SUBEX

"Subex Limited Q3 FY19 Earnings Conference Call"

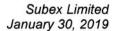# January 30, 2019

SUBEX

CHORUS CALL

MANAGEMENT: MR. VINOD KUMAR – MANAGING DIRECTOR & CEO
MR. VENKATARAMAN G.S. – CFO
MR. KHUSHWANT GOLECHHA – FINANCIAL
CONTROLLER
MR. G.V. KRISHNAKANTH – COMPANY SECRETARY

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

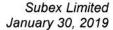| G.V. Krishnakanth:	Thank you very much. Good evening everyone on the line. Welcome to the earnings conference call. Now I will start introducing the members on the call. I have Mr. Vinod Kumar, who is the Managing Director and CEO of the company. I have Mr. Venkatraman G.S., Chief Financial Officer of the Company accompanied by Mr. Khushwant Golechha, Financial Controller of the Company.
	I would like to start the conference call with the introduction to 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 materiality from those in such forward-looking statements. The risks and uncertainties relating to these statements includes but not limited to fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, 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 over the call to Mr. Vinod Kumar who will take it forward.

Vinod Kumar:	Good evening everyone. I thank everyone for joining this call. Before we go through the details of the financials I would like to provide a brief update on where we are with execution of a growth strategy that we discussed earlier this year. If you recall the focus areas were two, one is growing revenue and making Subex a vibrant place. In line with this we have rediscovered the purpose, values and vision and the vision to be the largest player in the digital trust was translated into a three Horizon strategy which we discussed during the last call.
	Let me start with providing an update on how we are performing on each of the Horizons; so if you recall Horizon 1 covered our core areas where bulk of our current revenues have been generated. So in that area the strategy was to perform better and it was more like a different and a slightly growth strategy there. Now in line with our core value of thinking customer we have reorganized our operating norm and whereby all the silos have been consolidated into one organization that will serve the customer, we call it as service delivery organization. Now this has resulted in the customer having just one organization and one person within the Subex for the entire lifetime of their engagement. We completed this model in October and post that we have got favorable feedback from the customer and the transition into the new model is more or less complete. Now this also resulted in an efficiency improvement. So overall in the Horizon 1 we are performing better, we have improved efficiency and we are also competing well. Recently we won three key Tier-1 deals in fraud management and in two of these deals we are in the Phase

0 which is a new process introduced by most of the Tier-1s where in a 3 to 4 week we will have to put in our new solutions on a limited scope and post that the Phase 1 will start. So, we are competing very well. We also during the course of the last quarter launched digital fraud management capabilities. We augmented our fraud management with these new capabilities which is helping us to catch frauds in this new digital ecosystem and also to significantly improve the fraud found-rate in a conventional fraud areas as well. On an ongoing basis we are introducing more an AIML capabilities into our core products and we are also extending our revenue assurance to our new areas of business assurance. So overall in the Horizon 1 the objective was to perform better and in line with that we are executing that strategy and we are seeing favorable results.

Now let me move to the Horizon 2; - Horizon 2 were areas where we have already launched the products and these are products with very high growth rate. There were two products there, let me start with the first product IoT security. Now we continue to build on the initial advantage that we have based on the very vast honey-pot that we have established and we continue to gather more and more track signatures which is becoming a competitive advantage for us. So we have extended the portfolio now to cover use cases in oil and gas and manufacturing segment and the approach here is to create use cases in various verticals and then use various channels like Telcos, IT system integrators and OEMs to take these solutions to the market. Now in line with that what we have done is that we have concluded strategic partnerships with Telcos and OEMs. We have already announced Pod-systems which we signed the partnership in Q2. We took this solution to the market in Q3 and we have started clocking revenues from January this year. So, similarly we have also in the last quarter signed a partnership with one of the top-10 Telcos in the world. We are in the process of creating the product which will be launched during the course of this quarter and as soon as we launch the product we will announce that with all other details to the market. Similarly on the OEM side also we have signed up with the global OEM and we will be launching the product in APAC during the course of this quarter. When I talk about launching the product, theTelco partners and the OEMs will be launching an IoT security solution and our technology—our IoT security product has the technology—will underpin those services. So that's how we see that. Just to recall our conversation this IoT is a SaaS based offering and the pricing will be a kind of a subscription basis on a monthly basis based on the number of devices that we are covering. The other product in the Horizon Two is the analytics thing. We have launched with an analytics offering called ACT, Analytics Center of Trust which is focused on Tier 3 Telcos. We have already one customer on board and which we are after the six months of initial contract and now it has been renewed for a long-term basis and we expect to sign one more during the course of this quarter. Now this Analytics Center of Trust, the idea is that we will go to Tier 3 operator and we will set up an Analytics Center where we will provide with the required technology, a consulting and the analytics people that are required to run their analytics program.

Now let me move to the Horizon 3; so Horizon 3 were new emerging areas that we wanted to move into and the objective was that we will launch one product during the course of Quarter 3
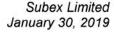
and another one towards the end of this year. In line with that we have recently launched CrunchMetrics. Now CrunhMetrics is a multi-vertical SaaS based ML Anomaly detection solution. Now the current market size is about 2 billion which is very large players and some niche players are participating in that market. This market is a high-growth market again which is expected to reach about 4.5 billion by 2025. The offering is a SaaS based and our ability to have large volumes will be key differentiators for us. While this is definitely a multi-vertical solution we are leading in the Telco and the other two verticals that we have initially identified to go after FinTech and the e-Retail segment.

Now these are the quick update on the three Horizons both with respect to the market, with respect to our GTM and also with respect to the technology and the product enhancements that we have done. Another key aspect if you recall was on the talent front, attracting key talents and retention will be a key element of our strategy. So on-line with that on the management front we have new CFO and new COO in place. Venkat has joined us from Mindtree as a CFO and Shankar has joined us as a COO and Shankar is an Ex Subexian. He has been with us for over a decade and a last 2.5 to 3 years he was working with a start-up and he has joined us back, so he brings back a lot of experience around SaaS and Cloud based offering which will be key for our new initiatives. We now have the required bandwidth to further push the growth strategy that we have arrived at. One more aspect on this talent side was that ESOP. We had taken the approval from the shareholders to create the ESOP trust and procured the stocks from the secondary market. Now that process prescribed has been completed, during the course of the financial year we have granted those ESOPs.

Now let me move into the financials for the quarter; our Q3 revenue stands at INR 82 crores against INR 88 crores of last quarter. Our nine months revenue ending 31st December is INR 246 crores as against INR 243 crores of last year. Our EBITDA ex FOREX for this quarter is INR 7.5 crores as against INR 12.3 crores of last quarter and our PAT is about INR 2 crores as against INR 6 crores of last quarter. Now while the revenues are bit lower than the last quarter I want to convey that we had a very strong order book in Q3, primarily around our core areas. However the revenue conversion from these orders in this quarter did not happen due to timing issues and the same will be converted to revenue in the subsequent quarter. So the YTD booking is in line with our expectation and the current year OI to current year revenue conversion is slightly lower than that we normally do and we hope to bridge this gap in Q4. So, we had forecasted this clearly revenue to be in line with that of last year and that view remains the same. We will see revenues from our new initiatives primarily IoT and analytics kicking in during the course of this quarter. But it will make an impact to the overall revenues only starting next year.

So in summary; we are focused on executing the growth strategy that will put Subex on the growth part. We are doing all that is required to bring in the required talents particularly around new areas to push ahead on the growth particularly on the new areas. And we look forward to your continued support in this journey to turn around this company and put the company on the growth track.

So that was the quick update both on the strategy, on execution and also on the financials. Now I would like to open the bridge for the questions.
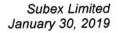
Moderator: Thank you sir. Ladies and gentleman, we will now begin the question and answer session. We have the first question from the line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni: I just wanted to know about our new products which we have launched that is CrunchMetrics, can you just provide details that how the product is going to be marketed and revenues metrics whether it will be licensing or the paper user kind of this thing?

Vinod Kumar: CrunchMetrics we have launched it as a new brand. It is the first brand we are doing outside the Subex brand. The CrunchMetrics is an AIML based anomaly detection solution which is multi-vertical. It is a SaaS based offering and its Cloud enabled. Let me briefly explain with an example what the product does; let's take the example of a large retailer where they will have hundreds of SKUs or individual products of that they are selling. Let's take a fashion retail or anything of that nature; this point in time you would be surprised to find that even at an aggregated level like a men's fashion or a women fashion it is very difficult for the retailer to understand the trend on a daily basis, let alone the trend of a particular brand. Now this is primarily because the current technology you will have to configure a rule with the threshold and when you try to manually do it, it is very difficult to put a threshold considering all the seasonality, Saturdays- Sundays etc. Now this is where the ML models can be built wherein the date once it provides the data-set to our CrunchMetrics product it will automatically profile all the patterns and from then onwards it will dictate a change in pattern and this is done automatically without any manual intervention. Now that would mean that we can now provide granular information in this particular example for instance up to the individual brand with respect to any anomaly. So for example if there is one brand selling significantly higher than the normal pattern without any configuration we can flag this as an anomaly. Then the other capability of this solution is that it can co-relate to anomaly, so again staying with this example if let us say that we are looking at the data set of all the promotions that are being done by this particular retailer and we find that on a particular day the promotion of a particular brand was very high that will come out as an anomaly and the solution will look at both these anomalies. One is there is an increase in sale of this product, on the other end there is an increase on promotion of this product correlate and create a business incident saying that there was an increase in promotion of one product which resulted in increase in sale of one particular product which then the business manager can take advantage of. Now this is a very simple example. But I think if you look at a Telco kind of set-up, on a daily basis we are talking about thousands of KPIs and all these thousands of KPIs will have to be manually managed and only about 20% of the KPIs really matter. So all this manual job which is making it very difficult to manage this whole anomaly detection or opportunity determination, we are sort of simplifying with ML wherein you just provide the data set to the ML without any conflagration it will on by itself and it will provide these insights. So that is what the product does.

Now coming to the revenue model; this is going to be a subscription-based model where you can subscribe to it and the pricing is going to be the number of KPIs so the metrics that we will manage within the product. As I mentioned this is multi-vertical but to start with we are focusing on three verticals Telcos, e-Retail and FinTech.

Mangesh Kulkarni: What was our CAPEX on this product?

Vinod Kumar: So far around all the new areas we have spent about US$2 million, all the new areas. So if you look at CrunchMetrics, IoT, Analytics, altogether we have spent about US$ 2 million during the course of this year.

Mangesh Kulkarni: Specifically on these products?

Vinod Kumar: You could say that maybe about one third of it because half of this US$ 2 million we have spent on IoT and the rest we have spent on Analytics and this product.

Mangesh Kulkarni: Entirely it is capitalized this cost?

Vinod Kumar: This is not the capitalized cost, so let me correct myself. This is an overall investment so we have not capitalized these costs.

Venkataraman G.S.: So Mangesh we don't capitalize our product development related cost, so it is all charged to the P&L.

Moderator: The next question is from the line of Rudhir Barma from KSA Securities. Please go ahead.

Rudhir Barma: I had a question regarding EBITDA margins, why there is so much volatility in our EBITDA margins across different quarters?
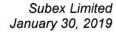
Venkataraman G.S.: If you see this quarter if you see our revenues have been lowered compared to the previous quarter given that this is a business which is very sensitive to the top-line it has had an impact on the EBITDA margins for the quarter. Otherwise if you look at our cost, the costs are been largely flat. It has not gone up significantly. So the revenue sensitivity is what is creating the volatility in these margins.

Rudhir Barma: But what do we expect as a steady-state margin going forward in the next year based on our revenue projections that we have done as far?

Venkataraman G.S.: You have to recognize one thing; in this business the way order closures happens it is not like a traditional services business where you will have the revenue flow through happening on a smooth basis. So look at how the orders have been closed and therefore what portion of that orders are getting converted to revenues in a given quarter. So I think quarter to quarter there will be little bit of variances given the nature of the business. But what we have been saying is I

think our margin range will not be vastly on a year-to-year basis. You could see variances but on a year-to-year basis we believe our margins will be comparable. I think we are saying that we will be in the same range as what we ended the last year with.

Rudhir Barma: And regarding the IoT steady platform that we have created now, have we generated any revenues from this segment at all and secondly what is the growth potential that we see in this segment?

Vinod Kumar: We will be clocking revenues starting January because as I told you we created the products, launched in the market with one operator Pod Systems during the course of last quarter, so starting January the monthly service charge is kicking-in. Now our expectation from this product set from a revenue growth this is very high and we expect that there will be a significant growth as we start launching this product along with products the new partners and you will see the impact of that starting next quarter.

Rudhir Barma: But what would be the impact I mean compared to our core products that are already there in the next year how do we see IoT shaping up in terms of our overall percentage of revenues?

Vinod Kumar: Our expectation is that I am talking about next full-year we are expecting that the IoT will contribute to the tune of 10% to 15% of our revenue.

Rudhir Barma: This is without our core business really are slowing down or at least being at the same pace if not growing?

Vinod Kumar: That's correct.

Rudhir Barma: Could you throw some light on any intention to do maybe a buy-back or a reverse talk played to be able to boost our stock price at all, is there any intention of along those lines?

Vinod Kumar: We are looking at also as we acknowledged in the last call we understand that the debt to equity conversion has resulted in a loaded equity, so there is something we're looking into it. We are looking at what are the options available so as and when we are ready to discuss that with the timing we will let you know. So at this point in time there is nothing specific we can discuss around that.
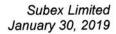
Moderator: We have the next question from the line of V P Rajesh from Daniel Capital. Please go ahead.

V P Rajesh: A quick question on the numbers side, what was the new order booking in the quarter?

Vinod Kumar: We had cumulative order booking as we stand today is about US$ 34.5 million and we had a fabulous Quarter 3, so Quarter 3 we booked about US$17.5 million, so it was one of our biggest quarter when it comes to order booking.

V P Rajesh: What was the order book at the start of the year?

Vinod Kumar: When I talk about the order booking as I clarified during the last call, so we are doing it slightly differently, so just to clarify that part. So, in the order booking all the annuity revenues are excluded so this is the net new bookings that we are talking about. When I talk about the year to date order booking being US$ 34.5 million what I mean is that this does not include any annuity that is there on a continuing basis. When a comparative number of last year, last year we had about US$ 42.5 million as a total full-year order booking as against that the three quarter order booking for us starts at about US $ 34.5 million.

V P Rajesh: So you are saying that at the end of fiscal year it in your order book was at US$ 42.5 million and now it is at US$ 34.5 million, is that right after three quarters in the current year?

Vinod Kumar: Correct, so if you look at a total order booking, so you should add the annuity into multiplied by a couple of few years—3 or 4 years based on how we are looking at it—and add to this number to get the total contracted backlog.

V P Rajesh: I was actually not thinking about the backlog. I was just looking at the order book excluding the annuity business, so you are saying US$ 42.5 million was the last year's figure for the entire fiscal year '18 and now till Q3 it is US$ 34.5, out of which 17.5 happened in the current quarter, is that the right way to look at the numbers?

Vinod Kumar: That's correct Rajesh.

V P Rajesh: In terms of the revenue numbers what was the dollar revenue for the current quarter as well as for the nine months?

Vinod Kumar: The dollar revenue for the current quarter is about US$ 11.5 million and for the nine months translates about US$ 35.5 million.

V P Rajesh: As you were saying if I heard you correctly you are expecting to be roughly at the same INR 324-325 crores of revenues in the current financial year, is that right?
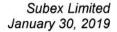
Vinod Kumar: Yes, so we would be there about. We are expecting a growth on that but to give you a level, it will be around the same level as last year.

V P Rajesh: Than in terms of the EBITDA margin if I look at the fiscal year '18, nine months EBITDA margin excluding FX it was not to 15% and in the current nine months we are just about touching 10%. So any guidance on how these margins and when will these margins will start to trend higher?

Vinod Kumar: So, Rajesh our expectation is that as we end this financial year as Venky just clarified our expectation is that the EBITDA levels will be around the last year level of 15% because the cost

is pretty much the same and in fact we are performing much better. As I mentioned some of the reorganization helped us to improve the efficiency, so even with the investments that we are making into the new areas we are expecting the EBITDA to remain around the last year numbers. So we will catch that up in the Quarter 4.

Venkataraman G.S.: Rajesh just one point to clarify, I think all these numbers we are talking of is assuming on a constant currency because what happens is we have very limited control over the Forex because if the rupee dollar moves adversely that will have an impact on the margins. But we are saying on an operational basis on a constant currency the margins will be in that range.

V P Rajesh: So Venkat actually I was just looking at your numbers on excluding FX impact and when I say that last nine months in the current financial year is 10% and the previous year for the nine months its 15%. So you are saying that for the full year from 10% we will become 15% just because of the incremental EBITDA in Q4, is that the right way to think about it?

Venkataraman G.S.: Yes that's right because I think we are expecting our revenue momentum to be a little better in Q4 so that should give us an uptick in the margin.

V P Rajesh: That's fabulous because then you are catching up lot of EBITDA for the nine months in one quarter. So I just wanted to make sure I'm hearing you correct.

Venkataraman G.S.: Yes you are right but I just want to restate the point around Forex.

V P Rajesh: But I'm excluding your Forex line so the fluctuation line that you have in your P&L I have excluded that so what am I missing then in that case?

Venkataraman G.S.: You are not; if you are looking at excluding Forex then your understanding is right.
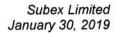
Moderator: The next question is from the line of Kranti Bathini from Wealth Mills Securities. Please go ahead.

Kranti Bathini: Can you give the breakup of revenues from product wise like the expected revenue from the new product you launched CrunchMetrics and you mentioned that Internet of Things, could you throw some light how the market and how the revenue breakup will be in the days to come?

Vinod Kumar: For this financial year on the new areas which is predominantly IoT and a bit of new Analytics area, we are expecting the revenues to be in the range of about a million dollars, a million-dollar out of in the range of $50 million that we are talking about. On the next year as I said we expect that contribution for the new products to go to about a 10% to 15% of the total revenue. The next to next year guidance so as we move into the next quarter we will provide you a view of how it is but our expectation based on the current growth is that our core revenue from the core products will be a marginal growth but on the new product area is where we will have a drastic growth

and that will help us to break-out from this US$50 million which we have been around for the last couple of years.

Kranti Bathini: How you are going to position Subex, whether it is a technology company for a telecom company or an Internet of Things or the Artificial Intelligence in the days to come?

Vinod Kumar: Our vision is to be the largest player in the digital trust space. The digital trust will entail confidence in data, privacy, security, risk management those will be the domain areas. So that is what our vision to be. From a product versus services we would continue to remain a product company, obviously all the services that we will do will be around our products, so we will not be a services company in that sense. From a go to market perspective while for the next year too there will be a certain element of license and implementation but more and more you will see that our new products are in SaaS based subscription-based model which is in line with what some of the new segments are the current business models and those new areas are, so we are aligning our models with those business models.

Kranti Bathini: Which geographical area you are mainly focusing pitching your products? It's mainly US or ASIA PAC.
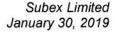
Vinod Kumar: We do business in 90 countries so to that extent we are truly global. We do not have a significant concentration of revenue on any geography, so we are a nice spread across APAC, Middle-east, Africa, Europe and America because we cater to all the major Telcos. So we are about 170 operators that we cater to at this point. For the new areas starting with IoT as I told you that we are taking the market through three segments, three go to market, one is Telcos, large system integrators IT system integrator like Accenture, Wipro, Tech Mahindra's of the world and then the large OEMs like Panasonic, Honeywell, Hitachi, Fujitsu, those will be the OEMs will take us to the market. So with that we will have a multi-vertical offering with IoT security, same is going to be the case with CrunchMetrics. Telcos will be a key aspect because we understand that we have good coverage of that but there will be new verticals of e-Retail and FinTech that we will go after. And so this area we are not looking for IoTs for instance. We started working on North America, Europe and Middle East and APAC. Recently we have started our efforts in India and for CrunchMetrics also we will have a similar model where we have already started working with Telcos, now started discussing with e-retail in Middle East and APAC, with FinTech we will start from within the country because we have a lot of FinTech operators in the country. So we want to start the FinTech within the country.

Kranti Bathini: Who are your peer group competitors? Of course in the market over there with whom Subex is going to compete while marketing your products and services?

Vinod Kumar: Because we have a wide range of products our competitor is different from product to product. But on the Telco side if I can broadly tell we have a company called WeDo from Portugal which competes on our code fraud and revenue assurance area, another one is ARMDOC. So WeDo and ARMDOCs are two companies that we compete with. If you look at IoT security, we

compete with Trend Micro and we believe that most of the large cyber security players will move into this space eventually so that will be the competition there. On CrunchMetrics on the niche players our competitors are a company called Anodot from Israel and also there are large players like IBM, SAP and others at the enterprise areas as well. So, depending upon the products these are some of the major competitors that we have currently.

Moderator: The next question is from the line of Mahesh Jagtap, an individual investor. Please go ahead.

Mahesh Jagtap: Vinod I have a question regarding, you have announced collaboration with the automotive company for IoT security. What is the outcome of that collaboration and one was launched in North America, smart city solution for IoT, so what are outcome of those POCs and collaborations?
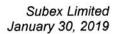
Vinod Kumar: On the infotainment side which we announced, so the product launch is expected in April of this year. The delay of the product launch is on account of the delay of the infotainment, they are coming with the new version of a car infotainment which goes into all the major cars and they have currently a market share of close to about 14% of the North American market and they are coming with a new version. So there was some delay in coming up with their new version of the whole infotainment system from the OEM provider. And on the security side we have already core-created the product, so that is where we are. We are expecting now the launch of that new infotainment platform in the month of April 2019 and that's our expectation on that. On the smart city side, the city of Arizona, we have started covering it and again there we will start clocking revenues starting January. The implementation has gone extremely well. The County of Florence within the city of Arizona is very happy and they are now discussing with other counties to extend this solution and we are waiting for some of these government funds to be opened up because we were to initiate the discussion but because of the US government shutdown everything came to a halt. But as soon as that gets on we are in discussion to extend this coverage to other counties in the city of Arizona. So to answer your question the installation has gone very well where revenues have started kicking from January from this month and we are quite hopeful that we will extend that to other counties within the city of Arizona.

Mahesh Jagtap: In last 10 years financial performance of Subex is very inconsistent. Initially it was the Forex which was taking out the profitability. Then it was your royalty adjustment and now again Forex loss is coming. Why your finance team is not able to come up with a robust model which will make the performance consistent quarter after quarter?

Vinod Kumar: I think just look at our business today while about 70% of our revenue typically if you look at on an annualized basis, it is based on annuity where there is clear predict ability of how that revenue flows on month on month. But the 30% is a licensed implementation based revenue where there is definitely an element of chunkiness because it depends on when they get the timing of when they get the quarter when they get order and in some cases the structure of the contract also will have a dependency on how we recognize the revenue. So as we start moving into the more and more subscription-based model as we are talking about the SaaS and others,

the predictability of the revenue and how we can ensure that the quarter-on-quarter the predictability of the revenue will be much better than what we have with the current model where still about 30% of the revenue we generate from license and implementation. So, the wish and is not coming because of the Forex management but it is more because of the top line as Venkat mentioned that the top line sort of coming down which flows through to EBITDA and the profitability Mahesh.

Mahesh Jagtap: The top-line is stagnated then the finance team should focus on reducing the fixed cost.

Vinod Kumar: I think if you look at today even if we are giving saying that by the end of the year we will maintain the EBITDA levels at the 15% with both investments in the core area and investments in the new area. So I think we have done a very good job of optimizing our structure, both with respect to meeting the customer demands that is enhancing the customer experience by having a single team and also improving efficiency and I think we are at an optimal level now, so in the core area we are doing a lot to defend and slightly grow the business. And then the new areas as I said once we start the recurring and the subscription base revenue kicking in, the variability will come down to a great extent Mahesh.

Mahesh Jagtap: And coming to this CrunchMetrics if you are going to adopt a collaboration or joint-venture model then Intellect Design is the one company in which core banking and wholesale banking solutions are being used by HDFC Bank and many banks in India. Even RBI uses their product. So why is collaboration with Intellect Design not being explored?
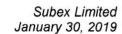
Vinod Kumar: Our focus is to look at to have some references before we look at these large entities because banking is generally a new area for us. We have collaborations now; we have started collaborating like I mentioned all the new areas we are looking at collaborations. We just started the effort and our key for us to prove some use cases. So, like what we have seen very-very successful on the IoT side is for us to create the use cases based on working directly with some of the operators. Once the use case is established then it is easy for us to take it to a large partner and scale the business. So we are in that phase. Probably by the next call which we will do probably in May, between now and May we will come back and we will announce more partnerships that we are doing particularly around the new vertical with CrunchMetrics.

Mahesh Jagtap: What is your expectation or target for Subex to return back to dividend paying company?

Vinod Kumar: We have all intentions to get there and as Venkat mentioned we are exploring options now as what is the best way to address that and from a timing perspective also we are looking at what is the best time for us to do that because we were looking at some of these growth strategies and as now Venky has come on board and some of these things have sort of settled down and we are these new products and more partnerships in place, slowly we will start looking at that aspect as well Mahesh. As soon as we are ready with a concrete step towards that we will come back to you with more details.

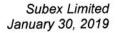|	
Mahesh Jagtap:	When your predecessor had a conference call 1.5 year or 2 years back, he told the net worth of the Subex was that time 750 crores, so, what is that value today?
Venkataraman G.S.:	We will get you that number, Mahesh. We will pull out that number for you but is there any other question you have?
Mahesh Jagtap:	I will come back again. Let other people come up with the questions.
Moderator:	We have a follow-on question with from the line of Rudhir Barma from KSA Securities. Please go ahead.
Rudhir Barma:	Could you just give a brief idea of what our cash or net debt position is currently?
Vinod Kumar:	We have a total cash of about INR 30 crores and the total debt we have is about INR 7 crores. So, if you look at net, we have about INR23 crores net.
Rudhir Barma:	Could you throw some light what your Q4 order booking guidance is like and also you can give us revenue guidance for FY20?
Vinod Kumar:	On the new order book front, we are expecting that we willhave about 15%- 20% growth over last year. So that is what we are looking from a new order growth perspective and on the revenue for this year we have already mentioned that revenue will be in line with last year. On the next year guidance, we would provide you a better view during the next call as that is in May, but on quarter on quarter basis, if you look at that, we currently have a revenue of between INR 80- 85 crores. Our short-term, short- medium goal will be to get that upto about INR 90-95 crores. So that is the rough order, but I think the next year we will provide the AOP completed, we have that during the May timeframe.
Rudhir Barma:	There are a few rumors floating around in the market that Mr. Anil Singhvi has been buying shares in the company, but obviously there were no disclosures to this. So we were wondering if the rumors actually true or are they baseless?
Vinod Kumar:	We don't have any comment on that. It is just a rumor. Let me put it that way.
Venkataraman G.S.:	To Mahesh's question earlier on, our net worth right now is about INR 780 crores.
Moderator:	We have a follow-on question from the line of V P Rajesh from Daniel Capital. Please go ahead.
V P Rajesh:	I think I heard you say that you are likely to do US$10-US$ 15 million of IoT revenues in the next financial year, is that correct?
Vinod Kumar:	That's not correct. What I said was that, we expect a new product contribution to be 10%- 15% of our overall revenue.

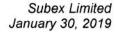|	
V P Rajesh:	So that will be IoT plus CrunchMetrics plus Analytics. That's the way to look at it.
Vinod Kumar:	Yes. The bulk of it will be IoT plus Analytics, CrunchMetrics because it's a SaaS based thing, and it's a long tale that we are serving, our expectation. We will definitely see some revenues coming from CrunchMetrics next year, but as we saw with IoT the impact of CrunchMetrics into the revenue you will start seeing after 12 months' time, Rajesh.
V P Rajesh:	I know you said you will do IoT of about a million out of US$ 50 million in fiscal year '19. Are there any other Horizon 2 products which will contribute to revenue in the current financial year?
Vinod Kumar:	The Horizon 2 consists of this IoT and this Analytics Center of Trust. So, put together we are expecting $1 million to come from that. Bulk of that again will be IoT, just to clarify.
V P Rajesh:	Is it fair to assume that the margin on your incremental revenue from new products, these IoT and Analytics, is going to be extremely high because these are SaaS products?
Venkataraman G.S.:	If you were to look at it as a particular deal, those margins will be higher Rajesh. But you also have to recognize that we will have to continue to invest in these products as well. So, through next year we will always also be investing in IoT, Analytics and all of those areas as well. So, if you were to look at it together in that sense then the margins will not be high, but when you go and sell definitely those margins will be better than what we have for the regular business which we have.
V P Rajesh:	What was the annuity backlog you had at the end of this quarter?
Vinod Kumar:	So, we typically have an annuity close to about US$ 30 to 33 million, correct?
V P Rajesh.:	So 30 to 33 million is the annuity backlog?
Venkataraman G.S.:	We don't have the number right now with us Rajesh. We will need some time. We will have to come back.
Vinod Kumar:	70% of our revenues come from Managed Services and Support on an annual basis and most of that get renewed year-on-year. So if I look at that US$ 50 million, 70% of that is typically the sum of Annuity and Managed Services. So that gets renewed year-on-year and the contraction if at all any is very-very marginal, so that's the way to look at it Rajesh.
V P Rajesh:	In terms of the numbers just for Q4, last year you had done about INR 324 crores of revenue and your EBITDA was roughly INR 50 crores. So, if this year also, you do similar revenue with similar EBITDA levels then your Q4 EBITDA will be more like INR 24-25 crores. Am I doing the math right or am I missing something because that seems to be a significant margin improvement in just one quarter?

Vinod Kumar: The way to look at its Rajesh that our cost is not going to significantly go up, so any improvement in the revenue will flow through to EBITDA.

V P Rajesh: But, that's exactly my point Vinod that you are expecting such a nice jump, where in this quarter, for example, we did EBITDA of INR 7.6 Crores on a revenue of INR 82 crores and to get to INR 24 crore you are looking at (+) 3X kind of number. So therefore, all you have to do is get 3 million more of revenue in Q4 and that will straightaway flow through the P&L is that sort of the construct?

Vinod Kumar: More or less, yes.

V P Rajesh: Vinod you have talked about accessing some smart capital on the last con-call, so any update on that front?

Vinod Kumar: We are exploring that Rajesh. So, there is nothing as an update as of now. So, we are in discussions with some of these partners that we are working with. Just to clarify that this is smart capital is primarily from the partners that we have signed up with and we are exploring that and we will come back to you, Rajesh if there is something definite or we have got to a particular stage we will come back to you Rajesh.

Moderator: We have the next question from the line of Ramkrishanan V, Individual Investor. Please go ahead.

Ramkrishanan V: What is the cash in the book and how much shares we bought for the ESOP Trust?

Vinod Kumar: So, the total cash position what we have is about INR 30 crores is what our total cash position. On the number of shares that we bought from the market is about 1.12 crores what we bought from the market.

Moderator: We have a follow-on question from the line of Mahesh Jagtap, an Individual Investor. Please go ahead.

Mahesh Jagtap: Whatever questions Mr. Rajesh asked you told that net profit for the financial year 18-19, will be about INR 50 crores. So, if we see the current net profit as on Quarter 3 it is around 22 crores. So, are you expecting the last quarter revenue top line to be INR 110 crores and the net profit to be 28 crores?

Vinod Kumar: Our expectation on the revenue will be in line with last year, we are expecting a slight growth on whatever we did last year and whatever from a cost basis from a quarter-to-quarter we are not expecting any cost escalation to happen from the last quarter to this current quarter. So, to that extent, whatever is the top-line growth will flow through to the EBITDA. Our estimate, as we stand today is that last year, we did about 15.6% of EBITDA as we finish in with all the

investments we are making; we will be around the same, 15% of EBITDA. So that's what our expectation based on the current view, Mahesh.

Mahesh Jagtap: But that expectation if you put into numbers, the last quarter net profit comes to around INR 28 crores.

Vinod Kumar: Correct, so we are expecting that the revenues for the next quarter would be higher than the average revenues that we have normally. normally we have an 80%-85% is the revenue bracket that we have. In the short term, we want to increase that to about 90-95 and maintain it there. So that is our short to mid-term objective on quarter-on-quarter revenue. So, once we get that more or less, it will flow down to the numbers that we are talking Mahesh.

Moderator: We have a follow-on question from line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni: You are not expecting any cost escalations in the coming quarters, but we are targeting completely new segments like Retail and Fintech for our new product CrunchMetrics and all these things. So, what kind of marketing and manpower costs likely to be for this new product and then how it is going to be adjusted going ahead?

Vinod Kumar: The resources that are required to productize and take to the market, the resources are already on board. Our current effort, as I mentioned, is to work with specific customers in these new areas and to refine the use case and once we get to that, we will start sort of scaling it up. So, from that scaling up perspective, we are expecting that scale up to happen for the new CrunchMetrics, say by the mid of Q1 of next year. That's our current expectations, so between now and that period we will be working with specific customers to refine the use cases in these new areas and those resources that are required for doing those things required for doing those things in the skill set are already on board and is in our current cost.

Mangesh Kulkarni: And I just missed on these competitive, one of the clients in Israel. Can you name that?

Vinod Kumar: Anodot.

Mangesh Kulkarni: Have we tied up for any company in the telecom or retail space for this product?

Vinod Kumar: So, for CrunchMetrics, if you're talking about, we are in contracts with two large telecom operators. So that we are already in place, so for the retail and FinTech, we are in the discussions and in the POC and the use case generation phase. So, we don't have any commercial contract on the retail and FinTech space as yet. But in Telco space we have two Tier-1s that we are currently engaged with.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Vinod Kumar: So, thank you again everyone for coming on the call as we detailed during the course of the call, we are staying focused on ensuring how we can put the company back on growth, and we are from a timely fashion we are sticking to the execution of the growth strategy as you would have seen. And we look forward to continuing support. And if there are any questions or any clarifications, you can reach out to Krishnakanth and we will address it as we go on. Thank you very much.

Moderator: Thank you. On behalf of Subex Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines.