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Dear Sir/Madam,

Sub: Transcript of Earnings Call held on April 30, 2024

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 **April 30, 2024**, post announcement of financial results of the Company for the quarter and year ended March 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
Company Secretary & Compliance Officer
Membership No. A28304

Encl: As Above.



“eMudhra Limited Q4 FY24 Earnings Conference Call”

April 30, 2024

**MANAGEMENT: MR. VENKATRAMAN SRINIVASAN – EXECUTIVE
CHAIRMAN, eMUDHRA LIMITED**

**MR. RITESH RAJ PARIYANI – CHIEF FINANCIAL
OFFICER, eMUDHRA LIMITED**

**MR. KAUSHIK SRINIVASAN – SENIOR VICE PRESIDENT
(PRODUCT DEVELOPMENT), eMUDHRA LIMITED**

**MR. ARVIND SRINIVASAN – SENIOR VICE PRESIDENT
(INTERNATIONAL SALES & STRATEGY), eMUDHRA
LIMITED**

**MODERATORS: MR. SAURABH THADANI - IIFL INSTITUTIONAL
EQUITIES**

Moderator: Ladies and gentlemen good day and welcome to the eMudhra Limited Q4 FY24 earnings conference call hosted by IIFL Institutional Equities.

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 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. Saurabh Thadani from IIFL Institutional Equities. Thank you and over to you sir.

Saurabh Thadani: Thank you Rayo. Good evening, everyone and thanks for joining us today on the Q4 FY24 Earnings Call of eMudhra Limited.

On behalf of IIFL Institutional Equities, I would like to thank the Management of eMudhra for giving us the opportunity to host this call.

Today we have with us on the call Mr. Venkatraman Srinivasan – Executive Chairman, Mr. Ritesh Raj Pariyani – Chief Financial Officer, Mr. Kaushik Srinivasan – Senior Vice President (Product Development) and Mr. Arvind Srinivasan – Senior Vice President (International Sales & Strategy).

I will hand over the call to Mr. Venkatraman Srinivasan to give the opening remarks and take the proceedings forward. Thank you and over to you sir.

Venkatraman Srinivasan: Thank you Saurabh. My thanks to all of you for joining this conference and good afternoon to all of you. A warm welcome to our Q4 FY24 Earnings Conference Call. I am happy to address you today and share our Quarterly Results and also Annual Results.

I am pleased to announce that we have delivered strong performance with significant growth in all the metrics. Our total income for the quarter increased by 30.5% on a YoY basis and accompanied by growth of around 39.9% and 34.2% on a YoY basis in EBITDA and that respectively. For the year as a whole for the year ended March 31st, 2024, the total income increased by 49.6% as compared to the earlier year and the EBITDA for the whole year increased by 25.8% and PAT by 24.8% which is a significant improvement over the period.

During FY24 we have made significant progress in penetrating our solutions into global market aiding businesses in their transition towards zero trust. Traceability, verifiability and security are increasingly important as business continue to adopt digital technologies as a way of doing business. In this context, public key infrastructure and digital signature certificates, embed identity and security allowing a far more robust security architecture as part of any digital data or document exchange. We continue to address mission critical use cases as part of our enterprise solutions business, consisting of our paperless office and cybersecurity suite offerings. By

addressing diverse use cases across sectors and industry, we have been able to acquire new customers and expand our reach within the existing customer base as they mature through their journey of digital adoption and enhancing cybersecurity. Our paperless office product emSigner continues to see strong demand from several large customers globally as it is seen as a platform of choice for solving complex document signing workflows in industries such as BFSI, pharma etc. Additionally, our emAS solution is gaining traction as businesses shift towards more secure authentication methods moving away from traditional passwords.

Incremental sales come from upselling emCA and emDiscovery where they adopt PKI and digital signature certificate-based authentication/authorization or ensuring stronger access control. We have been able to significantly grow our international businesses by focusing on sales and marketing. Our focus has been on establishing a strong market presence directly in regions like North America which have advanced digital technology adoption and the Middle East and Africa where there is a strong e-governance agenda centered on digital transformation and cybersecurity with zero trust transition. The acquisition of Ikon has been successful, enabling us to leverage cross selling and upselling opportunities across both Ikon and eMudhra's offering to our client base.

In the India market where demand remains strong, we changed our strategy by unbundling hardware from our contract. This change reduces reliance on third party suppliers and also helps mitigate delays in product delivery and receivables. On Trust Services, we have a strong market presence in India resulting in healthy growth and stickiness for our retail and direct to consumer sale of digital signature certificates. This resulted in strong growth for Trust Services as partners and customers want to work with a reliable digital signature provider who can provide quick identity vetting and strong support particularly during peak issuance periods. eSign continues to see traction along with other offerings such as eStamping as BFSI and capital markets move towards paperless transformation. We continue to focus on SSL TLS certificate as part of our certificate life cycle management product emDiscovery helping us differentiate from a pure play SSL TLS player. Our R&D efforts are focused on reimagining security in the context of quantum computers, edge computing and data privacy. In line with this we have already embarked on R&D in post quantum cryptography, fully homomorphic encryption and mobile PKI.

To summarize, we see continued opportunity in our space as digital transformation and movement to zero trust as a result of cyber threats continue to be the top of the main agenda for many large organizations. At eMudhra we will continue to invest in building product depth, service capabilities and market reach to effectively address these opportunities. So, during the year key project wins partnered with a large IT outsourcing for the use of our managed PKI platform with SSL TLS certificate. This will enable securing website devices and enterprise IT infrastructure, rollout of national PKI infrastructure for a country in Africa to build digital signature infrastructure, remote training capabilities and use cases for paperless transformation, implementation of eSignature workflow product for a midsize technology firm in North America for legal procurement and human resources paperless transformation, implementation of private

PKI for consumption of certificates for mid-sized IT firm in US, partner with BFSI clients in India for emSigner, eSign and eStamping for process automation and paperless transformation in lending, onboarding and other workflows, rollout of MCA platform for a wing of the Defence forces for secure authentication and encrypted data communication in their network, rollout a PKI infrastructure for a large private sector corporate in Indonesia for issuance of digital signature certificates, remote signing and driving use cases for paperless transformation, implementation of our MCA suite of products for a large government customer in India focused on delivery of citizen services, rollout of integrated access management and authentication platform for a very large bank in India. And continued deal wins in India plus BFSI for emSigner, eSign and eStamping, for process automation and paperless transformation in lending, onboarding and other workflow and consulting engagement in establishment of digital signature infrastructure in a progressive country in Africa, rollout of public key infrastructure authentication and access management solution for a Defence agency in India, upgradation of eSignature platform for a certain authority and single window operator in West Africa, rollout of eSignature platform for paperless transformations of customs Authority in Middle East, rollout of eSignature platform for a large urban development company in the Kingdom of Saudi Arabia, rollout of eSign for bank official for a large public sector bank for digitally signed approvals to enhance transparency in India and other business highlights, certification of emSigner for SAP success factors for easy signing of HR onboarding documents, listing of emSigner on AWS and Azure Marketplace for easy consumption of SSL certificate by customers already using these platforms, use of generative AI in driving significant efficiency in customer responses via our email channel for our digital signature customers.

So, these are the highlights. Now I request Mr. Ritesh Pariyani to take us through the financial performance of the company.

Ritesh Pariyani:

Thank you chairman. Good afternoon, everyone. I hope you all are doing well. Let me begin by sharing the key financial for Q4 FY24. We are pleased to announce that our revenue from operation in Q4 FY24 was Rs. 996.9 million, a YoY growth of 29.8%. The revenue growth was driven by the strong performance in Trust Services in international markets. There was a rise in the enterprise solutions segment which generated a revenue of Rs. 2,687 million reflecting a year-on-year growth of 64.1%. While the Trust Services revenue grew by 22.8% YoY to Rs. 1,444 million. The operational revenue for Financial Year 2024 was at Rs. 3,731.2 million representing a YoY growth of 50%.

In Q4 FY24 EBITDA rose to Rs. 363 million, a 39.9% increase YoY with a margin of 35.2%. Net profit reached to Rs. 212 million, up by 34.2% YoY with margin of 20.6%. For FY24, EBITDA was Rs. 1,164.8 million with a margin of 30.6% and the net profit was Rs. 763.5 million with a margin of 20.1%. There has been strong EBITDA and PAT growth despite increased investment into sales and marketing.

Now I request chairman to take the call ahead.

- Venkatraman Srinivasan:** So, now we have explained from our side, we can take the question. Thank you.
- Moderator:** Thank you. We will now begin the question-and-answer session. We have the first question from the line of Parikshit Kabra from Pkeday Advisors LLP.
- Parikshit Kabra:** First, I was wondering what caused the sudden spike in the trust business. Q4 isn't usually the one where we see a sudden jump. So, I'm just wondering why this pleasant surprise.
- Venkatraman Srinivasan:** Pleasant surprise is because around September end, we increased the price by 2.5X. So, until March to September the price was very low. Then we increased the price. Then the others also because there could not be any alignment. So, we increased unilaterally. Then the others also increased, so then some people increased not to the extent of what we increased. There was some, they increased lower extent. So, we also had to little bit reduce and all that. But anyway, it is almost certain that more than 2X realization through the channel, not through the retail. In retail prices remain the same. So, through channel the realization remained much higher in the Q3 and Q4, half of Q3 and full of Q4. So, that's where the trust business has really gone up in the fourth quarter. And one more incidental thing also I will explain relating to the trust business. The thing what is happening is now the CCA has issued new guidelines that starting from July 1st of this year, we cannot sell any stock to any of the partners. Every sale has to be made individually to the retail people, but the partners can introduce and get the commission. So, that kind of a new model is coming. With this new model we are completely revamping the software and all that. If it works well then it could fetch a good price. But we have to wait and see how the new model will work and what will be the role of the partners in the new model and all that. So, that is the development as far as the trust business is concerned.
- Parikshit Kabra:** And secondly, I noticed that in the presentation you had mentioned an opening order book for FY25 at Rs. 149 crores or round about that number. In the previous year this has grown by 25% and I think previous year also we were given a guidance that we can look at a 2 to 2.2 multiple on the order book to get a sense of what the revenue would be this year. Would you continue with the same guidance? Should we expect around 320-330 from the enterprise business?
- Venkatraman Srinivasan:** Yes, this order again if you see this is excluding our services business. For example, if you take, we acquired Ikon Tech services and then we also started doing services from India also for some of the banks and also for the Middle East banks and all that. This order book is predominantly for the enterprise solutions business. If it is Rs. 148 crore and 2X it is around Rs. 300 crores, mainly for the solution business from plus the services business and the Trust Services business can be there. So, that's why we think that maybe we may be able to do almost a 25% to 30% growth in revenue in the coming years based on this for our historical performance.
- Parikshit Kabra:** Can you please expand a little bit on the solutions business and how much revenue has that generated this year?

Venkatraman Srinivasan: On the solution business because if you see the total solution and services, we have put around Rs. 268 crores as the total solution and services. In this Rs. 268 crores, I would say almost to Rs. 200 crores would have been generated out of solution. Rs. 68 to Rs. 70 crores would have been generated solution and services related to solutions. 68 crores to 70 crores may be direct to cyber security and other solutions which is not related to our product.

Parikshit Kabra: Sorry I'm not sure I understood that correctly. So, you said that is out of solution.

Venkatraman Srinivasan: In the presentation, in the key business indicator we put Rs. 268 crores as the solution and services in page #16.

Parikshit Kabra: Yes.

Venkatraman Srinivasan: On that almost Rs. 200 crores is our own solution and services related implementation, customization and all those things related to solution. Another Rs. 68 crores will be the services arising out of Ikon. We have also started services division and we are servicing certain large banks in the Middle East and all that. So, that will be Rs. 68 crores.

Parikshit Kabra: How do you think the services business will be growing, growing in line with the rest of the business? The 25%-30% growth or are you expecting that to be...?

Venkatraman Srinivasan: No. It is growing because the cyber security related services, there is a good demand in the market. So, that will also grow if not 20% at least 20% it can grow.

Parikshit Kabra: And what about the India enterprise business? Of course, I noticed that this quarter there was in fact a loss in the business and the segmental results. I know we are changing strategies. So, the revenue has also been declining. Are we foreseeing a challenge in the next financial year, or do you think it will stabilize at around Rs. 15 crores a quarter?

Venkatraman Srinivasan: The India Enterprise business what we are doing is because the large chunk is coming from the government business. In the government business we are also bundling the hardware. But now the receivable is becoming very high mainly because of the India government business. So, the India government receivable itself could be Rs. 40 crores or something out of this total receivable Rs. 100 crores. So, that's where we want to not bundle the hardware. We want to only sell our software and then leave the bundling of the hardware to the other system integrators. So, that's where the revenue increase is not commensurate. But our aim is to gradually reduce the receivables and minimize our risk also. So, this is where it is. But what you are saying Rs. 15 crores per quarter can definitely continue.

Parikshit Kabra: Basically, what I'm trying to gauge is that our trust business can see a further upside potentially with this new pricing that has come in. Our India enterprise business is going to remain where it is and our international enterprise businesses is going to be growing by 25%-30%.

Venkatraman Srinivasan: Yes, that's why on the whole what I said is around we are estimating 25% to 30% growth on the whole. Little bit something will go here and there but on the whole one would compensate the other.

Parikshit Kabra: And then I'll just slip in this last question that if the national PKI infrastructure that you were developing for an African country, would I be wrong in getting overexcited about it to think that it is a massive opportunity because after making the ecosystem you will get plenty of opportunities for different use cases to expand your business.

Venkatraman Srinivasan: Yes, definitely. But still, it is all not materialized. Lot of discussion is going on mainly in Kenya and Tanzania and also in the Rwanda, Uganda and one more Ethiopia. But those things have finally materialized.

Parikshit Kabra: And how is the US traction coming along? Are you seeing incremental improvement quarter this quarter?

Venkatraman Srinivasan: Yes, improvement is there, and further improvement will also be there. Mainly both the segments, in Paperless segment also the Trust Service segment. So, a lot of POC is going on. We are doing the POC, some are getting converted into order and all that. Anything Kaushik you would like to supplement anything on the US?

Kaushik Srinivasan: No, I think on the ground quite a bit of traction is going on. Like our chairman said, number of POCs, various mid-market sort of deal wins, and we're also focused on trying to get into some of the larger enterprises.

Moderator: The next question is from Nitin Sharma from MCPPro Research.

Nitin Sharma: The EBITDA margin in the Q4 was 33%, so is it sustainable? And if yes, what should we expect for full year FY25?

Venkatraman Srinivasan: Full year, we feel taking 30% will be safer, not 33% because somewhere some risk could come. We feel 30% EBITDA margin would be safer. But another thing is on the PAT margin generally we were saying 20%. But now even in the Middle East, Dubai also taxation has come, other countries also taxation is coming. We feel that on the whole the PAT margin can be 18% to 20% instead of taking 20%.

Nitin Sharma: Secondly is it possible for you to break out your order book in terms of product?

Venkatraman Srinivasan: Order book, based on product that's what we felt that the solution order book is the Rs. 148.6 crores. On that number of larger orders are now towards the cyber security and we have also given split somewhere that the cyber security is 74% and the paperless transformation is 26%. A lot of big orders are related to cyber security. So, maybe the pending order also may be in the same proportion.

- Moderator:** The next question is from the line of Saurabh Thadani from IIFL Institutional Equities.
- Saurabh Thadani:** My first question is a follow up on the order book. Can you give us a sense of demand from the key geographies, your existing ones Middle East, India versus some of the newer geographies that you are trying to enter? Just to get a sense of how demand is progressing across the key geographies.
- Venkatraman Srinivasan:** Now key geographies, the demand is very good from India because there are several large government projects going on. So, the trade demand is good. In the Middle East also demand is good. In Africa we expect a lot of order coming in the coming year because as I said a lot of discussions are going on in Tanzania, Kenya, Rwanda, Uganda and also in Ethiopia. Then some more discussion is also going in Ghana and other places. So, this is one thing. Then the other thing is the USA. In the USA, number of POCs are going on both from the emSigner side and also the MCA side. So, that's another place where we can come. But Europe is still too much of this thing is not happening. Some small businesses are happening. So, that's where we are trying to see how we can put a senior person who can get into the European market and improve. So, as of now if you see Europe is still not caught up to the level of Middle East and the US. Similarly, Indonesia also a lot of new things are emerging. But Philippines another area where we have put the senior person and then see how we can go to Philippines. But up to now it has not picked up the momentum. So, everywhere wherever the momentum has already picked up it is good. Wherever momentum is lower we are putting very senior people and then try to see how we can pick up momentum in those geographies. That would increase the cost, but I think it can also offset bearing the sales.
- Saurabh Thadani:** And on the digital Trust Services any view on the sustainability of the pricing uptick that we've taken? You mentioned that we took a higher uptick and then we had to cut our prices a bit because the competition didn't increase prices at the same rate. Going forward how do you see sustainability of the pricing where it stands right now for FY25?
- Venkatraman Srinivasan:** FY25, I think it will be sustainable because this as I explained from July the model is again changing. So, the CCA is mandating that we have to sell only to end customer and then for the partner only commission can be paid, stock cannot be transferred to the partner. So, this will be altogether a new model. In this what will happen is the revenue can grow higher, but cost will also grow higher. Net-net what will be the balance that we have to see how the other people do and all that. But on the whole the net realization what we receive as of now, I don't think it will come now. Only thing is because we have to directly reach the retail instead of through the partner, what will be the role of the partner, how many partners will be in business, how many men are in business, because of that would there be any effect on the volume of signature to be sold? So, all these a little bit we have to wait and see. But otherwise on the effective realization I think it can only increase and it cannot go down.
- Saurabh Thadani:** And within again digital services the new products segment that is flattish YoY, any reasons? I mean is there any particular product within that that is not growing while the others are growing?

Venkatraman Srinivasan: Growing but started growing mainly in the fourth quarter. The result will be seen in the coming years. The eSign has started doing really well but the SSL is still not growing well. But we have to that's why we are more positioning the SSL along with this emSigner hub where directly they can identify and also replace the signature and all. Instead of a commodity market we are trying to aim at a niche market for this. Maybe Kaushik you can explain little on this.

Kaushik Srinivasan: Saurabh so what is happening is in SSL TLS, again there are few other players. So, as against positioning pure play SSL TLS has only the certificates. Now larger enterprises really require the need for capabilities or how do you discover the certificates, how do you renew and provision. That is where if you recollect, we built that product emDiscovery which is also further been enhanced with a lot of additional capabilities. So, we are positioning it as an integrated offering rather than selling standalone SSL TLS. So, like our chairman said I think in the coming few quarters there'll be hopefully increased momentum on that.

Saurabh Thadani: One last question from my side on the margins. I think we've seen a pretty sharp uptick in this quarter in sequential margins. Can you just maybe highlight what were the key drivers that led to this kind of margin improvement and where we are on the journey of increasing sales and marketing in some of the key geographies where we are looking to penetrate?

Venkatraman Srinivasan: The margin I will explain then I will request Arvind to explain about the international positioning and marketing. On the margin, if you see this quarter alone, the margin increased because of the good jump in the Trust Services business and also lower hardware composition in the overall sales. So, those two resulted in the margin improvement. But on the whole for the whole year, we are still conservatively thinking that we should work on this 30% EBITDA margin and not on 33%-34% margin. But if we achieve it is good. So, this is what our thinking as of now is. Then on the international expansion side and where we are going maybe Arvind can explain.

Arvind Srinivasan: On the marketing and positioning side, we're doing a lot of work and in fact we adopted some technology to drive a lot of automation and specificity as well across regions. So, the focus really is that because you have the cybersecurity and paperwork to target specified user groups. So, business verticals and segments with specific use cases really leverage the digital marketing because we find the cost and the return on investment there to better to supplement our outbound efforts. So, to go more in the direction of inbound marketing and that's in essence what we're working towards one side. On the other side in various regions, we're also looking at brand affiliation. So, we have strong partnerships for example in Middle East with entities like Thales and others who are cybersecurity conglomerates that are well known in the space to really target the large enterprise segment and to get increasingly within that reach so that we're able to command higher enterprise pricing and the larger deals. And finally, I think India's digital public infrastructure has also played a very critical role in doing some of the marketing for us because that is seen as a roadmap that is being adopted by a lot of the developing countries and by default then as an enabler to such an ecosystem which has largely been helping us in Africa as well.

Moderator: Next question is from Parikshit Kabra from Pkeday Advisors LLP.

- Parikshit Kabra:** I was just going back to again the solution order book. I remember at the start of this Financial Year when we had that conversation, the order book was Rs. 118 crores and the guidance given was that 118×2.2 which is about Rs. 260 crores which is very close to the overall enterprise business revenue that we got this year. But this time around we are seeing that Rs. 149 crores is only the solution book which can be multiplied by 2.2 and on top of that there will be a services business. But this time around it was services....
- Venkatraman Srinivasan:** Earlier if you see in the beginning of the year, there was no services business. It was only our solution and a Trust Service business. Now in May only we acquired this Ikon in May-June period last year. Then we have created the solution business even in our campus only recently 3-4 months back and got the customer of first Abu Dhabi and all this.
- Parikshit Kabra:** But this year's guidance. Am I incorrect in remembering that you had given a guidance of about Rs. 260 crores for the enterprise business this year.
- Venkatraman Srinivasan:** No, Rs. 260 crores plus around Rs. 85 crores because initially we hoped only a 15% increase in Trust Services. So, that's where almost not Rs. 260 crores maybe Rs. 240 to 250 crores another Rs. 100 crores of Trust Services. That's where around some Rs. 350 crores something we gave.
- Parikshit Kabra:** So, hence my point is that there was a factor given of ordering order book multiplied by 2.2 plus whatever trust business is there. Trust business I'm leaving aside was the general rule of accounting.
- Venkatraman Srinivasan:** Generally, we were talking of 2 only not 2.2 actually. Maybe Kaushik can correct if I am wrong.
- Kaushik Srinivasan:** We were always talking of 2.
- Venkatraman Srinivasan:** We wanted to be conservative on the overall side. So, that's where overall we said we may be able to do around Rs. 360 crores kind of number.
- Parikshit Kabra:** Can you please elaborate again on the solutions business? What exactly does this entail? Is this like an AMC?
- Venkatraman Srinivasan:** No. This is consisting of all our product MCA, emAS then emSigner, then CERTInext, so all of the product business.
- Parikshit Kabra:** I am asking about the Services business.
- Venkatraman Srinivasan:** Services business, so you are asking about solution or services?
- Parikshit Kabra:** I'm asking about the services business, my mistake.

Venkatraman Srinivasan: Services business is mainly the services relating to the cyber security, paperless transformation, providing stock and those kinds of services, then the penetration testing, vulnerability assessment all these kinds of services where we provide people and charge on the basis of the man-day. They are sometime on the fixed price engagement also. There is nothing related to our product.

Parikshit Kabra: And what is the business model here? Is this a 3-month long consulting project? Is it an ongoing service provision that you provide them to perpetuity?

Venkatraman Srinivasan: It is both model. One is the fixed price model and other is the number of people providers. For example, First Abu Dhabi bank. Now we have provided almost 60 people and on the basis of the people we charge.

Parikshit Kabra: And this engagement is typically a 1-year contract, 5-year contract, I'm just trying to understand what is the duration of this business?

Venkatraman Srinivasan: Generally, it will be 1 year to 3 years, not 5 years.

Parikshit Kabra: And because it's our first year of doing this business I guess it will take time to ramp up and figure out how long. What is your assessment of how long you'll be able to maintain this clientele?

Venkatraman Srinivasan: We will be able to maintain because as long as our services is good and competitive we should be able to maintain.

Parikshit Kabra: So, then this business becomes a compounding business every year?

Venkatraman Srinivasan: Yes, little bit it will compound also. It is it will not be stagnant. There is also this, as I said around 20% growth, or 25% growth may be possible. But we are yet to test it because this being the first year we have to test and see what rate we grow.

Parikshit Kabra: And is this business margin diluted for us in the overall scheme of things because we're pretty high margin business so far?

Venkatraman Srinivasan: Gross margin because the product business, the gross margin is almost if you don't do hardware, it will be even 80%-85%. But in the services business the gross margin could be around 40% or something like that.

Parikshit Kabra: So, it will create some level of margin dilution.

Venkatraman Srinivasan: But including that only this overall margin of 65% to 69% is coming.

Parikshit Kabra: But as the weight of the solution business, if the services business outgrows the solution business

- Venkatraman Srinivasan:** As of now we are not envisaging services will outgrow the solution business.
- Kaushik Srinivasan:** Just to add, the idea is to create multiple entry points for the customer. So, we are only focused on the CISO organization. So, this allows us to basically enter and then cross sell and upsell our solutions and vice versa. That is how some of these accounts we got, they were existing customers for our solutions, we incrementally were able, they came reached out to us saying that can you help us with you know a few of our problem statements?
- Moderator:** The next question is from the line of Zalak Rathi from Agility Advisors.
- Zalak Rathi:** In last con-call you said that our realizations in domestic business were low due to the high proportion of hardware business.
- Kaushik Srinivasan:** High portion of hardware. I will take that. So, this hardware are mainly specialized modules called hardware security modules or HSMS which hold these cryptographic keys, and which are required by our solutions to basically be able to fulfill various end customer use cases.
- Zalak Rathi:** And we are moving towards software business. What will be included in the software business?
- Kaushik Srinivasan:** The software consists of our key solutions across paperless office and cybersecurity. So, what our chairman said is we are trying to unbundle the hardware as part of the contracts. Whether the focus is mainly on delivering our software where the system integrator is able to deal with the hardware that may be associated, we will not actively get into them.
- Zalak Rathi:** But in our realizations are high in hardware business, 85%?
- Kaushik Srinivasan:** 85% is a gross margin in solutions in software.
- Zalak Rathi:** In which business we have 85% gross margin?
- Kaushik Srinivasan:** Like we said it's the software business where we have high gross margin. The hardware business has low gross margin.
- Moderator:** The next question is from Nitin Sharma from MCPPro Research.
- Nitin Sharma:** Where did your DSO days stood in Q4 and how should we see it in FY25?
- Venkatraman Srinivasan:** Our sundry debtors and receivable days almost remained same. So, even last quarter in September also same almost 94-95 days and similarly now also around 94 days, so, it has not increased. In the coming year we feel it should little bit come down because of unbundling all the hardware in all the government business. It will result in more margin but at the same time could result in some lower sales of such items. So, that the receivables can a little bit come down.
- Nitin Sharma:** So, is it fair to assume around 80-85 days?

Venkatraman Srinivasan: Yes, that much it may remain or 85 to 90 days it will remain.

Moderator: Next question is from the line of Saurabh Thadani from IIFL Institutional Equities.

Saurabh Thadani: So, one question on the cash, so now we have almost Rs. 250 crores of cash on our balance sheet. Any update on our capital allocation plans?

Venkatraman Srinivasan: Yes, Rs. 250 crores is there. On that if you see some of these are based on the QIP thing. On the QIP still lot of money is yet to be spent. Almost Rs. 80 crores is reserved for the acquisition. So, we are evaluating it is yet to be spent. Similarly on the product Rs. 43 crores of three new products are there which is at homomorphic encryption, mobile PKI and post quantum cryptography. On that we have hardly spent some Rs. 10-12 crores. So, the balance is also there. So, as and when we spend the cash balance will come down. But at the same time there will be also cash accruals. So, that way we will be comfortable with the cash balance.

Moderator: Thank you. As there are no further questions, I'd now like to hand the conference back to the management team for closing comments.

Venkatraman Srinivasan: Yes, thank you. I would like to thank everybody for joining the call. I hope we have been able to address all your queries. For any further information you can get in touch with our investor relations advisor. Thank you once again and have a great day. Thank you.

Moderator: Thank you very much. On behalf of IIFL Institution Equities, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.

Notes:

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