spending time with many of our customers. And this hands-on experience has given

me insight into their needs, aspirations and challenges. And I've witnessed the potential of technologies first hand, actually. And I've personally also conducted workshops on AI. And it's been a journey of learning and growth for me. So, combining all this learning and assessments, because one of the key focus area for me has to assess what are the new growth opportunities for Subex. And I've come to a conclusion that Subex's capabilities can expand, and I'm able to see a clear strategic intersection.

And I'll call this the next pivot actually, that we'll make in Subex. And I call this as creating connected experiences for our Telco clients. So, let me expand on this idea of connected experiences a little bit, and paint a picture for you. So, I'd like you to imagine that we are on the brink of massive digital revolution that's about to reshape the world of Telcos forever. With data spreading everywhere, digital and real worlds are really converging right now, we are foreseeing a future that could be here as soon as 2025. In this future, that we foresee, more than 30% of messages that we will send out will be synthetically actually generated by AI, around 10% of data will come from generative AI, Gen AI also in local parlance known as Chat GPT, and 65% of global population will have digital wallets. So, what this will do is that we'll be spending a lot of time in digital realm, and the whole world is almost converging on our platforms.

So, while all this happens, one of the great things is that shift, the whole shift is underpinned by connectivity. And that's what our Telco customers provide to their customers correct. So, this forms the bedrock of massive transformation. And we believe that Telcos now have a very different and golden opportunity to create amazing value for their customers. And we want to be on this journey with them. So, we foresee a future where end users like you and me, like all of us, will be augmented by AI agents, and we will be self-generating content in virtual world. For example, your phone will literally become like robotic agents. Communications will shift from personalization to self-generation, the content will be self-generated, will move from graphical to conversational user interfaces, just like, you know, we have been using Chat GPT.

And this will transform the interaction that we have with our applications as well. In this, we will live in almost an AR-VR world where AI agents will call each other and perform tasks autonomously. So, this is the world that we foresee, which is so different from the one, we are actually seeing a lot of this transformation unfolding in front of us. We also believe that Large Language Model, LLM, will have the intelligence to orchestrate better software stacks, and actually replace them, call centers will become co-pilots. So, this will fundamentally shift the way Telco data, the way we understand Telco data and software infrastructure. But like I said earlier, connectivity will be the bedrock of its diverse experiences. And we at Subex are now committed to providing seamless solutions for this landscape.

So, I'm really excited about the changes that we are seeing in the landscape. And we have been serving Telcos for many decades, of course you know, and we recognize that navigating this transformative landscape is not without its challenges for them, right. So, the Telco industry,

if I were to talk about it is really being disrupted right now. And it's across four key areas that we see our customer experience, delivery, the ecosystem in which they are having to operate now and technology stacks changing. So, this is quite a bit of disruption for Telcos. But the good news here is that each area presents a unique set of questions and challenges and a plethora of new AI use cases is opening up actually to deliver this the idea that I call connected experiences. So, towards this what we have done at Subex is, we have curated a comprehensive array of offerings to pay way for this.

Our mission is to empower Telcos with personalized, seamless, secure, and intelligent solutions, and we want to coauthor this future together with them. So, what we are doing is we are focusing on unlocking new use cases, and building on the foundation of the digital trust that you are all very aware of, that we have already been delivering on. So, how will our portfolio deliver to this. So, our offerings will range from enabling personalized experiences through AI customer experience studio, and digital onboarding solutions will guarantee cost optimization through our network analytics portfolio, we'll deliver intelligence with our business assurance portfolio and AI use case studio and secure connectivity through fraud and security solutions. And of course, Telco FinTech is a big area that's emerging. So, we will actually enable cashless commerce through AI FinTech solutions.

So, we have net-net I think aligned our portfolio to deliver unmatched value to our clients, I believe. These are demands of the future, and we are actually at Subex pivoting to next-gen stack. I call it the next-gen stack because we are now ready with 5G, AI and cloud. So, the convergence of these three technologies, I think we are very well primed to make use of this opportunity. And this whole stack will be powered by a HyperSense line of offerings, that combines cloud readiness, AI/ML and generative AI capabilities to deliver superior customer experience. So, what this will do, to make it really easy to understand this, that this stack, the stack that we are moving towards, will provide us an expanded addressable market, to cater to and position as actually in midst of this statement.

We have over 200 global customers, we have 300 installations and in 100 countries. And all the customers that I've met and personally spend time with, they are actually really excited about this new stack that we are talking about, and its transformative potential. And we have been getting really good feedback and direct feedback on this new opportunity. So, if I were to really conclude I would say that in the Subex, we see this as an industry of experiences driven by AI and shaped by collaboration. We are super excited about this. And we really want to be on this journey with Telcos like I said, we want to empower our customers and partner with best of technology partners. I assure you that we are committed as ever to delivering exceptional value and look forward to your continued support.

So, this is what I wanted to sort of cover better experiences bit to explain it a little bit. But going forward, when we talk in investor calls, I will be providing updates in investor calls around three strategic pillars in addition to the earnings that we will talk about. So, the three

pillars that I will cover in every investor call would be around growth, efficiency, and talent, because I think these are the three pivotal areas that really demand a lot of our attention. And I want to make sure that we are monitoring and disclosing this because these are the three things that will put us on an upward trajectory. So, on the growth front to come to these three aspects, on the growth front, the first quarter has delivered promising outcomes. We have secured addition of three new logos in our core business domain, despite we had a lot of competition.

These accomplishments, I would say are significant because the contracts that we have won are with the really good and renowned CSPs. So, this means our underscore are capabilities in our core solutions. And our strategic focus has also pivoted towards expanding our footprint within the strategic accounts. So, I call it almost a farming strategy. Right? When you have a strategic account, we want to go deeper and make sure that we are able to do more for our current clients. So, we will augment adoption of our products across the key clients. And as I spoke earlier, we are very focused on AI right now. So, we will make sure that we will pick select geographical regions with pronounced AI for our AI offerings, and delve deeper into these accounts.

The second one that I spoke about was efficiency. And efficiency, as you will understand is a very important pillar of our strategic roadmap. So, what we are doing is we have embarked on a journey of hyper focusing on our portfolio optimization. See, we are trying to streamline our operations to extract maximum value out of every aspect of our business. And this approach is underpinned by a firm belief and contemporary technology as a cornerstone to our advancement. We cannot offer contemporary technology start to our clients without being on a journey ourselves. So, we will embrace a very tech first mindset that should really help us drive efficiency and productivity in this organization.

Also, most of you have heard, but we are actually on the path to collaborating with one of the world's leading strategic players. We are forging alliances, and I believe that what this will do is eventually help us reduce our cost footprint. And also, open up a new market, which we haven't been able to tap into before this. So, I'm confident that efficiency focus will really help us deliver the operational excellence. And the third focus area that I wanted to talk about was talent. This, with our goals without saying that this is going to be critical to our success. In the tech driven area where the technology starts changing very quickly, we completely understand the game changing influence of talent, and I want to make sure that we make most of the potential, their potential, the talent that we have, and we are actively investing in programs to enhance and reshape their skills.

So, we are making sure that our workforce is equipped with latest knowhow to equip, to navigate this new landscape. And, more importantly, I want the best talent to create almost like an innovation engine for the company, that positions us, that keeps experimenting internally so that we have newer and newer offerings to take to our clients. So, this is going to be very critical for us. Those are most of business updates for the quarter. And now I'd like to take an

opportunity to present the financial highlights from Q1. The performance highlights for the quarter that ended on June 30, 2023, compared to previous quarter March 31, 2023. Revenue for the quarter stood at INR 673 million, as against INR 473 million for the quarter that ended on March 31, 2023.

EBITDA for the quarter was at INR 147 million as against INR 368 million for the quarter and profit after tax was at INR 193 million as against INR 472 million for the quarter that ended on March 31, 2023. And if we do the comparison with the corresponding quarter, the performance highlights for the June 30, 2023, compared to quarter that ended on June 30, 2022, was revenue for the quarter we ended at INR 673 million as against INR 833 million for the quarter that ended previous year. EBITDA for the quarter ended at INR 147 million against INR 7 million for the quarter that ended on June 30, 2022. And PAT for the quarter ended at INR 133 million as against INR 55 million for the quarter that ended June 30, 2022. In summary, if I were to summarize this, we saw a 42% increase in our revenues compared to the previous quarter.

And I believe this moment has been a result of collective efforts of our team. Our order booking performance OI looks good for quarter one, and it has exhibited robust strength, surpassing the levels in the preceding quarter. So, this demonstrates to me that there is continuous demand for our products, we just need to make sure that we are making good on this. Equally noteworthy, I would say positive trajectory of our EBITDA. I feel that we are on the recovery path right now. And we'll take measures to enhance operational efficiency, optimize costs, and definitely maximize value for our shareholders. And as we navigate this business landscape, we remain committed to driving sustainable growth and enhancing shareholder value.

So, really your support and trust mean a lot to us, and we are committed on delivering value to you. Finally, I would really like to a big thank for your confidence in us, we would welcome your feedback on the strategic roadmap that we have set for ourselves. And I would love for these calls to be a two-way communication platform where we just not just talk to you, but also hear from you. Thank you once again, and we will open up for questions now. And I'll give it back to the moderator at this point.

Moderator

Thank you, ma'am. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your 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. The first question comes from Sanjay Shah from KSA Securities Private Limited.

Sanjay Shah

Yeah. Good morning, ma'am. This is Sanjay Shah from KSA Securities. Thank you for highlighting and welcome you on the board as a CEO, and a good luck to you ma'am. Ma'am, whenever we listen to the prospects of our company and understand the business, we get very excited. But you will appreciate that since last many years, we could not deliver on the growth trajectory what we envisage two, three years back even when we migrated from to HyperSense and which we found that after two years that will also get into growth trajectory, but we don't see anything on the top line side. So, can you highlight what has gone wrong? And what you envisage for next two years, you see that coming as an opportunity to us?

Nisha Dutt

So, thank you for your question, Sanjay, and thank you for welcoming me. I understand, I completely understand your frustration and I acknowledge that. But what I can say is that, I actually do see massive opportunity for us. And I've spent a lot of time with the clients. And I think we are actually, we have the tailwinds of AI, cloud and 5G. And at this point of time management is very committed to making good on this. I understand that in past we may not have fulfilled expectations, but I'm very committed to making sure that we make good in front of us. So, please give us some time, and you will see some changes coming through. That's my only request for you right now, is not to kind of lose hope enough now. Please stay with us. Because I think we are trying our best. And we are trying to turn this around right now.

Sanjay Shah

Fine. Thank you. And my next question was regarding our partnership. We added some portfolio that is Partner Ecosystem Management. Can you highlight what is going on that side and what's the progress on that side? And the other one was our partnership with Tech Mahindra on blockchain technology. Is there anything happening over there?

Nisha Dutt

So, Partner Ecosystem Management, or we call it PEM, actually has been a part of our portfolio for a while now, it's not a new addition. While maybe we have gained quite a lot of traction in it recently. So, maybe you have heard about it more in recent past, but it has been a part of our portfolio. Actually, we get quite a few, I would say a significant part of our, not a significant but a good part of our revenue actually comes from Partner Ecosystem Management. And this is only going to be more critical for us as we go into this whole 5G era, right. In 5G, what will happen is that wholesale billing settlements will become very important, actually for Telco clients. And what we are also trying to do is invest in these newer areas in this product itself, Partner Ecosystem Management.

So, we are preparing ourselves to strengthen this product even more. Actually, I'm really excited about the potential of this product. But just to answer your question, it has been around for a while, and we are getting very good traction, actually on it. As more and more partners are onboarded in Telco ecosystem and partner settlement and real-time settlement becomes critical and we have just a product for it actually. In terms of our blockchain and TechM, this is one of the projects that we have been pursuing and we are trying to see where it can take us. It's too early for me to comment on how it's evolving. But I would say that the first signs are very promising actually. So, we have partnered with them on one of the projects that we are delivering for the client. And we are monitoring the results very closely. To see if this could be a good area of opportunity for us.

Sanjay Shah

What about IOT security with Telefonica?

Nisha Dutt

IOT security has been with us for..... again it's an older part of our portfolio. So, we have been at working, and we continue to sort of strengthen that offering. In fact, in IoT security, we are looking at, taking newer offerings to our Telco clients just beyond Telefonica, as well. So, yes, I mean, this has been a part of our portfolio again, like I said, right, we do have some pillars that are working well for us. There is IoT, there is 5G, there is AI, and we are trying to see if we can bring like, a more converged and a more synthesized solution to our Telco clients. So, that continues to be an area of opportunity, Sanjay.

Sanjay Shah

Thank you, very much and good luck to you, ma'am.

Nisha Dutt

Thank you so much, Sanjay.

Moderator

Thank you, ma'am. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. The next question comes from Mahesh Kumar, an individual investor. Please go ahead.

Mahesh Kumar

Good morning. And my question is regarding manpower costs. Every quarter manpower cost is going up, whereas sales is not going up. Hello, are you able to hear?

Nisha Dutt

Yes, I can hear you. Yes.

Mahesh Kumar

Yes. See, what I'm saying, every quarter manpower cost is going up, but sales is not going up. How you're going to control manpower cost? Are you going to use AI and robotics to reduce cost of your development and testing? And second question is, what is the investment required in your new strategic program?

Nisha Dutt

Okay. Thank you, Mahesh, for this questions. So, manpower costs going up, I will ask the CFO, Sumit, to comment on that. But my brief comments on this aspect would be that, like I said, right, we can't bring efficiencies to our clients, and unless we bring efficiencies internally in-house ourselves. So, definitely, these are initiatives that I'm very focused on and that's why I also mentioned that we'll be reporting against growth, efficiency and talent, because efficiency is a very critical metric and manpower cost is a part of that. So, we are focused on that. I have made a note of it, and we will see what we can do there. In terms of our new initiatives, I actually don't think it will require a lot of investment, definitely, it requires some investment. But I don't foresee a huge investment, because Subex is actually already on the path to some of these. As you know, we already have a robust AI portfolio. And 5G, we were already preparing ourselves for 5G growth. I think what probably needs a little bit more of our focus is cloud and 5G. So, we are going to do that with the current resources that we have maintaining, you know, because I'm also aware that we need to deliver to shareholder expectations. So, we are focused on numbers as well. So hopefully, we'll do this without too much of burn. But Sumit can you answer on the manpower cost, please?

Sumit

Sure. So, just to add on what Nisha just mentioned, is the whole objective what we are right now working is how to improve the productivity, because typically, the manpower cost is more or less fixed and is all long-driven project. And the only way to control is to just improve the productivity. So, as and when we will start seeing that top line growth, our manpower costs will not increase to the tune of that. So, there is more about I can just say it a semi-fixed. And

once the businesses start coming and it's growing, it will eventually as a percentage to revenue it will start dropping. So that is what largely around. If you see the year-on-year side, there is a close to an INR 3 crores of increase has happened which is again, you know that the cost of inflation is there, though we are working in the productivity side.

So eventually you will start seeing the cost optimization as a percentage to revenue. And the things will start under control. So, that's what as the management team, which I'm just adding what Nisha just mentioned, we are just working towards to optimize.

Nisha Dutt

Yes, we are also partnering with Hyperscaler as you know, so that should help us, open up new doors without significant burn at our end. But yeah, I mean, point is well taken and that is something that's high priority for us.

Mahesh Kumar

You have to use AI internally to showcase to your customer that we can reduce cost by using AI.

Nisha Dutt

I completely agree. I couldn't agree more, Mahesh. And this is something that we are actually doing, so I couldn't agree more. I completely agree.

Mahesh Kumar

Okay.

Nisha Dutt

Thank you.

Moderator

Thank you, ma'am. The next question comes from Abhishek, an individual investor. Please go ahead.

Abhishek Kale

Hi Nisha, this is Abhishek. Am I audible?

Nisha Dutt

Yes, you are. Hi, Abhishek.

Abhishek Kale

Yes. Nisha, first question. Q3 2022-23, the former CEO said give us two quarters and then things will start to stabilize. Vinod is gone now. I mean he is now into the board of directors and all that stuff. And you have taken over. Give me a realistic number in terms of the time you think that we will see a positive bottom line, period. I mean, I don't care about the initiative, how they are shaping up, just give me a time frame. Sorry for being so blunt. But you have seen the numbers our performance in the past. And so, it has come down to asking this question and probably in this verbatim and I apologize if it is sounding too harsh.

Nisha Dutt

No, I appreciate the question, Abhishek. You are our shareholder, and you are entitled to ask anything and we must answer to you. So, I cannot-- Abhishek, I would not like to really comment on what was said before I took over. Please pardon me, I would not like to comment on that. But I can tell you sitting where I am today, given that, I mean, all of you know that there has been some contraction in business last year and you know this is like, I think of Subex as we are involved. We are in some choppy waters. But Subex is not a small boat, right? I cannot turn it around immediately. It's like a ship, it will take some time for us to turn around. So, I would request that, be patient and give us a few more quarters please before you start seeing the real impact of all the changes that we are trying to make. I will not promise overnight results, but results will come. That's all my request to you is really.

Abhishek Kale

If I may follow up on the same question, may I please?

Nisha Dutt

Yes, please.

Abhishek Kale

If you can quantify, I mean, then we say it will take you a year or another two years before we turn the ship around. I understand that it is not you have inherited the captaincy of the ship, you have to now start steering it around, make the necessary adjustments. What is the realistic timeframe that you think from where you are sitting right now as to where we will see a positive bottom line?

Nisha Dutt

It's a tough one, honestly. But if I were to say sitting where I am from my vantage point, and you have to remember I have been into helm for all of three months. I agree. But I think that this would take us a year before we actually really turn it around, this will. That is my realistic outlook right now.

Abhishek Kale

Okay and following upon probably Mahesh and Sanjay's question, we are not seeing the top line increasing, because it's been a perennial problem for us since the time, I've been a shareholder that our sales team are very poor at delivery. Somehow, we have got the product portfolio, everything that we look at from the advantage point, looks very hunky dory. But then when it comes to our sales team getting the sales through and that contributing to the top line. That is something that is not happening. I don't know. I mean, what are we doing to change it?

Again, I'm not expecting you to do anything overnight, you have inherited the company in whatever shape form it is right now. But from where you sit, our sales is where I see the problem is, that products may be fantastic, but it is our sales which are the root cause of this entire show that is not going as per what we see. It is my 10,000 feet view of the company. I'm not privy to what the sales team does. So, please take it with a pinch of salt.

Nisha Dutt

See, I mean, the truth is, Abhishek, that there are-- I have noticed that, obviously, there are areas of improvement, I think in sales and in other areas as well as in products themselves also. We have identified multiple areas of improvement and my focus is definitely, at the end of the day, if I have to deliver results to you, top line has to grow and everything that needs to get fixed, to grow the top line be it sales, be it product, be it our delivery, every aspect has my full attention. And I'm personally making sure that this will change. If it means that we need to do more sales enablement, we need to hire better talent, we are making, you know, I'm almost like stock taking situation right now, to see what changes need to be made, so that we are better prepared. But again, I would really ask you to be a little patient, we are making changes.

Abhishek Kale

Sure. And one positive comment. Sorry for all the negatives that are talked about. I really like the concise version of the presentation without far too many echo days and what we have done in the past, blah, blah, blah, yadda yadda. It's a very concise that I'm saying for the first time. And I really appreciate it. That's the change for me that I'm seeing.

Nisha Dutt

Thank you so much. Really good to hear that. Because I think that we want to be direct, we want to be, at least, I want to be very pointed in my communication to make sure that we only communicate what you need to know.

Abhishek Kale

Exactly. And then that actually reflects that, so I wanted you to get the accolades for it. Probably that's the first change that we as investors are seeing. So good luck, and I'll keep tracking the progress of the organization. Thanks a lot for giving me the opportunity to ask my question. Appreciate it.

Nisha Dutt

Thank you so much. I really look forward to staying engaged.

Moderator

Thank you, ma'am. The next question comes from Ashish Buvana, an individual investor. Please go ahead.

Ashish Buvana

Okay. Thank you, ma'am, for giving me this opportunity. Well, most of the questions have been asked by previous investors of the company. But I like to know, definitely you as a listed company prepare a budget. This is approved at your board meeting as regards what is the outlook for sales expenses in the next year or next quarter. So, can this particular statement be shared with us?

Nisha Dutt

No. First of all, hello, and thanks for coming on the call. What you have asked is literally a forward-looking statement. So, my apologies, but I won't be able to comment on that specific aspect, Ashish, if you could understand.

Ashish Buvana

Okay Thank you.

Nisha Dutt

Apologies.

Moderator

Thank you, ma'am. The next lesson comes from Sanjay K, an individual investor. Please go ahead.

Sanjay K

Hello. Can you hear me?

Nisha Dutt

Yes, we can. Hi, Sanjay.

Sanjay K

Hi Nisha, welcome to the company and thank you for hosting the call. Because last two quarters, there was no call, so we couldn't interact and get more information about the company. So, my question is about Q4. The Q4, the revenue has gone down almost 30%. And there was some, again, information was given that some milestones were not met. And that's why there was no, I think, payment done probably. So, what is the situation now? I mean, whatever the about INR 30 crores or INR 27 crores of revenue probably might have not recognized. So, how is the situation now, have you recognized in this quarter and are we see such challenges going forward as well, that losing revenue because of milestones, not meeting?

Nisha Dutt

So, first of all, since this is like Q4, I'll also the CFO, Sumit to come in. But the short answer to your question is that whatever revenue was reversed. We are looking to recognize this through the course of the years. So, I believe that we are on track to recognize it through the course. Right now. We haven't in this quarter. Sumit, would you like to add something here?

Sumit

Yes, same thing. Last time, last quarter 4 we have-- so, the revenue has been built based on certain milestones. And when we are just trying to work on the things and getting the customer sign off, there are still needs to be rework and all that. So, that's how the revenue got reversed. And there's a work is going on this year, so eventually this number will come back to us. As

Nisha has mentioned, this year, we are looking for getting this number back and it will take some time to recognize it.

Sanjay K

Sure. Thank you. And one more question about a year back or may be one year back, the company has form alliances or some partnerships with Jio. And so, there was certainly now progress happening like Jio licensing, like HyperSense, or any of the services or it is just partnership which should we get eventually benefited only whenever may in future, but it is not so for any revenue coming from the Jio?

Nisha Dutt

Jio is the partnership that we are closely nurturing, and I believe that there are benefits that will come to us in future. But right now, actually still a partnership where we are seeing what could be the best way to partner, what would be the best mechanism with which both of us can work on all the-- because Jio is also very tech forward company now. So, we are-- and we are also very tech forward. So, we are trying to figure out what could be the exact synergies. But beyond that, my apologies, I am not able to comment more on time this relationship right now.

Sanjay K

No problem, I just want to get some idea. The next question is about HyperSense. I mean, there's definitely, it is one of the advanced products. And just, if you can throw some light on how the market is looking now, are we really seeing the convergence are happening, or how many companies are showing interest and how the outlook looks like for the HyperSense?

Nisha Dutt

Actually, HyperSense, I would say, I'm quite excited about because, like I mentioned in my previous, you know, when I was speaking, I just spent a lot of time with key clients, and all of them, you know, because HyperSense is inherently an AI-enabled platform and that's the capability that Telcos are really looking for right now. We just have to make sure that they understand what the inherent capabilities are and deliver to it. Telcos are also looking at this whole cloud and 5G, and I think we are now really positioned well. So, HyperSense has good reception in the market. In fact, I will say that, everywhere I went, the reception has been really good. And that's the portfolio on which-- that's the base right on which we want to build a lot more products. So, it gives us a great base platform. I'm very-- I'm feeling good about it. I've heard great feedback as well.

Sanjay K

Okay, that's great. And this last question is about, yes, there is a good improvement from Q4 to Q1, at least improvement into top line and bottom, I mean, the loss is less on that. So, how you see, I mean, it may take more time to get a really positive bottom line, but at least quarter wise are you seeing now from Q2 and Q3 is going to be better than Q1, at least you're seeing that things are improving compared to what you were seeing few months?

Nisha Dutt

We are going to try our absolutely best, but I won't be able to specifically comment on forward-looking quarters. But rest assured we are doing our best really, to make sure that we continue to deliver results and build on the momentum we have on Q1.

Sanjay K

Sure. Just we want to hear, like how you see a market looking at and are you more conversions into the orders is going to happen or happening comparatively? So, how's outlook looks like? I know it is not like telling whether it will be a positive profitability, positive outcome by this quarter, but at least are you seeing positive or improvement into what the outlook improvement in business on that?

Nisha Dutt

I think so, Sanjay, because like I mentioned, right, we have added three new logos, just this quarter actually. So, we are seeing quite a bit of momentum at our end. Like I said, right, we have to make sure that we continue it. Actually, in continue having those conversations. So, hopefully we'll continue to deliver good results. So, yes, I mean, we have three new logos, we are seeing a lot of uptakes of 5%, we are seeing AI use cases coming to four. So, hopefully this will continue actually.

Sanjay K

Are you see any interest from the US geography?

Moderator

Sir, sorry for interrupting, sir. If you have more questions please join back in queue.

Nisha Dutt

US is important market for us. In fact, I would say good percentage of our revenues come from developed markets. So, US remains the key market for us.

Sanjay K

Alright, thank you and all the best.

Nisha Dutt

Thank you, Sanjay.

Moderator

Thank you, ma'am. I request the participants to restrict with two questions in initial round and join backpack queue for more questions. The next question comes from Rajesh, an individual investor. Please go ahead.

Rajesh

Hi, Nisha. This is Rajesh.

Nisha Dutt

Hi Rajesh.

Rajesh

So, I've been attending all the conferences call of Subex for last many years. So, what I understand is one of the major reasons for poor performance of Subex is, we are shifting to subscription model, from outright sale to subscription model. So, I would like to understand what is the status as of now of this shifting? What percentage of business approximately has been shifted? And when do we expect to complete this process?

Nisha Dutt

Thank you for that question, Rajesh. So, first of all, I think, industry wise if you look on the practice, industry wise, all software companies, all product companies, the trend is that it's moving away from license and more into subscriptions. So, that's like we are following something that's industry trend, and also our Telco customers expect it now. So, I wouldn't say that we are doing something which is drastically different from the industry trends. So, I think, as far as our pricing model goes, we are on track. I think this is-- it's a sound sense of model. So, model is not wrong. But I don't think the revenues have dipped, necessarily, because of subscription. It's just, you know, it's a different billing model. That's what it is, I think. We just need to get more clients and we need to do better on many aspects.

I wouldn't necessarily put it to this. Again, I think there is no cut off time in which we would have moved completely to subscription to license, we continue to do both actually. We continue to sell licenses; we continue to do subscriptions. In fact, our HyperSense is primarily subscription and license, it's a combination, we continue to do both. But more and more Telco customers definitely accept, expect a lot more subscription models.

Rajesh

What would be our current monthly recurring revenue? Current. I'm not asking for future revenues. What is our current monthly recurring revenues and what is the position, what is the outstanding contracts in hand as of now?

Nisha Dutt

I would request Sumit to answer

Sumit

So, our current monthly revenue is we have actually reported in the investor deck is US\$2.4 million-- US\$2.3 million, sorry. And that's the monthly recurring number. And the outstanding contracts which we are in the process of that kind of one-time revenue, you can pin it to the license and implementation, that is to the tune of around US\$20 million or something. So, again, it is this backlog keep growing it as Nisha just mention, this quarter itself we have added three new logos, and it keep coming and then you will start finishing and then the whole idea of transitioning completely to subscription. But again, we are slightly flexible based on the client budget thing, because some customers just want let's say the license-based kind of, a CapEx kind of a model.

So, there it was more about the commercial arrangement. But as the industry is moving towards, we are also eventually moving towards the subscription base thing, yes.

Rajesh

And these are outstanding contracts. What is the duration in which we can expect to complete these projects?

Sumit

The duration is-- so typically it's like a long implementation contract. It goes between, let's say 15 months to 24 months kind of thing. That's how it's typically range.

Rajesh

Thank you so much for answering my questions.

Nisha Dutt

Thank you so much, Rajesh.

Moderator

Thank you, ma'am. The next question comes from Mahesh Kumar, an individual investor. Please go ahead.

Mahesh Kumar

Yes, Nisha, last quarter, we have reported INR 100 crore trade receivable. What is the amount recovered as on 31st July 2023, and what is trade receivable as on today? That is first question. Second question is, regarding sales team, what problem I have seen, I have interacting with the Investor call since 2016. The sales team is lacking the ability to sell the HyperSense and IoT security products, this is my impression. I may be wrong. But it is not reflecting in the numbers. The numbers are telling, there is a lacuna in the sales team. So, how you're going to address this issue?

Nisha Dutt

So, Mahesh, I will have Sumit come in with a trade receivable comment, to answer your question on trade receivables. But on sales enablement, like I said earlier as well, we are going to do a lot of sales enablement across sales organization to make sure. In fact, I would say that a lot of our recent sales have been in HyperSense. So, that's not entirely true that our sales team don't know how to sell HyperSense. I would say that we have added three new logos, we are seeing a lot of momentum, all the new logos are on HyperSense.

So, I would say that the sales team now have their act together. And if I'm seeing it as an area of concern that's getting flagged again and again. So, I will definitely look into this and make sure that we become sharper, actually. But your point is well taken. I have taken your comment on board and we will definitely look into this aspect a lot more. But I will request Sumit to comment on the trade receivables aspect.

Sumit

Yes. Thanks Nisha. So, just to add on, so from a collection side, the last quarter ending on June we have collected INR 67.76 crores for collection as against the INR 67.29 crores of a revenue just to give on a collection. Our trade receivable balances are basically on a DSO side is actually

it is on an annualized basis on a DSO it is, we have reported it in 109 days. And our closing trade receivable is to the tune of around INR 80 crores.

Mahesh Kumar

Okay. So, you have recorded only INR 20 crore out of last quarter's INR 100 crore.

Sumit

Yes, because it keeps piling, because it's a running business. It's not like that you stop and then collect the entire thing. Because this year revenue will leave and or this quarter revenue will come to the trade receivables and then you keep collecting. So, the funnel is working. If the collection is more than the billing, that collection is more than the revenue that means trade received balances eventually will remain. That is what the thing.

Mahesh Kumar

Okay, thank you.

Nisha Dutt

Thank you, Mahesh.

Moderator

Thank you, ma'am. The next question comes from Samir Mansuri, an individual investor. Please go ahead.

Samir Mansuri

Yes, hi. This is Samir. Thank you for the opportunity and welcome Nisha on board.

Nisha Dutt

Thank you, Samir.

Samir Mansuri

And we as investors really appreciate you again resuming the investor calls after looking across quarter's thing. So, thank you for that. These are my two questions. One is, what are the low hanging fruits that you see and implement in the short term to address investor concerns? I mean, I'm sure you are very much aware about the kind of concerns that all the investors are

raising and then pass so many quarters. And second is, what are the top most pump up to having this in expansion, expansion in the sense of expanding your horizon and the top line basically?

Nisha Dutt

Interesting questions, Samir. So, what I have doing in the first three-months, like I said, I've been doing two things. One is spending a lot of time with individual teams internally to understand what are the areas that can-- what are the quick wins for us, right? What is it that we can quickly fix and move forward with? So, that's one thing that I've been doing. But at the same time, I've also been spending time with customers to understand what, because I think that if you wanted to be on the journey with them, you have to understand where your customers are going, right, on their journey. So, we need to make sure that we are prepared for that. And one of the areas that's come out very strongly like I said earlier also is definitely cloud, 5G and AI. These are the tailwinds actually, for all Telcos right now.

So, I think in Subex, we are primed today to use a big, use of this opportunity, because we have seen AI-first. Our HyperSense platform itself is AI-first. We have a plethora of use cases. So, in AI, what we are doing is we are going after a use case approach now. We are trying to unlock a customer experience use case such as fraud Management, different kinds of used cases. In fact, Subex is known as an IRAFM company, and fraud is rated as one of the top AI use cases in for Telcos. So that positions us very well. So, I see a lot of opportunity for us to kind of work with them on this. So, I would say that we have identified some quick wins. It's not in our challenges. We are trying to make sure that portfolio is really optimized. So, a lot of optimization work is going on internally.

But externally, I think we have identified what the opportunity is. And I think that's where we have pivoted to this tag of connected experiences, because I think that is really what Telcos are looking for. They want to make sure that they give seamless and connected experience to their customers. And we think that we have exactly the offerings actually, you know, that fit into that portfolio. And we will keep adding to those offerings. So, I think I see the opportunity, again, as always, I think the challenges will be in making sure that we implement and make good answers, right? I mean, understanding an opportunity and delivering to it is a different thing. So, I'm very focused on making sure that we not just understand, but we also deliver. So, we have been doing workshops, we have been co-creating these things with the Telco clients.

I feel extremely positive right now sitting where I am. I think we'll be able to do this actually. I think Subex is prime, we are a product company, we know how to build products and take them to market. So, I feel confident that we will do this.

Samir Mansuri

Okay. Thanks for giving that confidence. But just on the delivery part, I mean, are we still facing any challenges in terms of that? Because I think one-and-half or two years back the

reason that was given was because of COVID, a lot of travel restrictions are there and people are not able to get the sides and give their services. So, do we see any other challenges or current challenges in terms of delivery or we are on track to go to give our commitments?

Nisha Dutt

I think we are back on track. I don't see any delivery challenges, per se. I think, on the contrary, I would say the only challenge I would see is that our clients are expecting more from us now. They're expecting us to deliver higher value, they're expecting us to deliver stacks to them. So, the challenge is-- and it's a good problem to have in my opinion, because it allows us to also challenge ourselves internally and make sure that we can deliver to those expectations. But per se in terms of the challenges that we had in COVID time, I don't foresee it anymore. Teams are traveling freely, all the client sites are active, and we are delivering projects. Nothing, in fact, we should be recognizing the revenue also, the reversal that was taken in Q4, we should be recognizing it through the year. So, all that is back on track.

Samir Mansuri

Okay, thank you so much Nisha.

Nisha Dutt

Thank you, Samir.

Moderator

Thank you, ma'am. We have a follow up question from Abhishek, an individual investor. Please go-ahead sir.

Abhishek Kale

Hi Nisha. Abhishek again. One question, for US\$2.3 million MRR that we have put on the deck. What is going to be the contribution of the three new logos that we've added in this past quarter? What would be their contribution to this MRR going forward?

Sumit

MRR. Yes, sorry, Abhishek. Nisha, I am just taking the question. So, MRR number is mutually- - Abhishek, MRR is, we compute our definition of MRR is in the year kind of thing. So, the new logo which is added and the addition will even trigger once the implementation happens. So, all their new logos which we are taking, there is some component of implementation of one-time revenue and then subscription. So, then this MRR eventually doesn't come back.

Abhishek Kale

Okay. One more request, if I may make, the three new logos. The three new logos, I mean, we did not receive any kind of a communication during the quarter, the past quarter that we have had some wins. See, I mean, as an investor, it builds more confidence to keep holding on to the company's stock, if you know that the company is adding new clients or at least bringing in new logos or expanding our horizons. So, if a communication of that sort is made to the exchanges for us to consume, that could be highly appreciated. I mean, I don't want which company that you signed up, because if there are any security related reasons, but I would appreciate if that is something that is communicated to the exchanges. And so, we are privy to that information. That's about it.

Nisha Dutt

Noted, Abhishek. We'll try to do that. I mean, this we probably didn't do because we see it as regular course of business, but anything to add.

G V Krishnakanth

Yes. Hi, Abhishek. So, things like there are regulations around the disclosures which we need to make the Stock exchanges on one side, which are like which are not in the ordinary course that materiality is significant. Also, other-side we do also have some confidentiality agreements where in which the customers approvals and everything. So, whatever we have been like coming in this framework we will definitely be disclosing, and we have delayed in the past as well.

Abhishek Kale

So, my ask is, we can be very discreet, but that there so in the past 15 days, or as and when you sign the dotted line, right or the customer signs the dotted line, we can inform that not a particular customer, but we have had a win from a global Telco.

G V Krishnakanth

Yes, we did that in the past.

Abhishek Kale

Okay.

Nisha Dutt

I think his request is that can we keep doing it going forward.

Abhishek Kale

Exactly, exactly, exactly.

Nisha

Got it. Noted, Abhishek.

Abhishek Kale

Yes, thanks, Nisha. I appreciate it.

Nisha Dutt

Thanks, Abhishek.

Moderator

Thank you, ma'am. The next question comes from Harshit Patel, an individual investor. Please go ahead.

Harshit Patel

Hi. This is Harshit here. Thank you for giving me an opportunity to say something on this. So, ma'am, I have two questions. One thing that we are software company, right?

Nisha Dutt

We are a product company, yes, you are right.

Harshit Patel

Yes. So, just one thing, why we are making losses. I don't come to this background. So, I'm sorry this doesn't sound better, maybe you. But just wanted to understand, I can generally not a company especially an IT company or service-based company, because I am a Chartered Accountant and I'm also in service industry. So, generally what my understanding says that when the service industry does not make losses. So, here when I see results or the finances, so

I see that the company is making losses, and that to cash losses, and especially product company making a cash loss is something that it sounds surprising to me.

Nisha Dutt

Thanks, Harshit, for that question. first of all, you are right. We are a software company, but we are a mix of products, we do have service component as well. But we are primarily a product company. And, we have, I think the market is great, the market is good for us. But we have had some losses in the past, it's been due to a combination of reasons, I think some COVID impact was there and then we also had some contraction in business. But like I've been saying through the call that the focus is on making sure that it gets back on the growth trajectory. So, definitely, that's my focus to see how we can address some of the concerns that shareholders have. But, Sumit, anything to add here?

Sumit

Yes. Just to add on, we are not only just a software company. It's basically entire turnkey kind of a thing. So, it's like a product along with the services. So, whatever things which we sell it to our customer, it is not like an out of shelf kind of a software and you recognize the revenue. It has a service element to that and the support maintenance and for that sake. So, that's how it is. So, it is more about your entire like manpower has been involved, or that's what the employ cost has been. You need to maintain a certain levels of employee cost, and then the revenue will grow eventually and that is the thing.

So, while the point is well taken on the losses why we are making, and now Nisha is anyway here and we are just as a management team we are working towards to bring the profitability back and I can't comment right now But, yeah, point has been taken.

Harshit Patel

Okay, second question. Thank you. But I still have not got the answer that I was hoping for, because of the result, right, your revenue is INR 67 crores or INR 68 crores for this quarter, your payroll costs are INR 58 crores. So, when we say a product or service, it's both, right. Generally, the salary cost would be around 40% or 50% in that range of revenue, so say with my INR 70 crore, then my approximate cost would be INR 35 crore, INR 35 crore to INR 40 crore. This is what I see when I look at the service industry per se. Right? Okay, second thing when I see a lot of companies and we see that my concern not only goes to that lot of companies that, and those companies got publish the Annual Report because they are not keeping the annual general meeting before we publish in the June quarter result.

But why I'm saying this, I am not actually to the Annual Report for the March 23 and now we are discussing June 23 results, right? So, this is-- I find it funny not only about this company, but this is also just the governance framework, this is what I am talking about, which would

just probably the annual report and keep the AGM and close it, because let me put this other way. We are in the third contract results, in phase payroll does not approve the account for March 23, then what will you do?

Sumit

That is true, yes. It's a governance framework.

Harshit Patel

It's a governance framework. So, my request is not only question that, so I'm just right now talking about Subex. But my request here is that you please publish the Annual AGM, Annual Report and keep the AGM before June quarter result. So, at least, we have access of annual report what management is trying to do here in excess of investor calls and all that thing. But we would like to see the Annual Report for management discussion and analysis, talking about what they are saying, right? When you publish annually, because we already close June quarter. Now, having the information for March is outdated.

Sumit

Your point is taken, but yeah what the framework and timelines around. So, annual report you will appreciate is a lengthy array, a lot of information needs to be added unlike the LR or Limited Review take. But your point is well taken.

Harshit Patel

So, because all IT companies are doing it. So, I'm not telling you about it, right, because all IT companies have disclosed the annual requirement for March 23.

Nisha Dutt

Okay.

Sumit

Okay.

Harshit Patel

And then we expect to become profitable. That's the only thing. I understand the money.

Moderator

Sir, sorry for interrupting sir. If you have more questions, please join back the queue, sir.

Harshit Patel

Yes. Okay. Thank you.

Nisha Dutt

Thank you, Harshit.

Moderator

Thank you, sir. Thank you, ma'am. The next question comes from Chetan Laddha, an individual investor. Please go ahead.

Chetan Laddha

Hello, Nisha, welcome onboard. This is your first quarter and you're candid about all the disclosures. So, thanks for that. The first question is, we had been giving out details on API pulls. please tell us in percentage terms, what has been the increase in the API pool?

Nisha Dutt

Sorry, Chetan, your voice was breaking actually, I couldn't get the question entirely.

Chetan Laddha

Yes. Nisha, so this was around the API pool numbers. So, we had been publishing the API pool numbers in the past quarters. I wanted to know what in percentage terms, the increase has been for the API pools.

Nisha Dutt

So, the reason we sort of, I didn't want to-- for me, when I look at this whole the stats that I was talking about connected experiences, in my opinion, this whole, it's a merge capability now. So, we haven't been tracking it separately like that. So, IDcentral is core to our business. It was new initiative earlier. So, we were recording it separately, but now, I think they've been around for five years. Right? So, they are a part of the core portfolio. I don't have it handy. My apologies. But may I get back to you on this?

Chetan Laddha

No problem at all. And the second question was around the R&D spend. What I understand is, in the past quarter, Mr. Padmanabhan had said that most of the R&D spend is now complete and we are now in the phase of leveraging whatever R&D spend we have done. So, as it stands today, what is the R&D spend that is currently ongoing and what are the future plans for the R&D spends or are we just going to leverage going forward, whatever we have done?

Nisha Dutt

So, I would say that in a product company, Chetan, R&D spend is an ongoing activity, right? So, for instance, we have to invest in 5G, we have to make sure that they are cloud-ready. So, this is our spend, I would say in a product company never goes away, really. There is never a point where you say that you stopped spending and now, I'll only, sort of harness what I've spent. It's never that. But, yes, as you said-

Chetan Laddha

Can you quantify that number, Nisha? Can you quantify that for the coming year?

Nisha Dutt

Maybe I have to get back to you, Chetan. Because we think of it as an expense. It's more, it's an employee expense number. No, it's hidden in that, in the sense that our employees are the ones that are working on some of these initiatives. So, we don't kind of track it separately like that, but I would say a lot of expense to Vinod points, he is right, that a lot of AI capability has been built, but we continue to-- for instance, now, I want to build a lot of AI use cases on 5G on customer experience for Telco clients. So, for that, I will continue to kind of invest in those areas, right. So, this keeps us sharp, this keeps us in market, this keeps us at the edge. Right? So, it's important.

I think this is kind of given, a product company can never really go away from this. And on your API question. I quickly got the number, I think, maybe there have been, I'll have to kind of reconfirm it to you. But 11 million API pulls happened.

Chetan Laddha

Okay, fair enough. Thanks. That's good.

Nisha Dutt

Thank you.

Moderator

Thank you, ma'am. That would be the last question for the day. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Saba conference call service. You may all disconnect your lines now. Thank you and have a good day everyone.

Nisha Dutt

Thank you so much. Thank you all.

Sumit

Thank you, everyone.

Moderator

Thank you, ma'am.

G.V Krishnakanth

Thank you.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.