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February 04, 2025

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The Manager, Listing Department
National Stock Exchange of India Limited
"Exchange Plaza", C-1, Block G
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Symbol: EMUDHRA

Dear Sir/Madam,

Sub: Transcript of the Earnings Call held on Wednesday, January 29, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the transcript of the Earnings Call held on Wednesday, January 29, 2025 post announcement of the financial results of the Company for the quarter ended as on December 31, 2024.

The audio recording of the Earnings call, along with the transcript, has been uploaded on the Company's website https://emudhra.com/investors.jsp.

This is for your information and records.

Thanking you

Yours faithfully,

For eMudhra Limited

JOHNSON XAVIER
Digitally signed by JOHNSON XAVIER
Date: 2025.02.04 14:20:42 +05'30'

Johnson Xavier
Company Secretary & Compliance Officer
Membership No. A28304

Encl: As Above

"eMudhra Limited

Q3 & 9M FY'25 Earnings Conference Call"

January 29, 2025

MANAGEMENT: MR. VENKATRAMAN SRINIVASAN – EXECUTIVE CHAIRMAN – EMUDHRA LIMITED

MR. RITESH RAJ PARIYANI – CHIEF FINANCIAL OFFICER – EMUDHRA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY'25 Earnings Conference Call of eMudhra 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Venkatraman Srinivasan, Executive Chairman, eMudhra Limited. Thank you. And over to you, sir.

Venkatraman Srinivasan: Thank you. Good afternoon, everyone, and thank you for joining us today. It is my pleasure to share eMudhra's performance for the third quarter of FY 2025 and provide insights into the progress we have made during this quarter. Our Q3 FY'25 total income was INR 140.89 crores, reflecting a YoY growth of 41.6%.

Our EBITDA was INR 31.94 crores with an EBITDA margin of 22.7%, and our PAT for the quarter was INR 22.4 crores resulting in a net margin of 15.9%. This quarter's growth was driven by strong performance in our overseas markets, particularly in the Americas, Middle East and Africa and Asia Pacific regions, supported by significant deals closures.

Our global engagements reflect the growing demand for identity backed digital signatures and the adoption of automation in public key infrastructure for enhancing user and device security. In India, we achieved strong traction for the identity and access management solutions, highlighted by key deal wins.

Additionally, our trust services, including e-sign continued to perform well with volumes increasing on the back of new deals in capital markets and banking. Our investments in research and development remain at the core of our strategy. This quarter, we advanced our efforts in Post Quantum Cryptography and Mobile PKI.

The time line recommended NIST for transitioning to Post Quantum algorithms has encouraged large organization especially in regulated sectors to prepare for this shift. Furthermore recent regulatory developments in the European Union, now mandate the use of Mobile PKI for issuing digital IDs and signatures creating additional opportunities for our solutions.

The rapid advancements in generative AI have opened new avenues for us to innovate. We are integrating GenAI into our product suite to address critical use cases such as deepfake detection during identity verification, document summarization, risk assessment and security analytics. These capabilities also extended to automating internal processes, ensuring efficiency and scalability in operations.

Now I would like to walk you through some of the key project wins for the quarter, which includes manage PKI for an intergovernmental organization in the European Union. Support for delivering for secured cloud workloads in North America for a large ERP platform. Certificate life cycle management for large bank in the Middle East.

E-signature enabled paperless transformation for a large bank in Qatar and paperless transformation for telecom company in Asia Pacific. Integration of e-sign, e-stamping for solar power purchase agreements with the state power distribution company in India. We are also proud to have been recognized by Frost and Sullivan as the 2024 competitive strategy leader in the global PKI-as-a-service industry.

This recognition reaffirms our commitment to innovation and excellence in delivering secure digital solutions. Looking ahead, we remain optimistic about the opportunities in global markets. And we'll continue investing in R&D as public key infrastructure remains a critical element in the convergence of user and device identity, and we are well positioned to drive growth in this evolving landscape.

Thank you. And now I invite Mr. Ritesh Raj Pariyani our CFO, to provide a detailed overview of the financial performance for the quarter.

Ritesh Raj Pariyani: Thank you, Chairman, and good afternoon, everyone. I'm pleased to share the highlights of our quarter 3 and 9 months financial year 2025 financial performance. Our total income for quarter 3 financial year 2025 was INR 1,409 million marking a 41.6% YoY growth. Gross profit for the quarter grew at 11% YoY to INR 714 million with a margin of 50.7%. EBITDA for the quarter was INR 319 million, registering a 19.4% YoY growth with a margin of 22.7%. PAT grew at 11.9% YoY to INR 224 million with a margin of 15.9%.

Now turning to 9-month financial year 2025 performance. Total income for the 9-month financial year 2025 reached INR 3,785 million representing YoY growth of 36.7%. The Enterprise Solutions segment generated a revenue of INR 2,928 million, while the trust service revenue was INR 797 million.

EBITDA for 9 months financial year 2025 reached INR 952 million, representing a YoY growth of 18.8% with a margin of 25.2%. And PAT grew at 14.0% YoY to INR 629 million with a margin of 16.6%. Thank you. And we may now open the floor for questions-and-answer session.

Moderator: The first question is from the line of Rishi Maheshwari from AKSA Capital.

Rishi Maheshwari: Just like some clarification on, you've seen some exciting revenue growth and especially from enterprise services as well. How it does not commensurate on the gross margins. So how do we reconcile the 2? Last quarter, you had explained that there have been some offs in terms of the trust services.

I believe that it's not necessarily the case this quarter, if I had to compare quarter-on-quarter. So why is that the gross profit has not increased commensurate to the top line? And when do you think both will converge?

Venkatraman Srinivasan: So that point continues in this quarter also because the arise due to the change in the CCA guidelines. So earlier, we were selling at a net price to a partner. So in the top line, net price only will come. Nowadays, by the guideline we are forced to sell at the retail price and then pay a commission to the partner, so that way, and the commission varies from 40% to 50%.

So to that extent of Trust services. If let us say, trust services sale is INR 25 crores, almost anywhere between INR 10 crores to INR 12.5 crores will increase the top line, and that will also reduce the gross margin as a percentage. Gross margin as the amount will not change, but gross margin as a percentage will change.

So that is a revised situation, and that situation will continue in the next few quarters also because the CCA guidelines may remain the same until if it changed at a future point of time. So that is what we explained in the last quarter, the situation continues also. In that one more thing is also there that we have to repurchase because the stock model, which was earlier there.

We were selling the stock to the distributors and dealers and everyone. So a lot of stock was there in the market. In the new model, stock cannot be sold, every digital signature has to be sold one-by-one. And whatever stock was available in the market on July 15 that has to be repurchased.

So what we are doing to agree with the partners is to the extent that they sell in a particular quarter, we will repurchase their old stock. So that also almost comes to some around INR 2.5 crores to INR 3 crores per quarter. So these are the 2 contributing factors, which reduced the gross margin as a percentage, not the gross margin as an amount. But as a percentage, it is like that.

Rishi Maheshwari: As an amount at the EBITDA level, if you look at, it was actually declined from about INR 32 crores last quarter, we've done INR 30 crores this quarter. So it clearly shows that there has been some deacceleration despite that?

Venkatraman Srinivasan: Definitely. No, no. This quarter, if you see, last quarter, you see season for the digital signature. So at the time only maximum sale of digital signature take place. In the digital signature, once the data center and processes are put in place on the incremental sale of digital signature, almost 99%, 98% gross margin is there and I accept the commission. So even, if your commission goes 50% gross margin.

So almost what happened, INR 5 crores, if you see the India revenue, there is a INR 5 crores reduction in the digital signature sale, which is almost substituted by INR 3.5 crores of the enterprise sales. So that also resulted in a reduction in gross margin and reduction in the EBITDA margin to that extent. So that itself contribute to about INR 2 crores to INR 2.5 crores.

Rishi Maheshwari: How should we look at growth going ahead, sir, especially in ERP services?

Venkatraman Srinivasan: No, we are not in ERP business, enterprise solutions.

Rishi Maheshwari: No, no. Sorry, Enterprise Solution businesses, how should we look at growth?

Venkatraman Srinivasan: Growth will be consistent. Even fourth quarter generally will be better than third quarter. So that is our general this thing, then the next year also, if you see the year beginning, we gave a guidance of 25% to 30% growth. And last year, we had achieved INR 375 crores. So this year, we thought maybe INR 475 crores to INR 500 crores, we can achieve. But definitely, we may cross INR 500 crores, we may reach somewhere between INR 510 crore, and INR 520 crores.

And similarly, on the net profit side because earlier, we were reaching 20% PAT, but then we gave a guidance of 18%, which on the INR 500 crores should have been INR 90 crores. So now already, we have reached a PAT of INR 63 crores. So with additional PAT next quarter, we may reach somewhere around INR 90 crores. But this INR 63 crores or what INR 87 crores, 88 crores or INR 90 cores, what I'm saying.

This is after 2 - 3 factors. One factor is the repurchase of stock. That repurchase of stock itself will go to almost INR 9 crores in the current year. That is one factor. And the next factor is, we are providing the stock option. Actually really it is not an expense, but only by the IndAS accounting standard, it became expense. Where what we are doing is already the shares are in the trust, from the trust we are allotting to the employee.

But we have to debit the profit and loss account and credit the reserve directly. So that impact again come to INR 7 crore to INR 8 crores. And the other thing, we did one acquisition in that acquisition, we made certain payment as a deferred payment after 1 year and 2 year, so there was no interest component. But as per IndAS, some portion need to be treated as an interest component.

So these are all not really not affecting the business, but from a profit and loss account perspective, this affects and then the onetime acquisition cost. Generally, any capital related cost, it should go to the capitalization, but that also some INR 1.5 crores to INR 1.8 crore. It has to come to the revenue as per the IndAS.

So all these put together, it is almost INR 16 crores to INR 17 crores. But though we told INR 90 crores after this INR 17 crores, we may achieve INR 87 crore to INR 90 crores. So that way, in my opinion, there is no decline or anything like that. It is really doing well only. And if these effects go maybe in 9 months, 10 months, then again, that level of profit will again come.

Rishi Maheshwari: And should we therefore assume that FY'26 will continue to be about close to 30% revenue growth here from over FY'25?

Venkatraman Srinivasan: At least 25% to 30%. On which may be, because this year itself, if you see the 41% growth on that 25% is organic growth. So next year, if we say 25% to 30%, maybe 15%. Conservatively 15% to 20% can be organic growth balance 10% can be acquisitive growth.

Rishi Maheshwari: What should we assume now at the reorg margin in the current status in the way you report, what should we look at as expected margin, EBITDA margin for next year?

Venkatraman Srinivasan: Expected EBITDA margin we can see around same 24%, 25%. If you take all these adjustments, adjusted EBITDA definitely can be 25%. If non-adjusted EBITDA can be 23%. And then the PAT 15.5% to 16%.

Rishi Maheshwari: 15.5% to 16%?

Venkatraman Srinivasan: Yes, yes.

Rishi Maheshwari: Which will be lower than the 18% that you've guided this year?

Venkatraman Srinivasan: No, no, 18% originally guided without these factors. No without the top line increase and all that. After that, it is coming so that way, if you see on a INR 590 crore, maybe on a INR 600 crores to INR 650 crores, it maybe definitely more than that, not 15%, maybe 17% - 18%. So more than INR 100 crores can be there definitely.

Rishi Maheshwari: Got it. Got it. So just last question on the advent of AI that has happened either from the Chinese AI or generally, how is that helping you in terms of the business? Is there any correlation to the growth of AI versus the security services and digital trust growth?

Venkatraman Srinivasan: We have not introduced those AI into the business side. So that way a lot of R&D, now only our technical team has started next year, we may have to do some R&D to introduce those into the AI side. But on the operational side, we have introduced. So that's why in spite of increase in the revenues, the corresponding manpower has not increased so much. We are able to maintain the manpower at the same level or maybe a little lower level.

Today, we are increasing the manpower only for the salespeople abroad, but otherwise the technology team, then the customer service team, operations team, everybody operate at the same level or even at a reduced level, the usage of little bit of AI. But at the business side, we are almost thinking of 2 - 3 things that Kaushik may be able to answer better in some other call, he could not be here today.

So, we are thinking about that. How to use the AI in the business side.

Moderator: The next question is from the line of Surabhi from BWC.

Surabhi: Sir my question is regarding Post Quantum Cryptography. Could you just spend some time, helping us understand how is the product integration happening and the entire transition from legacy encryption algos to PQC. What kind of opportunity do we see there? And I think you were running some POC there. So are we seeing any materialization of that happening?

Venkatraman Srinivasan: No, still nobody has converted to Post Quantum, but large organizations have started asking for POC, particularly some 2 - 3 US organizations have asked, some Indian organizations have asked for the POC. Those things we have started demonstrating. And some other point which has come is how the dual current methodology and the PQC, put together can be used. So that is another thing we are doing.

So that they need not replace everything the current RSA algorithm, elliptic curve algorithm will also be there, along with that, the PQC algorithm will also be used. So it is combined and bundled into our MCA product already. So it will not be separately sold. But in the MCA product, that feature is also helping in bidding for the RFP and bidding for the large customers and all that because the large customers don't want this as a separate piece.

They want it as an integrated piece, so that whatever way it can be done, it will be possible to do. And that is the kind of model even our control roster of doing authority is advocating.

Surabhi: Fair enough. Which will be sectors, which are expected to move first here?

Venkatraman Srinivasan: What is it?

Surabhi: Sir, which sectors you are expecting to get impacted first. And will be the first one to move to PQC?

Venkatraman Srinivasan: PQC mainly large banks and defense. Because these kind of things, first, they will try in defense generally and then the large companies.

Surabhi: Okay. Second question on the operating cost. Is this cost entirely linked to the service entities or there is any hardware component as well in it? And can you please quantify that?

Venkatraman Srinivasan: Hardware is very less. It is not significant, one is on the trust services, this 40% to 50% gross margin is there. Then on the service component, whatever service we are providing on that service, whatever that manpower cost is also going into the operating cost. Hardware, not much because this year, even token sales, we are reducing because the margin is very less. Other hardware sales also we are reducing. So that way on the cost of revenue, these are the main cost.

Surabhi: Okay. And sir, lastly, if you could call out what was the cash balance as the end of this quarter?

Venkatraman Srinivasan: Cash balance, last quarter end was INR 167 crores. This quarter end also around INR 166 crores or INR 167 crores is there.

Surabhi: Okay. And any new products in the pipeline?

Venkatraman Srinivasan: Separately, fully new product is not in the pipeline, but in the existing product, additional feature, feature enhancement and some new functionality enhancements, all those are happening. So that is how it is going. Completely new product is still not in the pipeline. Maybe next year something we may have to plan. Once these PQC, Mobile PKI, FHC, everything stabilizes, then we'll plan.

Moderator: The next question is from the line of Siddharth Mishra from Creaegis.

Siddharth Mishra: So first question is, if you can separate out the one-off expenses of INR 22 million this quarter, what was the component, how much was the notional interest on acquisition liability, how much was in stock provisioning? And if there is any other expense.

Venkatraman Srinivasan: Yes, these one-off expenses, 3, 4 expenses are there. Exactly the INR 22 million, I am unable to calculate, but I'll explain one by one. Then later on, our CFO can send you the full list of what are the one-off expenses. One is the stock option. So generally, this quarter I think, INR 2.2 crores or something was the stock option expenditure actually no expenditure takes place.

It is only debiting profit and loss account and crediting the reserve because the shares are already long back purchased by stock option trust and there is no new purchase in that. So it is not going anywhere. So this is one thing. Then the second thing is this acquisition of TWO95 International, what we made, there were 2 components in there.

One was the acquisition finder fee. So that finder fee again as per in generally earlier days this finder fee was also added to the acquisition cost and accordingly treated, but now our auditors told that finder fee has to be debited to the profit and loss account, but that didn't come in this quarter. That was in the quarter around I think INR 1.5 crores or something.

Then one more component in that was when we did the acquisition, we made a payment of around 85% - 86% and the 14% being deferred for 2 years, just to ensure that the commitment is there and they are with us and all these things. So that what happened was as per the IndAS that whatever we differed that also had to be segregated at a notional interest rate, into interest component and principal component, and that goes to interest.

So that may be some INR 25 lakh - INR 30 lakh for that. Then one more thing, what is affecting P&L account is the repurchase of stock. So the repurchase of stock again was, I think, this quarter INR 2.2 crores or INR 2.5 crores or something like this. So totally, all these some INR 5 crores - INR 6 crores are affecting the current year profit and loss account.

Siddharth Mishra: Understood. How long do you think that the repurchase of stocks will continue? Any implications?

Venkatraman Srinivasan: It may go up to September of next year, because otherwise, if we commit to repurchase everything together, then suddenly, we have to sell out all the money and the partners also will not be focused on selling our stock there because today, too many competitors some 13 - 14 people have come. So that's where we are saying, we will not fully repurchase you to the extent every quarter, what you sell that much only we repurchase.

So that is where it may go to next September. That is my view. But gradually, the amount could be around INR 3 crore - INR 4 crore, or sometimes it can come to INR 2.5 crores also.

Siddharth Mishra: Got it. And then, if it's possible for us to break down the services revenue like we did last quarter as well and further into Ikon and TWO95, rough numbers would also be helpful?

Venkatraman Srinivasan: The service revenue this quarter was around INR 43 crores or roughly around that. On the INR 43 crore, I think roughly our own service revenue is INR 5 crores, INR 6 crores and others Ikon and TWO95 maybe around INR 37 crores - INR 38 crores.

Siddharth Mishra: Understood. And equally divided into Ikon and TWO95?

Venkatraman Srinivasan: Yes. Maybe INR 1 crore - INR 2 crores here and there, I don't remember, but.

Siddharth Mishra: Very helpful, sir. And I see, I think Ikon has been doing decently well. So is there any plan to maybe, because we own, I think, 51% there, right, like to maybe any plan to hold full Ikon in the future?

Venkatraman Srinivasan: No, as of now, there is no plan. There is no discussion with them also. So it's continuing and doing well. So because if you pay this 51% also, then we have to sell out the cash we are preserving. As long as this works well, this is okay, otherwise we may have to buy.

Siddharth Mishra: Understood. Is there any limitations that you see from just 51% share, I mean it's still majority, but informing deals, going after customers, is there any limitations that you see?

Venkatraman Srinivasan: No, no, there is no limitation. They are also professional people. And because of us in this company also additional revenues coming because of our products. So they sold our product in universities and other things for that all services have come into the Ikon itself. So on that, they are also 49% owner, so that they are okay, no problem.

Siddharth Mishra: Got sir. And sir, the AWS partnership that we had announced last quarter, any update that would be very helpful.

Venkatraman Srinivasan: AWS. Yes, that is progressing, but still I would not say that it is progressing the way we want it. It's little bit progressing. So we are having constant meeting with them and seeing how they can push more sales through that channel, but they are expecting us to push their Amazon service through our channel. So this is their thing.

Siddharth Mishra: Got it. And maybe last one. Just on the e-sign product that we have, under trust services, I think, is where we report it. I mean I couldn't find it, but is there a mix of trust services revenue by channel and by this new segments that we used to report, if you can provide that?

Venkatraman Srinivasan: I didn't get the question properly. Can you repeat?

Siddharth Mishra: So this revenue breakup in trust services we used to earlier report trust services by channel, trust services by retail and then new products, which include e-sign and SSL, TLS certificate, can we provide that mix? Or is it not relevant anymore?

Venkatraman Srinivasan: Now that retail and channel has become irrelevant. Because what has happened. Earlier retail, we were selling at 2,000 to 3,000, channels we were selling at 300 like that, 300 to 400. Now the Controller Certifying Authority has told that you have to always sell the end customer and at a single price, which is published in the website. We cannot differentiate the price also. So because of that bifurcation became irrelevant because on everything, same realization is there. So this is one.

Then the second thing is the e-sign and the new product what is happening. Now, the e-sign is combined with the solution emSigner and then e-sign and e-stamping all these things. So now, e-sign we are classifying along with the emSigner and also the e-stamping, so that is where that also we have started putting in the enterprise solution, but alone if you see it could be in 9-months it could be a INR 10 crores or INR 11 crores revenue.

Moderator: The next question is from the line of Rohan Vora from Envision Capital.

Rohan Vora: The first question was on the 2 acquisitions that we had made Ikon and Two95, so what we had said was that in the first year of acquisition, we would like to reach 4 or 5 clients and target revenue that we had in mind. So are we on track to do that was the first question?

Venkatraman Srinivasan: Yes, mainly 4 or 5 universities we have reached and they have also reached the other client to whom we have sold. So almost if you see last year, our own product sales in the US market was around $5 million to $6 million. So those were mainly because we didn't have any base in the US. So these were all client introduced through them, so that was good.

And similarly, the second acquisition, now 4 big customers, they have introduced, so in that, we have started working with them, so 1 or 2 may materialize now in another 1 or 2 quarters. So that's way, it has been good.

Rohan Vora: Okay. So sir, so the customers that we have already booking revenue, so what would be the ticket size of these customers on an average?

Venkatraman Srinivasan: Some are $300,000 - $400,000 and one is $500,000 and one is some $150,000 also. So different, different range is there, but nothing is more than $1 million. Everything is in this $400,000 - $500,000 range.

Rohan Vora: Got it. Got it. Sir, another question was on our Trust Services business. So, while you explained last time as well that we are now booking at a higher price. The revenue is being booked at a higher price because it's a single price for both retail and the wholesale channel. However, we see that QoQ that our service revenue has come down. So what could be the reason for that? Are the volumes going down?

Venkatraman Srinivasan: Volume declined, as I told last time, almost 40% to 50% volume decline is there, one, volume decline is due to the income tax. In income tax, what was happening, earlier other than corporate, even the non-corporate like partnership firm, HUF, individual whoever is doing tax audit, both the tax auditor and them both have to be signed using the digital signature.

Now what has happened is only for companies, limited company, digital signature required, all others can do through Aadhar signs. So with the result, almost the tax audit cases are 36 lakh cases in the country, on which only 6 to 7 lakh cases, DSCs required. 30 lakh cases, it's not required. So that itself result in almost 30% decline in the overall market.

Then another thing is some 10 - 12 competitors have come. So some of the business has gone to those competitors, and they are selling at a much lower price. For example, we are selling at INR 1,500. They are all selling at anywhere from INR 600 to INR 800 kind of things, on which itself they give some 50% to 60% commission.

And we don't want to get into the price war. So due to these reasons, the total volume has declined. So otherwise, if old volume was there, trust service would have been much higher.

Rohan Vora: Got it. Got it. And sir, the last question was, for our 2 businesses under enterprise, one is cybersecurity and one is the paperless business. So the markets that we are prominent today, how fast are those markets growing or expected to grow over the next 5 years? Any growth rate on the market?

Venkatraman Srinivasan: Now what has happened more than paperless, for us the cybersecurity business is growing well. Because here, the number of competition is very less. And only 3 - 4 players are there, that also American players. So we are able to penetrate many markets. So that's why, if you see our composition between earlier without the paperless transformation will be a much higher percentage. Today, that is maybe 25% only or 23%, balance 75% is the cybersecurity business.

In the cybersecurity business, we are creating a one-stop shop kind of model with a deep, we are comparing with the DigiCert product. We are comparing with the Nexus product, Entrust product, all combination, we are building so that we can penetrate deep into the market. And the paperless transformation market, we have to compete with the DocuSign and Adobe.

And also during the last 2 - 3 years, several smaller players have come across various parts of the world. So that's where in my opinion, the cybersecurity and related product will have a much higher growth. And the paperless transformation product may have a smaller growth.

Rohan Vora: Understood, sir. And sir, one thing was that we were open to acquisitions, and we said that we were looking at acquisition in the European Union, if you have the opportunity arise. So are we looking at options there? And what is the status on that?

Venkatraman Srinivasan: Yes, we are looking at it. We appointed a European CEO, one person by name Carmine Auletta and he earlier worked as COO in InfoCert. InfoCert is a $150 million company based out of Italy, and they operate throughout Europe. So and he has a number of contracts with these companies engaged in this business. So through him, we are trying to get the deals and then do it.

So we are evaluating all that. But nothing has come to a closure or anything like that. If it comes to closure, then we'll immediately inform.

Rohan Vora: Sure, sir. So, I actually wanted to understand how big would be the size. I mean, are we looking at a particular size.

Venkatraman Srinivasan: Size is, we are not looking at very big size because then it will be a very high share dilution and then the other thing will be otherwise, we have to again go to QIP and those kind of things or swap those kind of things. So we are looking at anywhere up to EUR 10 million - EUR 12 million size only, not beyond that.

And another important factor is most of the European companies, if you see, they are 0 EBITDA company or sometimes negative EBITDA company. So unless we have a firm conviction that we're acquiring it, we can transfer the technology matter to India and then save cost and arising out of that, we may be able to ramp up the EBITDA to at least 15%. Then there may not be much say it may affect this overall numbers only.

So that's where whatever we are evaluating within these parameters, we are evaluating.

Rohan Vora: Okay. And EUR 10 million to EUR 12 million would be the consideration? And what would be the revenue size?

Venkatraman Srinivasan: Not consideration, revenue itself. We are generally negotiating 10x EBITDA only. But if the EBITDA itself is very small, or 0, then they may ask based on the revenue also. So based on revenue, it could be 1x revenue or 10x EBITDA or with some upsize and those kind of things. Something has to be structured.

Moderator: The next question is from the line of Srinath. V from Bellwether Capital.

Srinath V.: Wanted to quickly find out what would be our US top line for the quarter and likely for the year, sir, just to get a feel of how big we are now in US?

Venkatraman Srinivasan: US top line for the quarter maybe around between INR 40 crores to INR 45 crores.

Srinath V.: So out of the INR 92 crores out of India revenue of INR 40 crores to INR 45 crores would be from US?

Venkatraman Srinivasan: What is it INR 92 crores?

Srinath V.: INR 92 crores enterprise revenue that comes from global markets out of that INR 92 crores, INR 40 crores to INR 45 crores would be from US right, sir?

Venkatraman Srinivasan: Yes.

Srinath V.: Got it. Perfect. And I wanted to understand what is the size of the CLM business, sir, right now? And I wanted to understand how do you see the growth in this business over like a 12 months to 18 months window?

Venkatraman Srinivasan: The CLM, it is sold to lot of large organizations. So for example, in India, State Bank, LIC, this kind of organization and globally also, a lot of Qatar Commercial Bank. So like this each organization, where it is sold is all large organizations. So we expect good traction and good growth on that business.

Srinath V.: Okay. How large could that business get sir, over a 2-year, 3-year window?

Venkatraman Srinivasan: 2 - 3 years, it depends, because see, every think how much marketing and how much people we can spend it depends on that. So suddenly, we don't want to put also, that's why another model, what we are trying is how to strengthen global partnership model. And then whether we will be able to enroll some thousand partners across the world. So our 2,000 partners across the world.

So trust for last 6 months that kind of stress we have started doing. But it will take instead of putting our own sales people because we put our own sales people in the foreign geography, they are very costly. So already, we put almost some $600,000, $700,000, or $1 million people in the US or more than that.

So similarly, we are putting every geography. In Europe, we have to put each person will cost EUR 300,000 - EUR 400,000. So these kinds of things. That's why, how to enroll more partners and a number of partners and give more commission and get. This is another thing we are thinking. So that way, we can penetrate more.

Srinath V.: Got it. And these partners are largely SIs or resellers? Who are the kind of partners are we tying up with, sir?

Venkatraman Srinivasan: Both are there, SIs are one side. But more than SI, a lot of resellers are there. So we are analyzing them into various buckets, which kind of partners, what kind of things they are doing, what is their contact, whether the contact will be helpful to us in penetration. Whether they are working with the CTO, CIO or they are working with the business users. If they are new business users, we can push emSigner.

If they are working with CTO, CIO we can push the CLM solution. So that way classifying everybody. And the system integrators predominantly will be on the CLM solution. So wherever they are bidding large bids'. So from both sides of how many bids are happening various geography. In each bid who are the system integrator, can we go through that system integrator, that is one approach.

Another approach is who are all the partners dealing with the IT departments of large companies and large banks. Through that partner can we reach the bank or the large companies. So all the approach, classifying the partner in a different, different way, making a partnership program enrolling them and working out the commission structure all these has been done in the last 6 - 7 months.

And it has started working and also we are classifying the partners into strategic partner, growth partner, other partners. So that way, without much fixed cost to we maybe able to reach the global reach.

Srinath V.: Got it. And so what would be the gross margin in this product for us so that to understand how much we could reinvest sharing economics with partner broadly to get a feel, sir?

Venkatraman Srinivasan: Gross margin on the product if you see. Any product license you say, you are not making anything. So, if let us say, INR 100 you are selling a product, including implementation on the INR 20 maybe or INR 30 implementation, this INR 70 or INR 80 it will be a full margin to us because upfront, all the other cost is already spent.

On this INR 20 - INR 25 maybe you may spend 60%, 70% on the services component, where you put people and all that. So that is where on the product alone, even 30% - 40% gross margin of the sale value, generally, 25% - 30% can be paid to partner. But on the services component, it may be better to pay 7.5% to 10% only, and not so much. So that is how we are negotiating.

Srinath V.: Got it. So the service component in these deals will be done by our service entities in US? Or you would let the partner do it through their service entities? How would all of this work, sir?

Venkatraman Srinivasan: Up to now, that kind of partner still has not evolved. Partner who understands this cybersecurity business and able to implement by themselves. So that's where we have to implement as of now. But over time, we want some of the strategic partner, we want to train them also. And then, for example, now TechMahindra we have signed the partnership agreement.

So there because they are interested in selling the product and getting the service revenue for themselves. So then how do we train them very deeply so that they are able to go and implement. But all the partner will not mature to that extent. Only some big partner will mature to that extent.

Srinath V.: Got it. Given we are putting all of this together, sir, in form of partnership and a physical presence there, wouldn't it ideally mean accelerate going forward, especially in cybersecurity, would that be a fair assessment, sir?

Venkatraman Srinivasan: Yes, yes. So that is where the good profit will come.

Srinath V.: Got it. Last one, sir, on acquisition, given now that we have service entities. So would it be fair to assume that US we may not need any more capability addition or people addition and largely acquisitions would be outside of US? Or how do you look at it, sir?

Venkatraman Srinivasan: Mainly, we are telling train euro. If that materializes, it is okay, but if the Europe doesn't materialize or the companies are all loss- making company, and we are not able to come to a conclusion on that. Then maybe some more in US Maybe we will also look at some more in US also. May not be necessarily service industry, maybe some product or some certifying authority kind company and those kinds of things.

Srinath V.: Got it, sir. Just last one, sir, wanted to understand this quarter, emSigner has done very well in the enterprise business. Significant quarter-on-quarter and year-on-year growth. What were the key wins in the paperless business this quarter? What was driving it? One would felt that growth in that business may not be as good as what you are reporting. So I wanted to understand what's driving growth in paperless business?

Venkatraman Srinivasan: Driving growth in India, a lot of deals are driving the growth because in emSigner, we have made it capable of as a combination of e-signature plus e-stamping plus workflow. Because of that, during the last 7 months - 8 months, a lot of banks, a lot of brokerages and also a lot of fintech companies have come to us. So that is where, in India developing even we are also redefining the product to go into the retail.

So that retail any rental agreement, any agreement. So even all the lawyers and chartered accountants can become partners. And through that partner, even transaction wise it can be sold. Only even one transaction, they can come through emSigner, 5 transaction, they can come through, so that model, we are also reworking the product. So once that is there, it can also get good growth.

Srinath V.: So this is broadly for loan documents, sir, e-stamping?

Venkatraman Srinivasan: Yes, e-stamping plus e-signature with workflow.

Moderator: The next question is from the line of Prem Luniya from Astute Investment Management.

Prem Luniya: So, sir I wanted understand e-sign business and emSigner business. So the number you said that there was around INR 9 crores to INR 10 crores of business in the 9 months. This was for the e-sign or there is some part of emSigner as well in this?

Venkatraman Srinivasan: This is only for e-sign, which is a part of emSigner. When we sell the emSigner, there are 3 components. One component is the e-sign component on that. e-sign itself, you see today, we are almost giving e-sign of 150,000 e-sign per day, and that factor some INR 5 kind of thing. So that level of e-sign itself will take around INR 10 crores.

Then the emSigner has the other component, which is the workflow component and also where we are integrating the e-stamping into that, the e-stamping is going through the NESL, so per document, there we are also charging some INR 30 on which some portion is to be paid to NESL. But the stamp paper that is not coming in top line.

Stamp paper money also, we are collecting, but that directly goes into the stamp paper. So that doesn't come into the top line. But these 2 portions come into the top line.

Prem Luniya: So emSigner revenue as a whole would be how much? And e-sign is part of it that I understand. emSigner was a newer product how much would be the volumes till now?

Venkatraman Srinivasan: EmSigner revenue separately, maybe Ritesh will give you later. Maybe you can note down his number.

Prem Luniya: What also I wanted to understand the e-sign landscape as a whole, as you told that many competitors are coming in and also in emSigner similar products are coming in by competitors. How do you see it evolving? And what would be the margins here on the EBITDA front?

Venkatraman Srinivasan: First I will explain the e-sign, and then we'll go to the emSigner. In the e-sign the volumes have considerably increased, but all the certifying authorities are not giving the e-sign. So the predominantly people giving e-sign are the only that earlier what was called the NSDL e-governance, which is currently called the Protean. Then the other is the C-DAC, which is government departmental itself, then some amount CDSL is doing and eMudhra.

On that, because of the historically for some 3 - 4 years because of the doubt of whether e-sign can be given to private people are not like that. We were not having the Aadhar connection. At that time, the Protean, which was earlier NSDL e-governance developed a lot of business and almost became a virtual monopoly. So then we started entering later and competing, but still today, we have some 30% to 35% market share in the e-signature.

But it is not highly productive because though we realize a gross of INR 5, almost INR 3 goes into the Aadhar charges. So net-net, we are realizing INR 2 out of that. So INR 2 even if you do some crores of signatures, 4 crores signature, 3 crores signatures that's way the may be only INR 10 crores revenue per year on this business. So this is one thing.

Then 2 things are, 1 is the C-DAC is also giving it free of cost to all the government department. So government department doesn't want to pay this INR 1.20 also mainly it is coming from the private people. So this is only e-sign thing. So e-sign, we have to be there because it is very important for the country as a whole.

We have to develop everything we have to provide to everybody, but this sailing because it started at INR 70, and then INR 37.5 net realization and come down now to INR 1.20 to INR 2. So this is where it is. So once that position at some point some major people will leave this business, then we can come back and price at a higher price.

emSigner is doing very well in the Middle East. In India, it is not doing what we originally intended. We had originally intended it has to become a full workflow solution for the entire bank or for the entire large company and all that. But today, what is happening, banks are and other people are using for some partial purpose, not for the whole digital transformation, partial purpose.

And so that is where we are providing as a gateway to e-sign also, so that gateway services number of people are using through API and we gateway to e-sign plus e-stamping plus or small, small workflow like that. So that business is also improving. That's where we want to offer it for retail also in India.

But if you see the Middle East. In Middle East, all the banks have started using emSigner as a complete workflow transformation. And same thing now is happening a little bit in South America and North America also some 3, 4 customers are using for complete transformation. So then we are able to sell anywhere from $400,000 - $500,000 kind of deals.

Prem Luniya: No, I couldn't get the numbers.

Venkatraman Srinivasan: $400,000 to $500,000 per deal in the Middle East and also in US and all.

Prem Luniya: And like we did in Qatar, right now. Got it. So we see this evolving and how much would be the margin in the emSigner?

Venkatraman Srinivasan: emSigner also like any other product margin, almost if hardware is not included, it will be 87%, 88% depending on partner margin only will be there. Otherwise there is no other direct cost involved.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Venkatraman Srinivasan for closing comments. Over to you, sir.

Venkatraman Srinivasan: I would like to thank everyone for joining the call today. We remain focused on delivering consistent performance and the innovative solutions that enable secure digital transformation for our clients across the globe. For any additional information or queries, please get in touch with our investor relation advisors, who are Churchgate Partners. And thank you once again. Thanks.

Moderator: Thank you members of the management. On behalf of eMudhra Limited, that conclude this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings

2. Figures have been rounded off for convenience and ease of reference