



EL/SEC/2023-24/ 75

August 04, 2023

Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring Rotunda
Building, P J Towers, Dalal Street, Fort,
Mumbai - 400 001

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

Script Code: 543533

Symbol: EMUDHRA

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on July 31, 2023

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the transcript of the Earnings Call held on **July 31, 2023**, post announcement of financial results of the Company for the quarter ended as on June 30, 2023. 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
Company Secretary & Compliance Officer
Membership No. A28304

Encl: As Above.



eMudhra Limited
Q1 FY24 Earnings Conference Call Transcript
July 31, 2023

MANAGEMENT PARTICIPANTS:

MR. VENKATRAMAN SRINIVASAN – EXECUTIVE CHAIRMAN

MR. SAJI K. – CHIEF FINANCIAL OFFICER

MR. KAUSHIK SRINIVASAN – SENIOR VICE PRESIDENT, PRODUCT DEVELOPMENT

Moderator: Ladies and gentlemen, good day and welcome to eMudhra Limited Q1 FY24 Earnings Conference Call hosted by Antique Stock Broking 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 this 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. Raju Barnawal from Antique Stock Broking Limited. Thank you and over to you, sir.

Raju Barnawal: Thank you, Neerav. Good afternoon, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to eMudhra Limited Q1 FY24 Earnings Conference Call.

Today from the eMudhra Limited management side we have with us Mr. Venkatraman Srinivasan, Executive Chairman; Mr. Saji K., Chief Financial Officer, Mr. Kaushik Srinivasan, Senior Vice President, Product Development. Now, without further delay, I will hand over the call to the Chairman sir for his opening remarks post which we will open the floor for the question-and-answer session. Thank you and over to you sir.

Venkatraman Srinivasan: Thank you very much. Good evening to all the participants. I welcome all of you to this meeting. So, I wish to welcome each one of you to our Q1 FY24 investor and analyst briefing at eMudhra and thank all the shareholders for their support. Before, I delve into our performance in this quarter, let me reiterate our mission. Our mission is to accelerate the world’s transition to a secure and integrated digital society. Our commitment to safeguarding individuals, businesses and governments from cyber threats, and enabling businesses to transition to a paperless way of doing business is at the core of everything we do. This is in line with the new paradigm in cyber security called zero trust, which means never trust always verify. As the cyber landscape continues to evolve, we continue to innovate to bring newer offerings to the market.

Let us start by reviewing our financial performance during the first quarter. I am pleased to announce that we have once again achieved healthy growth in revenue and profits. Our consistent innovation and customer-centric approach have allowed us to forge strong relationships with our clients. About numbers Saji will talk later, about the other qualitative aspects I’ll talk now. Our global expansion efforts are starting to bear fruit with the number of wins in North America, Middle East and Africa geographies. We have also started winning business in trust services, particularly SSL, TLS certificate business in international markets. We further continue to invest in local sales teams, expanded engagement with IT, research community, and marketing efforts, as we continue to go after both Greenfield and replacement opportunities in the emerging and developed markets respectively.

We also completed acquisition of Ikon Tech towards the end of last quarter and are now positioning our solutions into their client base in education, financial services for cross-selling

and upselling opportunities. In India, both trust services and enterprise solutions continue to show an upward trend on a year-on-year basis. We saw continued price stability in the trust services business for sale through partners. The revenue is expected to improve in the second quarter as a consequence of e-government and tax waiving fees. Our direct to customer sale of digital signature certificates continues to grow in line with historical trends. Impetus as a result of e-sign and e-stamping for digitization has helped us win several e-sign deals in the banking and financial services space in India.

The order book for enterprise solutions in India continues to be robust and we anticipate an uptick in the enterprise business as new large government and BFSI projects for the year in cyber security and paperless transformation get executed. We also continue to collaborate and partner with leading technology companies and our emSigner product is now live on the AWS marketplace, allowing AWS customers easy access and use of the product. Our emSigner product is also now live on Microsoft and Google platforms as extensions, enabling paperless workflows without having to leave those platforms, such as Word and Outlook. The cyber security industry continues to evolve and cyber criminals continue to become more sophisticated, and their attacks are increasingly disruptive and damaging. We continue to invest in research and development to try to stay ahead of the curve and develop cutting-edge solutions. These include areas such as post-quantum cryptography and generative AI, which can help us build differentiated product capabilities when positioning zero trust.

Furthermore, our corporate social responsibility initiatives have continued to drive positive change. We are actively engaged with educational institutions to promote cybersecurity awareness and nurture future talent in this critical field. Additionally, we have participated in various community outreach programs, making a meaningful impact on society beyond the rim of business. As we move into the next quarter and beyond, we are confident in our ability to sustain our growth trajectory and continue to reinvest some of our margins into driving this growth. Our strategic roadmap includes further advancements in zero trust, post-quantum cryptography and generative AI, enhancing our ability to increase our reach. In closing, I would like to extend my gratitude to all the participants on the call, and our shareholders for their support, and belief in our vision and mission. Now, I'm going to hand over the call to our CFO, Saji Louiz, who will take you through the numbers. Thank you.

Saji K. Louiz:

Thank you, Chairman. Good afternoon, everyone. Our total income for Q1 FY2024 increased on a year-on-year basis by 52.9% reaching Rs. 807.3 million. The significant revenue growth was primarily driven by the success of our enterprise solution in overseas markets. Moving on to our EBITDA, which is Rs. 247.5 million in Q1 FY2024, a year-on-year growth of 16.9% with a margin of 30.7%. Additionally, our net profit grew by 19.4% on a year-on-year basis reaching Rs. 163.7 million with a margin of 20.3%. It is important to note that despite our investments in overseas markets to fuel future growth, we have managed to sustain a net profit margin. Now let us take a closer look at our enterprise revenue split, we had a split of 25 to 75 between India and international markets. Furthermore, the revenue distribution between partner and direct sales

was at 24:76. Lastly, our enterprise revenue division between cyber security and paperless segment stood at 71:29. With regard to our trust service revenue, we observed a balanced distribution of conventional digital signature revenue between channel and retail with a split of 52:48. These numbers reflect our company's dedication to growth, we are optimistic about the future and are committed to pursuing our strategic goals. Thank you for your attention, and I now open the floor for questions and discussions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amarnath Bhakat from The Ministry of Finance of Oman. Please go ahead.

Amarnath Bhakat: Sir, my first question is though the revenue growth is quite healthy in the expected line, the margin profile continuously quarter-after-quarter is decreasing, if I see from March 2022 from 41% now it is coming close to 30%. Now, what do you attribute to this, as a growth in the revenue and continuous lower EBITDA margin?

Venkatraman Srinivasan: The key thing is if you see in the last one, one and a half years to grow the international business we have to expand internationally. For example, now we have set up a branch in Saudi Arabia, we have set up a branch in Qatar, then we have set up a subsidiary in Kenya, then in the US we have recruited two, three senior people, almost four senior people so like this everywhere and we have put some people in our office in Amsterdam and all that and as you are very well aware, the salaries in all those places are at least four to five times the salaries in India and for that the effect is starting to come, but always there will be a lag in the effect which will come over time. So, if you see the cost of our employees' salaries and other things and also the other overheads in those geographies, the office space then their travel everywhere. So, all this has gone up so that's why the margin percentage is reducing over time but still, we have a good margin, if you see PAT margin is 20%. If you see, even US product companies don't get anywhere to 20% PAT margin, so that's why as long as we are able to achieve growth without any negative margin and maintain the PAT margin or 1% or 2% drop in the PAT margin, I'm not worried because in the long run, it is going to give a lot more business and a lot more absolute number in the profitability, though from a percentage perspective it could reduce but the absolute number of profits will increase, and thereby the EPS will increase over time. So, that's where it is.

Amarnath Bhakat: Sir, considering what you just now say. So, it was quite expected also that as you grow more internationally, there will be pressure on the margin because of the high cost, now considering the current growth scenario and your expansion plan outside geography. Why do you think that this EBITDA margin is going to settle is this 30% where we are, we will be more or less near here, or it can go further down to some percentage. Just wanted to know this outlook because your growth guidance for revenue we know around +25%, but if this cost structure continues to move up, maybe the revenue will come on lag. Why do you think that this EBITDA margin will still down?

Venkatraman Srinivasan: I don't think it will go down because already we are starting to see the results and we are also not proposing any further big expansion at present because we have recently established all these

offices. So, we will not increase on the cost, so with the result, I do not think it will go down further but it may be maintained at this level or could be a 0.5%, 1% increase also could be possible depending on how much business comes, but we do not want to put too many as immediately other offices and all that, so gradually we will go up so that's why it may not decrease further.

Amarnath Bhakat: Okay. My last question would be considering your recent expansion as you just now said, so with considering the different geographic regions actually, now your past growth guidance of +25%, is it still valid or considering the higher revenue coming in the future, you would like to revise your growth guidance going forward?

Venkatraman Srinivasan: No, at present we don't want to revise, but mostly we can if you see the currently, we have achieved whatever the Rs. 80 crore revenue in the first quarter. So, further growth is possible so that's why but at this juncture we do not want revise upwards or anything but definitely whatever guidance we have given is quite possible and easier achievable if at all some positive surprises can be there.

Amarnath Bhakat: And sir are we doing something specifically on to the AI front as well along with our either in the cyber security area or any other area?

Venkatraman Srinivasan: Mr. Kaushik will answer being a technical person.

Kaushik Srinivasan: Yes, we are continuously working on embedding artificial intelligence and also the new areas of generative AI into our technology, and cyber security, particularly this concept of adaptive authentication is gaining steam were based on user behavior and essentially machine learning we are able to understand if there's any anomaly in such behavior. The other big area that we're looking to also do research and development in the area of generative AI, particularly we are dealing with a lot of documents on our paperless platform and how can we assess risk in that context using generative AI is one area of exploration. The second area is more internally how do we enable various teams from support to sales to marketing with generative AI is another big area. The third area around cyber security is mostly in the area of post-quantum cryptography which also a lot of interest is currently being shown. So, these are the three areas, one on AI and two on post-quantum cryptography is what we're working on.

Moderator: Thank you. The Next question is from the line of Surbhi from Bellwether. Please go ahead.

Surbhi: Sir, will it be possible for you to share what is the order book for us in hand and what is the proportion of the hot and warm pipeline for us?

Venkatraman Srinivasan: That readily I do not have maybe separately we can give in line with what we gave in the last quarter. But it is quite healthy and for our guidance of 25% we don't see any risk but anyway, separately we can share with you the total pipeline. We are sharing the order book pipeline we don't share so order book we will share.

Surbhi: Okay, and secondly, one of the key projects wins for us was a rollout of PKI Infrastructure country in Africa. So, for that, can you throw some light on how big, or how significant is this impact for us?

Kaushik Srinivasan: You mean from a revenue contribution or more from a project significance?

Surbhi: Project significance and yes, broadly this seems to be like a rollout for the entire country and not just a company-specific business, so wanted to hear your thoughts on how significant this is

Kaushik Srinivasan: So, without naming the country, it's a significant country in the East African region, they are currently on the path to establishing a digital signature infrastructure as the country itself is embarking on a complete paperless transformation, driven by the governance agenda. So, very similar to what India is building in terms of the digital public infrastructure that country is also aiming to do something similar, and this project will sort of establish that backbone and once this is in place, then a lot of opportunities will come in the e-government and banking and financial services space for paperless transformation. So, it sort of gives us an early mover advantage in that country to go and drive something similar to what is being done in India.

Venkatraman Srinivasan: Revenue perspective, it will be to start with the initial project is around \$1.6 million and over time it can grow.

Surbhi: Okay. So, the deal size is \$1.6 million.

Venkatraman Srinivasan: Yes.

Moderator: Thank you. Next question is from the line of Vivek Sethia from HDFC Securities. Please go ahead.

Vivek Sethia: So, I had a couple of questions on revenue. If you could guide me on enterprise solutions why have been there a decline in the enterprise solutions India business if you would help with that?

Venkatraman Srinivasan: Yes, in India enterprise business quite a bit depends on the government also and in the government, if you see generally cycle wise the last quarter of every financial year is very attractive, then the first quarter becomes a really reckless kind of quarter. So, that's where the India enterprise revenue this quarter has been less, but globally it has grown, but from the coming quarters healthy pipeline is there and healthy order book which can be executed is there. So, again, so most of the decline will be overcome in the coming quarters.

Vivek Sethia: So, how much growth can we expect it in the india business of enterprise solutions any ballpark percentage?

Venkatraman Srinivasan: Separately we cannot estimate India enterprise alone. So overall, that is the guidance what we have given because if you see when we are in three segments, one segment goes down one

segment takes care, other segment goes down some segment takes care, so segment by segment assuring that this is the growth will happen plays a very tricky method.

Moderator: The line for the participant dropped, we move on to the next participant. The Next question is from the line of Aadesh from Motilal Oswal. Please go ahead.

Aadesh: Sir just wanted to know on the previous participant question that apart from declining in India you are also seeing margin compression over there. So, is it fairly because of the operating leverage and once growth comes back, we should see the margin also improving in our India enterprise business again?

Venkatraman Srinivasan: Yes, correct.

Moderator: Thank you. The Next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

Srinath V: Hi sir, wanted to understand if Ikon numbers are included in this quarter's numbers, have we been able to consolidate the numbers? and second is where we stand on the integration of our platform with Ikon both on, mining their customers for paperless solutions, as well as using their team as a base for servicing the US and the last one, Kaushik wanted to understand that they are into cloud infrastructure management, which is also a reasonably sized opportunity in the US, are we looking to kind of help them out with some product build out based in Bangalore, because these kinds of products we would be probably in a better position to build out a core product, does this area of cloud infrastructure management kind of appeal to you as a segment that even we can grow along with them over a period of time?

Venkatraman Srinivasan: Yes, Ikon integration perspective, last one week or some six days it has been integrated, because we filled the completion of everything on June 24th or June 25th something. So, that way, that small portion is integrated into the current quarter, then from the integration of the team and the business perspective already, our sales team is working along with the Ikon sales team and Ikon has introduced our sales teams to five different customers in the education segment and one or two in the BFSI segment, out of that one particular customer the talk has gone in a much-advanced level and exactly they are in the process of detailing out what they would take from our paperless transformation solution. So, that way, the synergy and all this from a sales perspective is already going on. From the technical perspective maybe, Kaushik may explain.

Kaushik Srinivasan: Yes, and specifically on cloud infrastructure management, we have not sort of explored that area, because currently, the focus is one, how can we cross-sell our products into their existing clients but we'll take that point and internally evaluate what kind of meaningful opportunity could arise, and then accordingly sort of take this forward.

- Srinath V:** Got it, and so largely the integration is underway, on both the sides both on the product as well as on marketing is that a fair assessment and from an accounting perspective, next quarter the numbers will show for Ikon in our numbers, or it's already showing in this quarter?
- Venkatraman Srinivasan:** Next quarter it will show this quarter that six days or seven days is shown but in the next quarter it will show.
- Srinath V:** Got it, and sir I also observed that we made one hire from Nexus, one senior hire this happened some time back itself. So, are we looking at expanding some of our certification products in the private sector market in the US, is that something that we're setting up for?
- Venkatraman Srinivasan:** Yes, this is what we are attempting because our emSign PKI is there. With emSign PKI, if we get certifications in the US we can penetrate the US market also. That's why we have hired Scott Rea who came from Digiset not from Digital Trust and prior to that he was working in IdenTrust and all those things and he knows the system and the equations in the US market well and after he came, we also got one of the certification and some two, three more other certification we have to get so the idea is to push our product into that market also, the trust service product.
- Srinath V:** Okay, and this will be like a trust service inside a particular corporate for like walled within all the employees, is it something like that or is my understanding?
- Venkatraman Srinivasan:** SSL certificate, private PKI certificate and various types of certificates which are used for encrypting the data. So, those kinds of things maybe Kaushik can explain.
- Kaushik Srinivasan:** Across the enterprise IT infrastructure, the website certificates are also for various internal IT equipment like firewall, VPN access, all those kind of things. So, that is the space that we are going after, broadly this is called what is called certificate lifecycle management and Scott is helping us. Also, Scott helped us get into this IGTF which is a Global Federation for Interoperability in the Trust Services and now eMudhra is also a member there. So, this is giving us a lot more visibility in the American markets.
- Moderator:** Thank you. The Next question is from the line of Vivek Sethia from HDFC Securities. Please go ahead.
- Vivek Sethia:** So, continuing with my question on the India enterprise business, how do you see that moving forward this year going forward the next year as well in terms of revenue and also margins, because the margins have also come down if you look at its segment-wise. So, both enterprise in India and globally so if you could throw some light on that?
- Venkatraman Srinivasan:** Yes, if you see the India enterprise business and India Trust service business, this last quarter has been because if you see the enterprise business it consists of a large part government business also. This government business is predominantly in the last quarter of the financial year, good business comes in the first quarter it is weak. Similarly, the Trust service business in India also,

it is associated with income tax filing, company law filing and many things. So, the first quarter generally is weak that's why the India business as such was weaker in the first quarter. Now, when it comes back, yes definitely some margin improvement will be there but overall when we are expanding the other geographies, appointing some people internationally and all that, so little margin increase could get offset by the other margin effect, other increase in cost also that's why, while India margin definitely as it could increase, but I do not want to project that the overall margin could increase in a big way.

Vivek Sethia: About enterprise global, the margins have come down this quarter and it has come down significantly, so is it purely attributable to you setting up new offices in the US, Amsterdam and because of increase in cost?

Venkatraman Srinivasan: Yes. Almost cost has increased by three to four crore per quarter that level of increase has happened. So, due to not only Qatar, even in the USA, Amsterdam, then Kenya, then Saudi Arabia everywhere and even some sales teams we are put in the Philippines also but it will all give you the result in the next two, three quarters.

Vivek Sethia: Okay, and within the enterprise solutions business, how do you see this mix evolving? I don't know if I'm right or wrong but as per our last conversation, said that you expect paperless to go at around somewhere 35% to 40% of the total enterprise business in terms of revenue but as per your presentation this quarter it's only 29% so if you could throw some light on that as well?

Venkatraman Srinivasan: The cyber security CA business is evolving in a much bigger way and the value of each transaction is also quite higher. So, that's where though initially we thought that the paperless segment will evolve in a bigger way though it is evolving, the value per transaction is hardly around \$200,000, \$300,000 even abroad per year or sometimes even for the whole license. Whereas this CA, emCA solution, wherever it goes, the value is around a million dollars, \$700,000, sometimes \$1.5 million also, that's why the value is, now the cyber security is really increasing in a big way.

Kaushik Srinivasan: That is correct because this huge push of zero trust by various global IT research firms such as Gartner and Forrester, and all of the board level focus on cyber security is giving a lot of momentum in many countries and organizations and as our chairman said the deal values are also much larger.

Vivek Sethia: Okay. So, within cyber security which product has contributed a higher layout if 71% is cyber security then how much is emCA and how much is emAS?

Kaushik Srinivasan: The more and more they're going as integrated offerings because emCA provides the PKI, emAS provides the PKI validation and then our emSigned certificates are there to basically deploy these certificates. So, case to case basis it's very hard to break it down and say each product is essentially contributing and on a quarterly basis again even harder to do.

- Vivek Sethia:** So, like going forward, while trying to understand the company should we look at it as a whole or two separate products?
- Venkatraman Srinivasan:** No, as of now we can look at it as a separate product but over the next six months to nine months more integrated product because the certificate life cycle that we call the CLM which was earlier certificate management product. That product is also getting integrated with the emCA solution. So, on a combined basis, it produces much better value. So, maybe over time we can integrate both products.
- Vivek Sethia:** Okay, and within the trust services shares, you said that the breakup is with 52 to 48, channel partners and retail. So, like, what is the revenue share from the new product like eSign, SSL, if you could give an idea on that?
- Venkatraman Srinivasan:** eSign, SSL again the growth is there. We will get back to you for the numbers later.
- Vivek Sethia:** Okay, and just last question on the EBITDA margin. So, I remember a couple of quarters back, you had given a ballpark range that you expect EBITDA margin to be around the 37%, 38% mark whereas now in Q1 it has dropped below 30%. So, taking from what you said that Q1 is supposed to be the weakest of the four quarters, how do you see the margins evolving going forward because FY23 also it was around 35% it fell down from 36%?
- Venkatraman Srinivasan:** There were two choices, one choice is to go slow on the growth. So, do not open several offices but we thought that everywhere there is a lot of momentum, cyber security, big momentum so that's why simultaneously we started the Saudi Arabia office, we started the Qatar office, in the Philippines hired some people, in the US we put some people, so on all this if you see foreign geography the salaries are all five, six-time, eight-time the salaries in India. So, that's where though EBITDA margin-wise margin may be less but we are aiming at more profitability so that EPS growth can be there. Another thing is the momentum not to leave the market wide open over time we can also penetrate the market. So, from that perspective, if you see the top line is also one year to year-on-year basis whatever it is 50% increase is there. So, all this factor has to be kept in mind and finally, we have to aim at more EPS rather than seeing only the margin. So, that's how we have been working. So, that's where though there is a reduction in margin we didn't want to, not to do the foreign offices we have started the offices everywhere momentum is picking up and the lead generation is happening.
- Moderator:** Thank you. Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Sir my question is on eSign segments, obviously it's a growth driver, but if you can elaborate on what is the opportunity you see in eSign, because it's a growing segment and whether we are presenting eSign only in India, or are we offering it outside India also and is it only included in trust services or is it a part of the enterprise offerings also, and in terms of revenue contribution if you can tell us how much we have derived from eSign also because, if you see the competition

there in eSign lot of players are there, most of them are the government agencies also who offer eSign services. So, how to differentiate there in terms of eSign?

Venkatraman Srinivasan: If you see the India eSign, what has happened is while eSignature started with Rs. 35, it has now ended up at Rs. 1.7 per eSign or Rs. 2 per eSign, because the NSDL also has crashed the price and all the other people who are resellers also crash the price. Then there is C-DAC which is a government organization, they are offering for Rs. 2 and Rs. 1.7. So, with this while we are penetrating, while there is a lot of business coming, number of banks opting for eSign, in our scheme of things are we expecting this 350-crore revenue, 340 crore revenue even if some 10 crore eSign happens, which is impossible to happen maybe two crore, three crore eSign, four crore eSign can happens, still the revenue out of eSign can be only seven, eight crore. So, that is the situation today that's why I'm not highlighting the eSign as a big separate segment. So, that's where we are also consciously planning how do we enter into eSign in Kenya and some other geography through our global signing route because in all those other countries the eSign is sold at almost \$1 per signature, or 10 Rial per signature in Saudi Arabia and 10 Dirham per signature in Dubai, whereas here it is crashed to less than Rs. 2. So, this is the problem. So, that's where it is there as a segment, our growth is quite good. We are getting number of customers and we are now trying to do as a platform including emSigner platform plus eSign plus eStampaper and in that platform lot of big companies have come, several small finance banks has come, big banks have come, then pure finance companies have come. So, all these are there and the number of signatures is continuously increasing, but it may not significantly contribute to the overall top line.

Amit Chandra: The enterprise business mostly the enterprise is global, how is the sales being driven there is it mostly through the partnership ecosystem or we have our in-house sales team, so if you can split the pipeline or the order book in terms of how much is SI driven and how much is in house sales driven?

Venkatraman Srinivasan: No, that is very difficult even in-house sales, several times drive it through partnership because inability increases and partnership also inside sales team is continuously working. So, that way each deal separating it is very tough. So, all kind of deals are there.

Amit Chandra: So, I am just trying to understand the strength of the business?

Venkatraman Srinivasan: On the whole directly driven sales is 75% and 25% is partner alone.

Amit Chandra: So, in terms of signing the partner, are we there with like most of the global large implementation partners or are we still looking to find some more implementation partners or we are waiting for some size, then we can offer more, and how is the competition there in terms of pricing process?

Venkatraman Srinivasan: We have a separate like inside sales team there is a partner management team who continuously enrolled partner but we already have several large partners like TCS, Infosys and Tech Mahindra and all these partners and now a days, we are also partnering with the other big four firms like

Deloitte, KPMG and those kinds of partners, then we are also having product partnerships. So, there are several kinds of partnerships and all the partnerships are working and now we have put our product in the AWS platform so that automatically people can download from there and immediately install it.

Moderator: Thank you, Next question is from line of Muskan from Bastion Research. Please go ahead.

Muskan Sagtani: Margins have been continuously declining in the last five quarters also, our operating expenses as a percentage of revenue have shot up from 10% to 22.2% on a year-on-year basis. What constitutes this operating expense and what is driving this expense, because this whole 20-23 none of the years had these expensive more than 6% to 7% of revenue, can you please highlight which cost factor driving this and why?

Kaushik Srinivasan: Your voice is not clear, are you asking about why the operating expense went up?

Muskan Sagtani: Yes, as a percentage of revenue?

Venkatraman Srinivasan: Operating expense, as I explained earlier, we have opened several geography and recruited a number of salespeople and sales teams in multiple geographies. So, once you do that, automatically the associated administrative expenses, the rent rates and tax everything goes up and even to support all that, we have increased the number of people in the corporate office so that's where the salary has also increased, the other operating expense also has increased and the top line has also increased compared to the last year first quarter to this year first quarter 50% growth in top line is there, so instead of looking at only the margin if you see the upgrade or absolute profitability over time we want the absolute profit and the EPS to increase and in between because the first quarter as I said one segment there was also a little problem in the Indian enterprise segment and the Indian Trust service segment. So, once these overcome then again, the things will look more positive than the current. Research also is there, so we have to continuously to drive more inward lead we need to engage the Gartner's than the other IDC and various technology research organizations and each research nowadays is very costly, everything comes at the price of \$100,000 kind of range.

Muskan Sagtani: Okay, and sir why has the domestic enterprise revenue declined on a quarter-on-quarter basis?

Venkatraman Srinivasan: Domestic enterprise that's already explained to another questions because, if you see in domestic enterprise the government is a major segment and the government finalizes most of the orders in the last quarter of a financial year and the first quarter generally it is very weak so that's why it has reduced.

Moderator: Thank you. Next follow up question is from line of Amarnath from Ministry of Finance Oman. Please go ahead.

- Amarnath Bhakat:** Just to go by what you just say and several participant also asked the question, what we are understanding that the cost part in the international locations are many times of what the Indian location cost are. However, we may assume accordingly to the revenue per unit whether it is a digital certificate or eSign as you are explaining that part also far higher than what you can charge in India. So, net net can we assume as your revenue growth from those new international projection comes in overall margin and profitability will be far higher compared to the counterpart of Indian part of the same business. If I do the same business in those areas, and the initial it may be having a cost because the revenue will follow. But once they start this, the overall profitability and EBITDA margin will be higher compared to the corresponding same business what we are doing in India, if my understanding is correct?
- Venkatraman Srinivasan:** No, it is correct, if I just extrapolate the Excel sheet, but in actual business what happens once we are there for two, three years some other competitor comes then they will try to reduce the price, they will try to put some people so many such dynamics changes. So, that's where exactly you cannot say just because of this alone, the profit will shoot up or will not. If you take only these two factors, what you're saying is correct.
- Amarnath Bhakat:** Just to associate good that you raised this question. That was my second question, what kind of business moat we have, means is this easy for the competitor to come in the business and easily capture the market share or business share what you are doing or is there some kind of a moat around that to protect the competitor to come easily inside the business, because as you know, as you anyway say this is a very high margin, high growth business which will normally attract the competitors or competition quite quickly. So, do in our business, if you say what is the moat which can protect our competitive advantage, either in India or in the outside global business where you are spreading?
- Venkatraman Srinivasan:** No, now if you see the technology landscape, currently the moat is there and no technology has moat forever, moat is only a temporary phenomenon because, gradually every technology is becoming more and more open source then the Chat GPT is coming, AI is coming, everything is there. So, that's a continuously currency we have created a moat that's why not too much competition only four or five competitors in the world for our solution, so there are Digiset, IdenTrust there is some four, five companies then if you see the paperless transformation DocuSign, Adobe these kinds of companies. But over time, more and more such companies may be able to come then we have to find another niche. So, this is a continuous process. So, an easy process now with more and more open-source technology creating a very long standing five-year, 10-year moat is also very difficult. So, within this framework, we have to continuously work.
- Amarnath Bhakat:** Yes, but as the competitor coming the market size itself is expanding quite rapidly right. The market side become very big compared to what we are today, then it can accommodate even the higher number of competitors and still the growth prospects can continue?

Venkatraman Srinivasan: Yes, definitely. That is what we are also hoping that's where I am also saying that 25% growth is possible and we will be able to maintain the margin maybe we can increase the margin and all that but we cannot take totally this is what will happen that's why the margin can go up from 20% to 30% that kind of thing I do not want to hazard a guess.

Amarnath Bhakat: Okey, and what is your cash position now sir?

Venkatraman Srinivasan: Cash position is good. So, as of around 90 crore or something is there, as of March 120 crore was there, then this quarter a little bit, we did this acquisition also. So, far that acquisition around 50 crores has gone. So, the balance around 70 crore something is there.

Amarnath Bhakat: So, will there be any planning for the dividend declaration, because, I don't know generally, the CAPEX part of your business is quite low. Of course, I don't know how things would be now?

Venkatraman Srinivasan: We have already declared and paid the dividend.

Amarnath Bhakat: No, I'm talking within the future if this calculation continues and as you say the future expansion plan was quite halted at the moment?

Venkatraman Srinivasan: As of now I feel that every year we should be able to pay the dividend should not be a problem.

Moderator: Thank you. Next question is from the line of Parikshit Kabra from Pkeday Advisors. Please go ahead.

Parikshit Kabra: Since you mentioned that you have launched now on AWS as a self-serving product, any early signs on how much uptake is there?

Kaushik Srinivasan: We've just launched and went live, now only we have to work with our clients to basically enable this. But what this means is now customers wanting to deploy the product on AWS or on private clouds can do it pretty simply and hopefully this will accelerate our cycle to POC. We also are working with AWS to reach out through their network to the end customers. And hopefully that will give us some momentum in the coming quarters.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Venkatraman Srinivasan: Thank you very much. Thanks to one and all for attending this conference and raising valid questions and we could answer, whatever question we could not answer you can approach our CFO he will provide the details. So, with that, we would like to end the call. Thank you very much once again.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.



eMudhra Limited
July 31, 2023

Notes:

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For further information, please contact:

[Churchgate Partners](#)

Anvita Raghuram / Kavin Sadvilkar

eMudhra@churchgatepartners.com

Contact: +91 22 6169 5988