



Subex Limited

Q4 FY2024 Earnings Conference Call

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Moderator

Ladies and gentlemen, good day, and welcome to Q4 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 assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over 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 quarter and year ended March 31, 2024. Now, I'd like to introduce the members of the management who are present on this call. Along with me, I have Ms. Nisha Dutt, Managing Director & CEO, and Mr. Sumit Kumar, Chief Financial Officer of the company. I'd like to start the conference call by going through the Safe Harbor clause. Certain statements in this call concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

The risks and uncertainties relating to these statements include, but not limited to fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our 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.

With this, I now hand over the call to Ms. Nisha Dutt to take it forward.

Nisha Dutt

Thank you, GVK. Good afternoon, everyone, and a warm welcome to Subex's investor call. As you all know, we have concluded the FY24, and this incidentally also marks my one year at Subex. I came in with a vision to get Subex on a growth path and transform it to a telco AI-first company. And I just wanted to do a quick retrospective today. And I'd say that when I came in, we were in midst of a tough year, and we had to get the transformation journey quickly. All of last year has been focused on growth, but I wanted to make sure that we preserve our bottom line as well. In

terms of growth, I've been able to deliver 11.1% YoY growth, which incidentally is the highest growth in the last decade.

Actually, if you go back and look, maybe in the last 15 years or so. Similar growth in Subex was last delivered when we had promoters at the helm of Subex. Bottom line focus is also back, I would say, with EBITDA being positive for Q3 and Q4, I just also reinforced somewhere my faith in our journey and vision of connected experiences and AI, and I believe that we are overall on the right track. During the year, I have also met several customers in person at events like DTW, MWC and one of the most heartening things is to see telcos embracing technologies of AI and GenAI. We have almost believed that we are witnessing history in making with what was once just a mere concept is now finding acceptance in real use cases for telcos. We have also in line with that. We have also transformed our portfolio in the last year to be a part of this journey and we are making necessary investments to ensure that we are well positioned to capitalize on this.

And turning quickly to the business update, as I mentioned in our previous call, I'll update you. Usually, I update you on three dimensions of growth, efficiency, and talent. So, in terms of growth, we have achieved consistent quarter-on-quarter growth. I would say that this is a positive trend. The curve can be much sharper. I agree, but I think you would agree that the trend itself is positive right now. And we have had some strategic Tier 1 wins in Q4, which also includes significant AI component. So, we will continue to focus on growth as we speak.

And shifting gears to the next update on efficiency. In addition, the top line growth, we are also focused on costs, and we turn EBITDA positive. For Q3, Q4, we have been EBITDA positive, and we have also managed to keep our employee costs under control. But now you must have noticed that management has carried out a routine annual impairment exercise in respect to carrying goodwill and we have made an impairment provision of INR 148 crores. This is a part of our commitment to prudent accounting and high governance. This is a non-cash item, as you all know. And I want to assure everyone here that while we have taken the impairment, we see it in the light that we have delivered growth and our positive PBT of 14 million for the quarter.

And I want to emphasize that the financial health of the company is good with respect to cash balances being above INR 100 crores right now. The reason why we made this call is because we are trying to make significant investments required in our core portfolio to keep pace with fast-moving technology transformations.

Now let's just talk about talent, the third pillar of our update. We continue to retain and nurture our key talent, but we find ourselves in a tough talent market. So, we are being responsive in retaining

key talent. But I will admit that Bangalore is a tough talent market. We also arrested attrition successfully last year. So, we are at what is the target of industry right now. And in addition to revamping the leadership, we are also focusing on having a strong mid-level management that usually, as you would agree, is the backbone of any company.

So those are the business updates, I'll quickly cover the financial results. Performance highlights for the quarter that ended on March 31, 2024, compared to the previous quarter that ended on December 31, 2023, revenue for the quarter stood at INR 833 million as against INR 818 million for the quarter that ended on December 31st. This is a growth of 2%. EBITDA for the quarter stood at 31 million as against 6 million for the previous quarter. This is EBITDA growth of about 3% quarter on quarter. Profit before tax and exceptional items for the quarter are at INR 14 million as against 24 million negatives for the quarter that ended on December 31st. But if you look at normalized PBT, this is positive for this quarter.

Profit after tax, including exceptional items for the quarter, stood at negative INR 86 million as against negative INR 49 million for the quarter that ended on December 31st. And performance highlights for the year that ended on March 31st compared to the year that ended on March 31, 2023. The revenue for the YoY ended at INR 3,097 million, that's INR 309 crores as against INR 2,787 million for the year that ended on March 31, 2023. This is the growth that I was speaking about. This is 11.1%. This is the highest ever growth in a decade.

EBITDA for the year is at minus INR 157 million as against minus INR 307 million for the year that ended on March 31, 2023. Profit before tax and exceptional items for the quarter at negative INR 272 million as against negative INR 391 million for the year that ended on March 31, 2023. And profit after tax, including exceptional items for the year ended March 31, 2024, is at minus INR 438 million as against minus 1,512 million for the year that ended on March 31, 2023. As you would see that, overall, the trajectory is right, and we are on the path to recovery here. But I will stop there, and I know I want to give more time to Q&A in this call. So, thank you for your constant support and I will be happy to take your questions and comments at this point.

Q&A

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 a 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 Mahesh Kumar, an individual investor. Please go ahead.

Mahesh Kumar

Yeah. Nisha, when you took over last year, you have been talking about GenAI. So, after four quarters, can you explain with at least two use cases where you have got the customers for GenAI and how you are helping them to improve their performance? That is first question. Second question, the impediment has resulted into a loss of INR 145 crore. Are you going to write off that from the share capital reserve? That is second question. Third question is, how confident you are to continue 10% plus growth for the next year and so? These are the three questions.

Nisha Dutt

Okay. Thank you, Mahesh. So, coming to your first question of GenAI, there are a bunch of use cases that we have been working with our clients on. But if I were to take like you asked for two use cases, the first one would be the contract assurance you'd say, which is pretty much as you know telco engage in, I would say thousands and thousands of contracts, right, with their suppliers, with people. And what happens is the subscribers, and with their other partners, enterprise partners. So, what happens is that they need to understand that the contracts are often the contract terms fall by the wayside of the actual service being provided. So, what we are doing is we have come up with a service which is contract assurance.

Now, contract assurance itself is not a new concept, but our contract assurance is in LLM. It's the large language model that we have used here where we reconcile contracts in invoices. So, this is one use case that has proven extremely useful to us. The second one is, of course handset, right? Handset short. As you can imagine, handsets are a big item for telcos globally, more so in the west where you almost buy a plan, and the handset comes free. So, we see a lot of fraud in handsets. Fraud in handset is one of the, I would say one of the biggest fraud cases that there is. So, how do we help them in making sure that they don't sell the handsets to the wrong people and frauds don't happen. So that's another GenAI use case that we have manifested for telcos. And we are working with at least two telcos on this.

There are other use cases around call center data, call centers as well. So, people usually call, right? As you can imagine on, when you get your invoices, sometimes invoices are not correct. So, people call a lot of telco call centers and what their invoices and all that corrected. So, if you and for one of the large telcos, when we did analysis, we saw that almost 11 million calls come in a month or so. So, we have also done GenAI LLM there. They gave you a small language model SLM where

we have been able to tell the empower the call center agent to field a question even before it comes. So, we can tell that a call is going to land because there has been a billing discrepancy.

And this we can do for a telco today. So, across telcos, we are seeing that fraud has become a very, very big area today. And all the AI use cases, even for us, because we are anyway the revenue assurance and fraud player, we are seeing that broad use cases for us that are landing on our table at least for Subex a lot of it has to do with fraud using AI. And we are using GenAI to make sure that it's more empowering to not just, I would say not just to executives, but to even a call center agent who can create a call very easily. There is inbox fraud, there is data fraud. So, there is a lot of fraud use cases that we are solving using GenAI. So excellent question.

I am kind of glad that I got to talk about it a little bit because oftentimes it sounds like it's very, the concept is there, but we don't know what we are doing with it. But I assure you that there are real use cases that are being applied by telco. In fact, some of the telcos that we work with, when we go and talk to them these days, they straight away ask us that, can you get us not AI productivity, can you get a GenAI capability? It's that focused piece. So, in that sense, I'm glad that we have been able to deploy used cases.

Mahesh Kumar

You're already having paid customer for this, GenAI?

Nisha Dutt

Yes, we do. Yes, we do.

Mahesh Kumar

And this handset fraud, is it a paid customer?

Nisha Dutt

Yes, it is. Everything that I spoke about none of this is free. It is all, these are all POCs, but these are all paid POCs. This is not free.

Mahesh Kumar

Okay. You are doing POC. And regarding large language model, are you also working on large action model which will complement this LLM?

Nisha Dutt

You mean the Nexus action and things like that?

Mahesh Kumar

Yes.

Nisha Dutt

Yes, we are. Yes, we are. Yeah. It goes in conjunction, right?

Mahesh Kumar

Yeah.

Nisha Dutt

Only analysis is not enough. You must be able to tell people what is the next best action that you have to take on that. So, we use LLMs to orchestrate, and we give the MBA recommendation. So absolutely.

Mahesh Kumar

So, do you think these are open source LLM, or it is proprietary LLM of Subex?

Nisha Dutt

So, what happens -- So there are no LLMs that we can develop. What happens is these are open source LLMs, but these are fine-tuned or trained to telco data, right? So like, I'd like to give an example that if you just ask a LLM today on roaming, that LLM does not understand roaming in context of telco, right? Roaming is everything. Roaming could be you roaming somewhere, so

what happens is that you use the LLMs that are already there and then you train them to that telco's context that data. So, we understand telco data and we train them on that data. So, LLM is open source, but context is provided by us. It's something like that, yeah.

Mahesh Kumar

Okay.

Nisha Dutt

So that was the first part of your question. The second part of your question was on impairment. Yes, you're right. It will be taken out of our reserve. You're correct about that.

Mahesh Kumar

Okay.

Nisha Dutt

And the third question, my apologies, you had a third question there.

Mahesh Kumar

So, a third question. This year we have 11% YoY growth.

Nisha Dutt

The growth, yes.

Mahesh Kumar

Now, after spending one year in the company, what is your gut feeling that next year we will cross 15% or around 20%, 15-20%?

Nisha Dutt

Mahesh, internally my, I mean, again, you know, it's forward-looking. So, I don't want to provide specific numbers.

Mahesh Kumar

No, you might have given some target.

Nisha Dutt

Exactly. I mean, my own target is, I've been telling internally people that this must be a breakout year for us. In fact, this is what I've been saying, that we must buck the trend. We can't keep at the level that we have been. This needs to be the breakout here where we need to really break out our group. And so, like I was saying, the shape of the curve, right? While the curve is upward moving, I want to make it sharper for sure. And I'm with you, right, I'm with investors on that. I understand what the expectation is.

Mahesh Kumar

What I have seen in the Subex last six, seven years, never they have given any target, whether internal or external you don't even care.

Nisha Dutt

No, not. I mean, with all due respect to Vinod, so we know Mahesh, that would not be the case.

Mahesh Kumar

And there was not at all any growth in the company.

Nisha Dutt

No, no. Mahesh, I mean, I understand where you're coming from. I completely emphasize where you're coming from because obviously when you don't see growth, you feel that team is all, people are not oriented, growth oriented internally. But I can assure you, with all due respect to Vinod,

Vinod also used to have targets. I mean, a company cannot work without targets internally. And this year I can tell you that we have set ourselves very stiff targets because I personally want to make sure that this happens to be almost a breakout year or where people can very visibly see the growth. So that is an internal target that all the teams are driving towards. I am driving towards it. Teams are absolutely aligned on this. So, I can assure you that would not be the case. Targets have been set because we are well within one. Your one month is already out in the new year.

Mahesh Kumar

Okay. I will join the queue for the next question. Okay. Thank you.

Nisha Dutt

Sure. Thank you. Thank you, Mahesh.

Moderator

Thank you. Ladies and gentlemen, if you have any questions please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if we have any questions please press * and 1 on your telephone keypad. Next question comes from Hiral Nandu from Kalpvruksh Capital. Please go ahead.

Hiral Nandu

Hi, just wanted to understand one clarification with you. The write off one of the subsidiaries is just now as an impairment whether do we expect some reversal of that in near or future year or it's kind of completely needs to be taken with the loss at as a mind -- in the mind?

Nisha Dutt

I will ask Sumit also to weigh in, the CFO. But this is a routine item that happens when you carry goodwill, right? So, what happens is that we do routinely we do impairment assessment of goodwill. And this year we decided to take some impairment. So usually when we take impairment, I don't think there is a reversal of this. But what we are trying to see is that growth drivers are in place. The growth has been delivered. PBT is positive if you look at it without the impairment. But this is an exceptional item. We'll treat it as such, and we move forward from here. Sumit, do you have anything to add here?

Sumit Kumar

Yeah, Nisha same thing. Just to add on, this is, so there are two goodwill fitting. One is into the standalone books, and another is into the consolidated books. So, this asset was when the goodwill to the tune of -- goodwill to the tune of pre-write off or pre-impairment, the goodwill is sitting in the books of INR 344 crore. And as of end this is a yearly impairment exercise which is to do, you need to keep testing the intangibles for their carry or effective use of that. This year there's a charge of close to INR 148 crore has happened which is in the consol books.

The value of the goodwill is reduced from INR 344 crore now to INR 196 crore. And the corresponding impact is because the amount is sitting through an intercompany to a standalone. The same is when correspondent impact is there. So, I'm just repeating the first question which the earlier investor has asked. As a treatment, the asset will reduce and effectively this amount will be taken out from the other equity. So that is the accounting treatment, and this is the yearly impairment exercise which the accounting standards do it to recognize any sort of intangibles in the policy. Yeah, Nisha.

Hiral Nandu

Thank you. Fair enough. Thank you for that clarification.

Moderator

Thank you. We have a follow-up question from Mahesh Kumar, an individual investor. Please go ahead.

Mahesh Kumar

Yeah, Nisha, in the September quarter conference call, I asked you a question about software defined vehicle and providing IoT security to that. That time you told you will discuss internally and get back in the next call. So now, is Subex going to continue with the IoT security and target software-defined vehicles?

Nisha Dutt

So again, I just want to clarify a little bit what we do in Subex under secure is OT. We don't focus on IoT. So, we do industrial security. So, we don't do IoT per se. So, I just wanted to clarify that, Mahesh. I think maybe I did clarify last time as well. But in terms of software-defined vehicles, honestly, given the challenges in front of us, where I am mentally, at least, you know, where we are as teams, is to see if we can double down on telco. And if you look at automotive, it's actually a very complex beast. And building hardware to get into automotive would require investments that might beyond, I would say, the results we have currently.

So, what I'm thinking is that we should double down on telco, because the kind of growth that we are looking for right now, right? Telcos are going at their scale, right, at multibillion-dollar, they are growing at 3-5%. So, there is ample headroom for us to grow there. So, getting to a new segment like automotive would require very aggressive investments for us. So that's all that I have sort of passed it for now. But this is where. I don't know if it answers your question, but yes, I think we'll have to re-evaluate it once we are -- I feel a little bit more stable on the growth and bottom line. Once we start talking this for a few more quarters, then I think we'll be willing to take some more bets which are a little bit riskier. Right now, I think the appetite to invest is more on the core.

Mahesh Kumar

So, this industrial IoT, what you are mentioning, is that business still you are going to push, or that will take a backstage?

Nisha Dutt

No. So that business already is doing some business, but it's not in telcos. But again, you know, considering that we launched Sectrio and IDC back in, I would say almost four or five years ago, my expectation on those businesses is completely different right now in the sense that I want to see a growth rate which is commensurate with the money or the capital that we have put into the business. So, we are pushing those businesses very hard. But if we must make some calls appropriately, we'll make discounts as and when today. That's where I am, because I feel that right now, we really need to double down on core. But those businesses continue to do business. It's not automotive. They are working in utilities. Today where they are present is utilities, not telcos.

But again, we must make those costs depending on what their burners and how much money do I have for investment. After all I feel that one of the key jobs that I have is prudent capital allocation, right? So capital allocation being my key job, I want to make sure that I allocate capital which will give me a lot more returns. So, everything is viewed in my lens, it's length. I view every investment call with that, right. To make sure that IRR is way more than my back. My cost of capital must be very well adequately covered. So that's the lens or that's a metric of investment in any business that I do internally or externally. So, I think the ask from those businesses is great, are very high in my opinion, this year. And I hope that we'll deliver. Otherwise, we make some calls. That's all I can say at this point.

Mahesh Kumar

So, that business was routed through telcos only, in the past?

Nisha Dutt

It was. But today if you look at their footprint, it's entirely it's actually 100% not telcos. So that's the-- yeah, it's 100% not telco.

Mahesh Kumar

Okay, thank you.

Nisha Dutt

Thank you, Mahesh.

Moderator

Thank you. Next question comes from Raj Kumar Ojha, an individual investor. Please go ahead.

Raj Kumar Ojha

My question is, in FY23, we had 43 customers as far as ID central is concerned, and 21 customers as far as security is concerned. How many customers we have added in this current year?

Nisha Dutt

Raj, can I get back to you? I will take this question on note, and I will ensure that we absolutely get back to you. IDC, I think we have around maybe 125 or so. I can come back to you with the right number, but I think it's around 125. I am not entirely sure, but please, I made a note of this. I will certainly make sure to get back.

Raj Kumar Ojha

Because you see every quarter, we are winning two or three cases. But the quantum of growth that it should show it is not there, it is not happening, or it is not being reported. I can put it that way.

Nisha Dutt

No, no. So one is that I can assure you that more than two or three are reported. The once we report are generally, you know, the ones that we want to report in the sense that we feel that it's an interesting geography, it's an interesting project, the size or it has a good AI component. So, there are other factors in which we end up reporting. So, I can tell you that, first, what we report is not equal to what we win, right? We win much more than what we report. The second one is, of course, as you know, that we are on this SaaS model, right? So, we are on subscription business model. So, what happens is that when you win a contract, like, you know, Sumit has also explained in past and you can weigh in here, but typically when you win a contract, we have a setup. We recognize some amount of license immediately, but after that, what happens is that we must wait for the implementation of the project and that's when the subscription revenues start kicking in, right? So, moving into a subscription model delays the revenue a little bit. So, although you are seeing the win, the actual, I would say the impact of it is few quarters down the line because once the implementation in that account is done, that's when the subscription revenue starts coming into us and that's when you will see the MRRs growing, right?

So that's why win is not equal to immediate uptick in the revenues. But win assures us that you're a few quarters down, your revenue is now locked. You already know that some amount of baseline has been created with Amazon. So that's how the SaaS model works. So, you may not be seeing it immediately, but I can tell you that few quarters down, the moment it gets implemented, those revenues start kicking in. So that's how it works.

Raj Kumar Ojha

You had said that ID Central and the Sectrio is concerned. You said that we are going to try this product in different geographies, and we have still confined ourselves into Middle East, India and Africa.

Nisha Dutt

No, no, not at all. Sectrio, in fact, some of the biggest contracts we have are in Middle East and in the CALA region. That's more Mexico in those regions. So, it's non-India. We have India, but the two larger contracts are non-India contracts. And IDC also has done a lot of business in India, but it has also done some business in Africa actually. That's like -- I also IDC, I just wanted to correct. I think it's, I believe that it's 50 is the number of clients that we have added this year. But like I said, I will get back to you and clarify these numbers. I don't have them handy right now. My apologies.

Raj Kumar Ojha

What about Subex Account Aggregator? What is the progress?

Nisha Dutt

Again that -- so we have an in-principle approval. We don't have the license yet. So, what that requires is for us to identify a business case and make investments in the infrastructure this year. And once we can show investments in the infrastructure, then we can go and apply for the full license. So, what we are doing is we have some use cases that have been identified. We are doing the business.

Raj Kumar Ojha

Okay. Hello? Hello?

Nisha Dutt

In the sense of that, does it make sense for us and what will be the investment versus the return, like I was saying, right? If I make an investment, I want to make sure that I have some view of

how I recoup that. So, we are making those calls internally right now. So, where we are, we don't have the license yet. We have just the in-principle approval.

Raj Kumar Ojha

In the presentation that you have mentioned that you are going to introduce some new product. Can you give any hint?

Nisha Dutt

We do. We have introduced a new product. So, they are -- so for instance, if I were to give you an example, we already do. Let's say we have done, like to the Mahesh's earlier question on GenAI, right? So, we have something called AI agents right now. So, AI agents are people. It's almost like it's a product that sits on alongside our fraud management solution where it can go and investigate a fraud entirely for someone. So, AI agents is for, it's just one of those products. The second one would be on billing. We have an interconnect wholesale billing solution. We have actually added an enterprise billing solution as well to our portfolio. So, there are new products. And it's not just one or two. We have added almost four or five products right now.

Raj Kumar Ojha

Thank you, ma'am. Thank you.

Nisha Dutt

Thank you.

Moderator

Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Ravikant Agarwal, an individual investor. Please go ahead.

Ravikant Agarwal

Good afternoon, ma'am. Am I audible?

Nisha Dutt

Yes, you are. Thank you.

Ravikant Agarwal

Ma'am, just a small update that Mr. Vinod never shared any updates on growth rates and targeted profitability. I am significantly invested in Subex, and I attend every con call, but I am happy being a silent audience because most of the queries get answered. But the only question till date I have asked is in the last con call. The last question in the last con call that Mr. Vinod attended. And it was precisely the same question, but he did not answer. Yeah, internally he must have had targets, but he was always very reluctant to share any kind of numbers in the con call and which was basically practically defeated the purpose of conducting these con calls, because investors would never get any idea what the company is targeting at. And this was my grievance which I had shared with him as well.

Ma'am, coming back to my question. Ma'am, I just wanted you to throw more color on the strategy behind this account aggregator license. Is the company looking at pivoting into Fintech space? And once one is granted, what kind of opportunities do you see going forward? And can it help Subex transform into more of the offerings of Subex into a more diverse nature, since Fintech has a much larger landscape as compared to the businesses you are already operating in, which are almost saturated, and you are almost working with almost 80% of the telcos across the globe? That is my question, ma'am.

Nisha Dutt

Okay. So, first, I'm glad you chose to kind of speak on the call today. So, it's always good to get questions because that also tells me what it is that we need to focus on. But coming to a question on fintech, Ravikant, we already do fintech's today. So, our account aggregator license is not a way for us to get into fintech's. We already do Fintech. We do fintech's of our telcos today. So, we manage wallets of telcos in some of the regions. And we use AI to predict churn. We use AI to predict, let's say, what will be the next bill, which customer will churn first. So mobile money assurance that transactions are correct. We already do a lot of work in fintech.

So, AA is more for me to see what the specific use case will be. And again, we must remember that when I do fintech, I do globally, right? For telcos globally, I'm able to do fintech business, especially with my AI and my fraud management. But AA, the account aggregator license restricts

me to India market only, correct? So, it's only an India market license. It's not something that I can use outside of. So, the business case for that is going to be different, right? The business case could be let's say that is it GST payment or is it SME payments?

So, we'll have to figure out, so we have quite a few a roster of use cases that we are looking at because the commercials must make sense, right? At the end of the day, the AA adoption, the amount of money that we can get, this will be the investment that I'll have to make. How many years will I have to fit with the investment before it turns positive? So, account aggregator doesn't necessarily give me more teeth to get into fintech. I would say that I'm already in fintech and I'm expanding my portfolio as we speak in fintech. Okay. Sorry, go on.

Ravikant Agarwal

I get that, ma'am. But the way we are in fintech right now is more in the form of support services. Are we looking at developing some kind of proprietary products which we can take to the market and make it our USP?

Nisha Dutt

We are doing the product. So, it's not support. What we have is we are deployed. the proprietary platform, right?

Ravikant Agarwal

Sorry, Ma'am. I would like to rephrase it. Right now, what we are doing is more B2B. Are we looking at B2C offering, direct to consumer?

Nisha Dutt

It hasn't really come to my mind, Ravikant, because I feel that Subex is kind of, by DNA we are B2B people. So, we are the DNA, so we understand that [Inaudible 0:34:07]

Ravikant Agarwal

Ma'am, as an investor, my only concern is maximization of shareholder wealth and the kind of valuations standalone proprietary fintech firms get, those kinds of valuations are not enjoyed by support services firm. So, that is where I'm coming from.

Nisha Dutt

No, it's not support services. I would say the valuation driver for me in the future, the way I look at Subex, right? And just kind of a very interesting question that you're raising. For me, the valuation driver of Subex in future, the reason why I call it the telco AI company, AI first is because the valuation of fintech is not even lower than what valuation is being given to AI domain. AI is going to be the valuation driver for us. And I want that, if you look at the valuation that AI companies are getting is, I will say its order of magnitude different today from fintech or anything else. So, for me, fintech is not so much a play. For me, making sure that we are recognized as an AI company.

We are recognized that you have products, but these are AI first products. That is what I think will actually at the end of the day give us that multiple that we are looking for. The EBITDA multiple that we are looking for will come from that aspect. I don't think it will come from us going into a telco or utilities or fintech, right? It's more about the product and what are you building, right? The technology will give you the multiple, and that's what I'm kind of betting on right now.

Ravikant Agarwal

Can we have some kind of broad timeframe by when we can have that EBITDA flowing in from the AI products, broad any ballpark figure, any broad pipeline that you're looking?

Nisha Dutt

To certain extent it already is doing, right? It's already, it has started flowing. I'm just assuming that at least my hope is to make it a lot stronger and with every year we should grow. Because like I was saying, right? Ravikant, this is, I feel we are literally witnessing a trade making here. There are people who are embracing it, telcos are spending on it, fintech's are spending money on it. The money is being spent on AI. In fact, CAGR or I would say the market size in 2027 of the pure AI spend for telco is \$15 billion. It's no joke action. It's growing. The CAGR is growing so rapidly. So, I want to make sure that we align our products and make sure that we build from there, because fraud is anyway a very big area for all telcos, all fintech, right? Where money is sales fraud, correct?

So, fraud is something that we are already tackling. And I want to make sure that we become the people that globally when people think of fraud, they think of us. We are the people who can solve

fraud through different means of AI and GenAI. I want us to be those people. And that's where the multiple will come for shareholders, for the company itself. This is something that has been heavily on my mind as well, right? I want to make sure that we could do very well because in your success life, my success, at the end of the day. So, this is the pivot that we are trying to make, that it's not just random AI. It's AI which is very immersed in fraud.

And I want us to be those people, right, those people. When a telco thinks of fraud, they think of us. Even if they don't think of us in any other context, they must think of us. We want to be the people who can solve fraud. Globally for telcos, for fintech, wherever there's money, there is fraud, and we have the people to solve it to AI and GenAI. Pretty much that is a vision, clearly, that I want to try one. So that's how I think that we'll make valuation better for the shareholders. This will be the valuation driver, not so much the domain that you go in. The valuation driver will be technology.

Ravikant Agarwal

Thank you so much, ma'am. Wish you all the best and I'm keeping my fingers crossed.

Nisha Dutt

I'm hoping that you continue to support us. If you have been there for a while, please stay with us.

Ravikant Agarwal

Ma'am as a family, we have been there for 20 years and as an individual, I have been for the last five, seven years. And I continue and I look forward to continuing.

Nisha Dutt

I'm really grateful. Thank you so much.

Moderator

Thank you. Next question comes from Abhishek Kale, an individual investor. Please go ahead.

Abhishek Kale

Hi Nisha. Am I audible?

Nisha Dutt

Hi Abhishek. You are, Abhishek.

Abhishek Kale

Yeah. Nisha, thanks for delivering all the numbers promised from the time you took over. Appreciate that. But you have raised the bar in terms of expectations for yourself. So, what we are going to expect from you is going to be even better? So --

Nisha Dutt

And I hope to do it.

Abhishek Kale

Yeah. And I'm piggybacking on what Mr. Ravikant said. I think it's time that the management starts giving us out a guidance for us to validate where the management is or what they have said, or they have promised what they will deliver and what we have received. I mean, we cannot hide behind the numbers anymore. We will have to tell this to the investors if you would like us to continue the journey like we have been a part of so far. So, I mean, is there a number and I'm not going to hold you for that number this time around, but from the next quarter.

Do you have the numbers that you and your team are targeting for 2025? No. And I mean, don't give me that this is a forward-looking statement and I'm not going to make a forward-looking statement. No, you will have to make it a forward-looking statement because you are not something. So, I mean, it's long due -- that statement is long due as to what your numbers are going to look like in the years' time.

Nisha Dutt

So, one thing I can. No, I'm really grateful that you have stick with us on the journey. And I understand, you know, the reason why we generally don't give a forward-looking statement is only

one, it's regulatory, that we shouldn't be doing that. I also know, Abhishek, that the moment I see that nobody will hold me to it. I can assure you that the growth that we are looking for, right? This is 11.1%, right? So, I am saying that it's going to be double-digit.

It's not going to be and much more than this is what, internally, that's what we are targeting. When I say a breakout year, it won't be that. I do incrementally better, right? Incrementally better is not what I'm looking for here. I'm trying too, when I say breakout, I truly do need breakout, right? Where you should be able to, like I said, the shape of the curve should be very visible to you. So that's all I can say. But please hold me to it. I'm happy to be accountable, held accountable.

Abhishek Kale

Okay. But the range that you have given is, like, from 11 to 99, and that's double digits. So, what should I assume?

Nisha Dutt

Now you're making me sweat when you say 99%.

Abhishek Kale

No, I'd say 11 to 99. I gave you a very broad range, the one that you gave me as well. So, I'm just asking as to were.

Nisha Dutt

It's going to be. It's going to be. I mean, Abhishek clearly definitely the intent is to do much, much better, is all I can say. And it should be visible to you quarter on quarter, right? So please give us some time, it should start becoming very visible to you.

Abhishek Kale

Okay, one more question. Should we expect any surprises? Just like we had this impairment, right? Otherwise, we would have been in profit. I mean, the PAT shows that, no, PBT shows that, not the PAT. But my point is, are we expecting anything of this nature to come up in the next quarter, or do you foresee something of this nature? Because, I mean, it's been, I mean, I'm going to be very brief on this, but when we launched Hyper Sense, there was a huge boom that we are going to,

like, conquer the world. And then, I mean, we crash landed face down, and it was like, oh, that whole model is, you know what? People are not accepting that. Do we have any of these hidden landmines that we should be aware of as investors? I am pretty sure that there are none right there, but I would like to hear it from you.

Nisha Dutt

Actually, see what happens is that, I mean, even impairment, right? Honestly, this is more of a routine item, right? I mean, it's a non-cash item. We decided to do it because I think one of the surprises, as a principal, if there is something you will hear from me in our quarterly calls. But usually, the things that like this are generally, I think, good governance, financial prudence. So, these are calls that we make when we feel that we should just do it in the interest of the company, right? We are showing growth. We are showing top-line and bottom-line growth. So, let's take this as a non-cash item. So, these are things that we do on a routine basis. We don't do quarterly impairments and all that. It's usually an annual exercise. So, from that aspect, I don't think that you will see another impairment in the next quarter or something like that. You wouldn't see that, actually.

Abhishek Kale

Perfect.

Nisha Dutt

That's what I can tell you.

Abhishek Kale

Yeah. Perfect. One question, if I may. I think probably it was Q2 or Q1 of last year when we had a contract of POC with SBI about like with Sectrio on 500-odd devices that we have Sectrio on. Do we have any more of such POC is lined up with the PSU banks here or any local customers?

Nisha Dutt

Not local customers, not banks. We do have local customers at the back of it but not a bank. Like I said, there are some infrastructure utilities coming that we have solved.

Abhishek Kale

Okay. And do we expect that number to grow further, or we see that we have hit the maxima there?

Nisha Dutt

No, no. Actually, every business that we invest in has to grow, right? Be it four or be it Sctrrio or IDC. For me, every business has to grow and have to deliver a certain number because investments, like I said, it's a capital allocation thing, right? Want to make sure that what I'm -- If you give money to something, you're starving something, on the other hand, right? You want to make sure that the marketing, that standard is doing well. So, no, there is no maxima anywhere in and nowhere. I think we are still aware. We have a lot to cover. We have a lot of grass to cover.

Abhishek Kale

Okay. Yeah. And thanks a lot again for the numbers. And I will hold you for the higher range of the double digits on the next conference call.

Nisha Dutt

Thank you, Abhishek.

Abhishek Kale

Thank you. Have a nice one. Bye.

Nisha Dutt

Bye.

Moderator

Thank you. Next question comes from Sanjyot Khare, an individual investor. Please go ahead.

Sanjyot Khare

Hello. Good evening. Am I audible?

Nisha Dutt

Yes, you are.

Sanjyot Khare

Hi, Nisha. Congratulations once again. This is the consecutive, I think, fifth quarter since you joined, we are seeing top line growth and even the growth is there. But the question is about the kind of deals we are winning it, right? Now, again, two new customers have been added in this quarter. Like every quarter, we are seeing two customers getting added. So, how is this number, how this rate is going to be increasing? I mean, it's like how we are going to get more deals and even the recurring revenue is again 2.4 million, which is steady for the last, I think two, three quarters. How we are seeing, is it, when is it going to get increased like the win rate as well as the recurring revenue?

Nisha Dutt

Yeah, so I just wanted to kind of also set the context here. So, like I said earlier in the call, because we are announcing two deals does not mean that we win two deals on this. We only announced material deals. And, we have taken feedback. I had taken your feedback from the last call. Actually, I got a lot of feedback in my Q2, Q3 calls that you guys don't announce anything. You don't announce, you don't tell us anything. So, I thought that we should correct that, and we should start announcing. So, this is more an effort towards making sure that we are announcing at least big wins and the material deals. But definitely it's not to say that our win rate is two a quarter, right? I mean, if that were the case that we would be in big trouble.

Actually, the win rate is much higher than what we announced. So that much I can assure you. Announcements are more to just make sure that, you know, you're aware that we are winning key geographies or key contracts or tier one accounts and all that. It's more towards keeping people informed. So that's one. So, our win rate is continuing to be good. That's the first part of your question. The second one is on the ARR. Like I said that some of the, one HyperSense, when we change almost the business model or the revenue recognition to subscription, there are places or there are quite a few clients where the implementation is now done.

And what that will do is that now we should start getting the subscription revenue. Like I said, between when you sell and when you actually get the revenue for it, there is a delay in our model

right now. But I think this, very soon we should start seeing those accruals because we have done some implementations already last year, so we start seeing the benefit of it this year. So, you just start seeing that number of MRR move actually.

Sanjyot Khare

Thank you for that. And really, I appreciate really a good progress that definitely some announcements have come during the quarter. So really good progress on that. And I'm sure we'll be seeing more announcements coming in the coming quarters. On the business side, are we seeing that, generally the Q1 is slower and then slowly the revenue picks up as we progress into the year, like FY25 again, we are going to see the same thing or the Q1 is going to be slower and then it will pick up more from Q2 onwards?

Nisha Dutt

Typically, that's the cycle. This is a little bit more typical for us in terms of how our contracts are or, you know, how the business is one. Usually, we have seen that Q3, Q4 end up being heavier for us than Q1, Q2. Typically, there is sort of a business cycle, but we are in a refreshed cycle of business cycles, so we are aligned to budget cycles of our clients, right? So that happens. But I think definitely we'll see that, you know, that's it.

I'm hoping that by the time we are sitting next year, this time, we will have reported much more than what we have been able to report this year. At least that's definitely the effort of the company. And I speak for everyone who's on the call. I have quite a few colleagues. I'm seeing that are on the call today with me from Subex. And I know that, you know, all of us want to do the best that we can right now.

Sanjyot Khare

Sure. I appreciate that. And one more point about, are we planning any, I mean, roadshows, analyst meets, or institutional investor meets to get more interest into this because that's not seen in so many years. So, are we planning that in coming years?

Nisha Dutt

I am. And you can imagine why we were not planning it earlier because you want to show some growth. Right? I mean, it's only even interesting to analyst if you have something to show. So,

what we wanted to do last year was to buckle down and say that we'll put our head down and work first and make sure that the numbers start looking decent. When the numbers are there, then it makes sense to actually hit the road and do some analysts roadshows and all that. So very much on the cards this year, which I want to pick up, in a quarter from now we want to pick up that activity. Actually, you say that's on to do. But I wanted to deliver first a little bit first. So, I think now we have something to talk about and we'll do that.

Sanjyot Khare

That would be great. And my last question is about the headcount. I mean, are we seeing that recruitment is going to be happening more going forward and is there any annual increments already planned for the next quarter or it's already done for the year?

Nisha Dutt

No, our annual increment cycle is June, July, actually. So, it will happen. And the end of this quarter, beginning of next quarter is the annual increment cycle for us. So that is planned obviously, that's something that we have to do. And like I said also initially, right. We are in a very tough talent market in Bangalore. So, that's almost non-negotiable, we have to do increment. In terms of talent, I think we hire as we meet, but where we are, I feel that we are quite well staffed honestly speaking. I don't think we are lacking any major, we do not have major gaps in our headcount and all that. I don't see it right now. We should more or less remain the same.

Sanjyot Khare

Sure. Awesome. Yeah. Thank you and wishing you all the best. I'll be back in the queue. Thanks.

Nisha Dutt

Thank you so much.

Moderator

Thank you. We have a follow up question from Mahesh Kumar, an individual investor. Please go ahead.

Mahesh Kumar

Yeah, Nisha, my, this question is related to you just called 2024, 2025 as a breakout year. What is the investment required in this breakout year to have that exponential growth? That is first question. Second question is, in the presentation, is it possible to give more detail about ID central and Sectrio? Because not much information is shared about those products. And are you going to enhance or totally redefine Sectrio with GenAI? These are the questions.

Nisha Dutt

Okay. So, first question on investment required, we have actually done the budgeting for this year already, and we have taken the investment calls on which products need to be briefed up and all that. So, as you can imagine, investment is needed. We are a product company. It's not a services business. And in product, you need to invest in product, roadmaps, engineering, tool engineering. And if you are doing AI products, then you need to invest in those technologies.

So, investment is something that will go hand in hand with this. But despite the investments that we have to make, I hope to keep a decent bottom line, actually. So, we are making sure that even if you have investments, we kind of make those calls as and when we need and we still are able to preserve bottom line. But you are absolutely right. Some of the investments actually started happening last year itself because time to invest to what actually when you get the benefit of it, right?

Mahesh Kumar

Yeah. Because when you need the money, you will not immediately get the money. So, you have to plan for that capital in advance?

Nisha Dutt

Absolutely. Absolutely. So budgeting is done. Actually, the budgeting cycle started in December for us for this year, actually. So, you're right.

Mahesh Kumar

So, you have all new required.

Nisha Dutt

For now, I have. And again, you know, I would say that everyone can use more money. So, I will not say that, can I use more money? Yes, I can use more money. But at least to deliver what I need to deliver this year. I have the capital. I have that much.

Mahesh Kumar

Okay. Okay. Thank you. Okay.

Nisha Dutt

Okay, so that's the part. And then, I think --

Mahesh Kumar

First question. My second question is for regarding this presentation.

Nisha Dutt

Correct. So, the reason why we have we stopped doing, honestly, the Sectrio and IDC is because I thought that it's still, you know, comparatively smaller parts of our business. So that's why we weren't reporting them separately. And to me, you know, in consol, we are everywhere reporting everything together, and reporting them separately when they were new initiatives. Now I feel that they are not new initiatives anymore in the sense that they are five-year-old. So, we report them as consol now, that's why we have stopped reporting it separately, because it's significant enough, right?

Mahesh Kumar

If you added new customers in Sectrio in the quarter, that you can just mention five customers are added. So, we get the feeling that what is happening, whether business is growing, not growing, that idea investors are getting.

Nisha Dutt

Okay, got it. Yeah, sure, I'll take that as a note. I'll make that as a note. In terms of GenAI on Sectrio IDC, I think, actually, I mean, we have been working on GenAI in our fraud and core product portfolio. I don't have an immediate response to this. IDC, not immediately, because that already uses GenAI in terms of deep scan and facial recognition technologies and all that. So, there is no amount that's already happening on IDC. Sectrio I'm not entirely sure. So, I'll have to get back to you on that.

Mahesh Kumar

On this firewall and all those intrusion detection people are using GenAI currently.

Nisha Dutt

Okay. Okay, I will actually do that. Let me get back to you on this one, the GenAI one.

Mahesh Kumar

I mean your exponential growth for Sectrio is possible if GenAI is included.

Nisha Dutt

Okay, I think you are right. But let me also talk to that business leader actually on what his plans are. I don't have it entirely handy right now, but we'll circle back with you.

Mahesh Kumar

Okay, thank you.

Nisha Dutt

Thank you.

Moderator

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

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