



eMudhra Limited  
Q2 FY2023 Earnings Conference Call Transcript

**October 20, 2022**

**MANAGEMENT PARTICIPANTS:**

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**MR. SAJI LOUIZ - CHIEF FINANCIAL OFFICER**

**MR. KAUSHIK SRINIVASAN - SENIOR VICE PRESIDENT, PRODUCT DEVELOPMENT**

**Moderator:** Ladies and gentlemen, good day and welcome to eMudhra Limited Q2 FY2023 earnings conference call, hosted by Yes Securities. We have with us senior management of eMudhra on the call, Mr. Venkatraman Srinivasan, Executive Chairman; Mr. Saji K Louiz, Chief Financial Officer; Mr. Kaushik Srinivasan, Senior Vice President, Product Development. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Venkatraman Srinivasan for his initial remarks. Thank you and over to you sir.

**Venkatraman S:** Thank you. Good afternoon to all of you, welcome all of you to our Q2 FY2023 earnings conference call. The copy of our Q2 FY2023 earnings presentation has been made available in our company website and on the stock exchange portals, hope all of you have had the opportunity to go through the same.

Coming to the company overview. I would like to briefly summarize the company overview for all the participants. Having started our business in 2008 with a mission to accelerate the transition to a secure integrated digital ecosystem for individuals and organization with digital identity and Trust at its core. We laid great focus on product development, Enterprise solutions, cost management, while also emphasizing on security, compliance, governance and client support. Currently, we have 1,62,000 retail customers and 1,00,000 channel partners for our digital Trust services business. We have 303 partners in India and 284 partners in other countries around the world for our Enterprise solutions and our Enterprise solutions covers both government and private sectors and has a client base of 679 customers globally.

Now, we will proceed to review our recent quarterly performance. We are pleased to continue to maintain our strong financial metrics in Q2 FY2023 and aspire to remain committed to the same going forward. During the quarter, our total revenue stood at Rs.599 million a robust growth of 20% year-on-year and 12% quarter-on-quarter. Contribution to revenue growth was from Trust services and the Enterprise solutions primarily because of new customer acquisition, international market expansion and incremental gross sales.

I would like to present key highlights and project wins of Q2 FY2023.

One, roll out of eSignature workflow emSigner solution for a midmarket electronic appliance retailer in the US as emSigner will be used as an integrated offering to manage both document signature and document movement. Two, delivery of organizational eSign for many customers in India across government and other sectors. Three, implementation of CA solution emCA for payments and security for a Central Bank in Middle East. Four, roll out of emAS IAM Identity and Access Management for Smart City Projects in India and five, implementation of electronic bank guarantee using emSigner for a large bank in India. Again, we have added one more branch in Sharjah in UAE and again contemplating to setup more branches in Saudi Arabia, Qatar, Kenya to cater to growing client base in the region. We acquired an initial large customer for SSL business in Middle East apart from acquiring some customers India. We enhanced our emSign portal and

validation methodology to improve market penetration. We launched initial version of emDiscovery for Enterprise SSL certificate lifecycle management. emDiscovery was one of the products envisaged base in our IPO document. Our solutions are getting adopted in newer use cases in payment security and file encryption which is likely to open up newer market opportunities and started undertaking data centre expansion in both Bangalore and Chennai which are expected to be completed in March 2023. We are optimistic about the new market opportunities for emSigner and eSign arising out of the changes in recent IT Act permitting the usage of digital signature certificates for immovable properties, power of attorney and other use cases.

So with the above strategic focus and key wins, we are confident of our future largely supported by our comment to deliver secured digital solutions. Our decade long experience in a rapidly evolving technology market has given us the assurance to maintain our leadership in the digital security industry. This ensures our market penetration capabilities in the domestic and the international market.

I now request Mr. Saji Louiz to take us through the financial performance of the company.

**Saji K Louiz:**

Thank you Sir. Good afternoon to all the participants. I am pleased to present the recent financial performance of the company.

Continuing with our growth momentum of Q1 FY2023, we are happy to report a total revenue of 599 million a year-over-year growth of 20% for the quarter. The increase was majorly led by the Enterprise Solution segment, which registered a revenue of about Rs. 366 million a year-over-year growth of 47%. The TTrust Services registered a revenue of Rs. 221 million, a de-growth of 9% year-on-year, but a sequential growth of 14%. Our H1 FY2023 total revenue stood at 1127 million a year-over-year growth of 21%. Our EBITDA for the quarter was Rs.231 million up by 35% on year-on-year basis and the margin stood at 39%. The growth and margin improvement was driven by a higher contribution from the Enterprise solution business and internal operational efficiencies. We registered a net profit of Rs.165 million up 58% year-on-year with margins of 28%. Our H1 FY2023 EBITDA and net profit were at Rs. 443 million with a margin of 40% and Rs.302 million with a margin of 27% respectively. Our focus will be on working on the strategies envisage for the purpose of our IPO and to expand our client base through reach and verticalization and thereby increasing our market share.

Thank you very much and now we will be happy to answer any question you have on company's recent performance.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Abhishek from Naredi Investment. Please go ahead.

**Abhishek:**

Good afternoon Sir, thanks for taking my question. My first question is that, you said in last call that Enterprises business will grow more in compare to Trust business and the export turnover is also flattish in the quarter. So do you see any challenges in export business and Enterprises business?

- Venkatraman S:** No there is no challenge in export business if you see export business almost from Rs. 9 Crores it grow to Rs. 19 Crores kind of level in the last quarter so that is how it is maintained at Rs. 19 Crores but further we see a lot of growth momentum. So now if you see we have got the major customer is US for our emSigner product, then major customer in Qatar for the emCA product so it continues to grow well but because the last quarter the growth was almost 100% again the same kind of thing was not maintained, but overall the growth is very good so almost from the last year-to-year if you see it could be a 70%, 80% growth kind of thing or even more. So there is no stagnation or anything in the export business.
- Abhishek:** But Enterprises business grow 10.6% quarter-on-quarter but Trust business is grow 14.6% quarter-on-quarter you said this Enterprises business will grow compared to Trust business. So any challenges in E Enterprises business quarter-on-quarter.
- Venkatraman S:** No there is no challenge even in quarter-on-quarter Enterprise business growth has been very good. So if you see quarter-on-quarter from Rs. 33 Crores to Rs. 39 Crores it is almost 20% it has grown on quarter-on-quarter in the Enterprise solution.
- Abhishek:** Second question what kind of margin you expect in H2 and FY2024 as a whole and also in this quarter Trust business margin suddenly slowed down so any specific reason?
- Venkatraman S:** No the Trust business there are two things, two reason why the margin has suddenly gone down. So one reason is the composition of token compare to DSE thus wherever the DSE is more in token it is less the gross margin will be higher wherever token is little more gross margin will be lower so that is one reason then the second reason is the pricing pressure itself because if you see compared to last year same period almost because of the competition and because of the new entrant and all that the pricing has come down by 25% to 30%, but it is partially compensated the increase in volume of 15%, 16% so because of these two things the Trust services business the gross margin has come down in this quarter compared to the last quarter.
- Abhishek:** What kind of margin you are expecting in H2 and in FY2024 as a whole?
- Venkatraman S:** No, as a whole because that is why we have two, three segments only the Trust service and the Enterprise segment and within the Enterprise segment international so even in one segment if little bit it comes down it compensates by the other segment so that is where even if you see though in the Trust service margin has come down a little bit this time but the overall EBITDA margin has not come down significantly and still we have achieved almost good EBITDA growth.
- Abhishek:** In H2 it maybe 38% to 40% we will achieve?
- Venkatraman S:** Can you repeat your question.
- Abhishek:** In H2 EBITDA margin 38% to 40% range.

- Venkatraman S:** Yes that is what we are hoping because we are more a product centric business so that is where we hope it should be possible to achieve around that maybe 1% here and there it can go but around that should be possible.
- Abhishek:** Last one how is the order book value now?
- Venkatraman S:** Order book is continuously increasing.
- Abhishek:** Thank you so much and wish you Happy Diwali.
- Moderator:** Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.
- Sarang Sanil:** Good afternoon Sir, great set of numbers. Couple of questions, can you explain how emDiscovery will strengthened our Trust services vertical as you have explained on the DRHP and can you give an overview of this product.
- Venkatraman S:** No in emDiscovery what happens is, it is generally used by the large organizations and also large banks and also in the government. So once they install the emDiscovery automatically it is daily on a whatever frequency you would sell in the product scrolls over all the websites of the company or the bank or the government and then see what date what kind of certificate is expected as every website need to have a SSL certificate so it will automatically find out the SSL certificate expiry of the various places. So once it expire what will happen in sometime because of the expiry and if they do not renew it on time then the website itself stops also so that is the danger of not renewing on time and some companies may have some 1000 SSL certificate, 500 SSL certificates and all the probability of not noticing some expiry and not renewing it early date which is suddenly affects the business. So that is where timely expiry loss. So once we install our emDiscovery product the idea is whenever it crawls and finds then some SSL certificate is expiring maybe within a week or something it will throw a message to us and then we are also selling SSL certificates know. So we can put our SSL certificate into that organization so that is where it will enable us to cross sell our SSL certificates into that organization. So now the other certifying authorities are generally not having this kind of product independently two large companies in USA are having these products and they are rooting to certifying authority here as a one stop shop we want to create this so that we can have the advantage of routing it to us and ability to show our own SSL certificates.
- Sarang Sanil:** So this product would be a small ticket size product, but since it gives you an opportunity for cross selling other products, it is a better opportunity for the company.
- Venkatraman S:** No, it is not a small ticket size it can be easily \$100000 per instant, yes, it is not small ticket size so \$100000 is 70, 80 lakhs it can be easily sold and some of the larger corporations around the world sometime even you can sell at \$25000 million, \$300000 dollar.
- Sarang Sanil:** For emDiscovery itself Sir.
- Venkatraman S:** emDiscovery itself that is where the Venafi and other companies are selling at those price range.

**Sarang Sanil:** Next question is on Trust services. Should we see Trust services business on a sequential basis or on a Y-o-Y basis?

**Venkatraman S:** No sequential basis you can see because sometimes certain demands are not, earlier it was all because predominantly it was used for the income tax season every time you can actually predict first quarter will be like this, second quarter, third quarter, fourth quarter now that the more and more used cases are coming it is not only for the income tax company kind of thing so many use cases are there so that is where better to see sequential quarter that is better is what I feel. Even if you say number wise compared to you in last year our number of sale is up by almost 17% but the price drop of around 28%, 30% that is where compared to year-on-year there is a drop of 9% in the Trust services digital signature business, but the overall revenue wise get compensated by three factor one is the new SSL business which has started giving good revenue which commenced only around December of last year then the second thing is the corporate eSignature and all that so that way even though compare to year-on-year it was lower because of the price drop it is compensated.

**Sarang Sanil:** So pricing is volatile across the market right?

**Venkatraman S:** Volatile yes but not in the retail and we sell in the retail, retail has been consistently good and it has consistently improved that is why we are trying to sell more and more through direct retail instead of channel so that way it is also picking up if you see one year back retail was from 5-6 lakh per day now it has gone to some 8.5-9 lakh per day on many days. So that is why our aim is to sell more retail but in the channel because of the so many competition increasing the prices are volatile.

**Sarang Sanil:** On the retail side there is not much of reduction going on.

**Venkatraman S:** No.

**Sarang Sanil:** But a final question is we can see the tax expense for H2 and this year saw about 300 bps fall so I think 13.7 or something range now what will be the effective tax rate for the year and how is it going to be in the coming year?

**Venkatraman S:** Yes, for that Saji will answer.

**Saji K Louiz:** Tax expenses Indian companies we are providing a tax expense of 25% on the profit before tax figure and for the foreign entities presently we are not coming under the tax bracket in any of the foreign entiresities so that reason why the effective tax rate is slightly lower if you take that consolidated assets.

**Sarang Sanil:** So do Indian companies have any good exemption in Middle East because you are also expanding a lot in Middle Eastern countries so how is the tax rate there even once you expand there with the tax rate for the entire company for our company beyond 18% to 20% range.

**Saji K Louiz:** Yes, in foreign presently there are no taxes but in future in case we introduce the tax...

**Venkatraman S:** To the extent of Middle East expansion as of now no tax but the thing is they are also thinking of to imposing a 9% tax from the next year even Middle East and another thing is our expansion is not only in the Middle East we are also trying to expand in US, expand in Europe and all that in US if you see there will be a corporate tax of 22% and if you take Singapore it will be around 17% so that way only big advantage of zero tax as of now is the UAE which also might go next year so that is where the average tax over time apart from India even foreign geographies some taxes may come.

**Sarang Sanil:** Okay understood thank you so much Sir I will fall back in the queue and Happy Diwali to the team.

**Moderator:** Thank you. The next question is from the line of Piyush Pandey from Yes Securities. Please go ahead.

**Piyush Pandey:** Thanks for the opportunity. You did mention that e-business solutions have found adopted in use cases like payment security and file encryption. So can you please explain more about it.

**Kaushik Srinivasan:** Yes, so we are doing a project for a Central Bank where they are essentially securing the infrastructure for all the cards, credit cards, debit cards that are being issued to citizens in that country through the use of digital signature certificates. So any card that is going into and getting scanned in a fast terminal will be validated through digital signature. So first effort is with the Central Bank and over time this will also be used for the issuer banks. So essentially there is a lot of use cases around card payments and essentially the card security which are being secured through the digital signature certificate and public key infrastructure so this is one of the use cases. The other use case is more file encryption and data encryption both data address and data in transit so here again when you start sending confidential messages through a distributed set of people, particularly in sensitive organizations digital signature technology particularly the encryption technology and now variants have also been have emerged and we have done R&D something called fully homomorphic encryption which allows even search on encrypted text so these are the newer use cases that are coming primarily from card security and exchange of sensitive and confidential messages between various parties in an organization where such data needs to be exchanged.

**Piyush Pandey:** So how was the initial customer traction for emDiscovery product which eMudhra has recently launched?

**Venkatraman S:** emDiscovery product initially we are talking to a very big bank so almost proof of concept everything is done and then they are in the process of selection, but again we are very confident we will win because in India we are the Make in India player other two competitors are from the US and all that. So that is where we feel we have a very good chance but the product itself offers a very heavy scope because everywhere it is needed because every company on an average are installing some 100 website, 200 website sometime 1000 plus websites also and each one is secured by a SSL certificate and these certificates are expiring on multiple days and if anyone forgets to renew any of the certificate then they are in trouble because suddenly the website will stop. So that is where the need of the hour is to correctly renew all the certificates, the emDiscovery product

will provide for that and also it will provide when it is to be renewed it will route it to us so that we can issue our emSign SSL certificate so that way there will be a lot of cross selling opportunity so this is where we feel this is a initial thing but still we are perfecting the product so over next six months to one year the product will be fully perfected and probably there are two competitors rising one is NRC and another one is AppViewX so we are trying to build the product in such a way that our product become superior to them over a period of time.

**Piyush Pandey:** Yes, thank you that is it from my side.

**Moderator:** Thank you. The next question is from the line of Devesh from DS Investments. Please go ahead.

**Devesh:** Hi! Good afternoon congratulations for good set of numbers. My question was mid-term oriented. So we are currently doing about let us say 60 Crores quarterly run rate and if we were to look definitely our global expansion is coming quite well. So if I were to look at business has three engines one being Trust service, second being Enterprise India, then we have the Enterprise global. So the way this quarter and the H1 of this year looks is global Enterprise has done very well, well others at a decent right so if we were to sort of plan for our self reaching let us say 100 Crores or some internal target that you might have for quarterly run rate what kind of investment you think that we need to make be it sales or be it product development just want to get your understanding that how do you see yourself going from here over next two, three years and what investment going to make. So just qualitative comments would be helpful.

**Venkatraman S:** Investment wise as we planned in the Trust sector 15 Crores investment we have made in US market so we have already identified a senior person we have identified a telemarketing agency to get the sales and get leads and then so all these has started happening and we have also won one of the retail chain as our customer for emSignner so that with both our emCA product and the emSignner product already product reference also is maintained here so this is one side and we will be recruiting another four or five people there so that US market can be grown split. Coming to the Middle East, in Middle East we have already got a good traction we have got the orders from Saudi Arabia, we have good orders from UAE and good orders from Qatar and all that so to cater to each of the country and to grow this country is better we are opening separate branches in each country and recruiting the people then in India also we are strengthening sales team so that they can contact those global customer and global partners and get more lead so that we can go into it and the Kenya again we have got the license to issue the digital signatures in Kenya so we are doing the Kenya launch by maybe now and by the end of December we are going to launch that so that way geographies and in Indonesia we have started getting some traction so lot of discussions going on so there again we have recruited three or four people and open the branch office. So continuously we are evaluating and opening many branch office and then we have to go. Investment wise it may not be a major investment except some very good opportunity we find and acquire maybe it could be in some small millions of dollars because we are not looking at very large company but otherwise organic growth per se we will go in a very measured way so that when we put some five people it should yield some results then only we put more people not go in a very aggressive way and if it does not yield there shall be negative side will be there so that is not our approach at all.

**Devesh:** If we were to look at our last five years history we have probably done probably 30% type of growth depending on duration you see so we are seeing organization will design to grow organically with the same speed without too much investment is it the right way to look at it that currently we have enough product and with some investment like you called out we should be able to keep the run rate of 20% to 30% growth here and there does it a right assumption over medium-term.

**Venkatraman S:** Yes, organization is designed and we are also striving our level best to do it but what will happen will depend on the market and the market force but from our side definitely we are behaving in that way and then continuously strengthen the technical team and the sales team.

**Devesh:** Yes, so whether that the way we are winning deals tells that product and quality and service you did definitely up to the mark, it looks great around that front right and just say if you are entering in many new geography generally when we sort of enter in new geography there has to be something that we do in initial days because we keep the margins low we commit something extra to the customer are there some tactics that we are using in these areas or it is just fair competition, fair pricing, fair everything, so just wanted to understand how aggressive we are?

**Venkatraman S:** We are just for the sake of getting business we do not get into the loss making business or too much undercut the price and all that because we do not believe that the under cutting and getting into that and later on price can be increased and all theoretically one or two first deals it maybe possible, but definitely not continuously we want to win the deals because of the product superiority and our efficiency in service and the functionality of the product and those kind of things and our flexibility compared to the global players because we offer flexible model because some of the global player may only offer the cloud model we offer cloud model, private cloud model, mix model we can get some amount of customization if required so that kind of flexibility and all these and generally we are flexible on legal jurisdiction also so. So these are all the things on which we want to win the order not by just dropping the price.

**Devesh:** The last one if you could call out key competitors in each of our product segment just to help us understand whom we have competition against?

**Venkatraman S:** You want to understand who are the key competitors?

**Devesh:** Yes, for each of our product categories just to get idea.

**Venkatraman S:** That is listed prospectus but I will repeat some of them one is if you see our Trust to service in India there were at the time 15 CAs who are registered, licensed by the Control of Certifying Authority and then now additionally three, four additional have come but anyway out of 15 CAs at the time only four or five were issuing digital signature certificate for the public, others were for the government purpose and their own private purpose and all those things like Indian Army, Indian Navy, then IDRBT and all those people. So almost 15 people are the competition in the digital Trust service segment mainly in the Indian digital signature certificate, not in the SSL segment, SSL segment it is much less and if you see SSL segment India there is no player who can offer

SSL, globally there are four of five players like DigiCert then Sectigo is there then GlobalSign is there these are the major players for the SSL business. Then coming to the solution business mainly the emCA product globally EnTrust Datacard is one competitor then Nexus is there and Trainkey is there they are all global, India there is no competitor similarly to take this paperless work emSigner main competition is from the DocuSign and the Adobe there is no major competitor from India then EMUS almost the de facto in India we are the only player let us say almost all the government project, bank project we only do EMUS product so this is how the competition is there. So in several of our segment the competition is very limited and even if it is there it is from the global US or European player and not from the Indian player.

**Devesh:** Got it. Thanks a lot Sir that is quite helpful. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

**Rishi Jhunjhunwala:** Thanks for the opportunity. Few questions from my side. Sir firstly you talked about a 28% correction in realization on your channel partner given DSEs where would we be on average realization in terms of absolute value right now year-to-date?

**Venkatraman S:** If you see last year see because up to December 2020 the prices are low then from January to March 2021 the price reached a pickup for a class three, two year signature I will take one product and then comparatively other products we can take so class three, two year signature product went up to 350 to 375 from 350 to 375 in January, February of 2021 almost in 2021 middle or 2021 end it reached around 250. So 250 are little more so the average because there are other products also class three, two year, we are class two, three year. So with all these things we were realizing 275-280 so now this class three, two year product from 250 it has recently come down to 180 so almost that is the 28% drop, with the 28% drop also our average because of the composition of the class three, two year, class two, three year and those kind of thing and also combo and all that our average will be above 200.

**Rishi Jhunjhunwala:** What is the reason for this correction?

**Venkatraman S:** Reason is because the other people to gain the market share they are going on reducing the price but still not able to gain much market share but they think they can gain the market share so the trend is other four competitors who are there now not say if even there are other three, or four people which earlier we had mentioned so those people went to reduce the price but still almost the market share remains same actually in terms of the number of details have to get sold our number has increased by 17% in the first half of current year compared to the first half of last year but from a value because of the 28% drop the overall value has dropped.

**Rishi Jhunjhunwala:** So but would there be risk for further realization correction going forward?

**Venkatraman S:** But beyond that they cannot go down too much also maybe another Rs.25, Rs.30 it can go but we can still compensate because our retail is very stable, and retail is actually increasing so that is one

thing, then the SSL is increasing do in that way even if they have further drop the price and still because of the brand image we command the premium of 20% to 30% and in spite of their price drop we have not dropped to that extent whatever extent they have dropped but still we are commanding our market share and our number has only increased number of sales so that way we can manage it. We may not be able to go down to Rs.50, Rs.70 because then it is not be viable to them and now no funding also will be easy to get so I do not think they will go on reducing.

**Rishi Jhunjunwala:** On retail customer we have given a number of 162000 plus what was these numbers came down last year.

**Saji K Louiz:** 145000.

**Rishi Jhunjunwala:** Sir basically builds a fresh every year is it because I think end of the year that number was much higher.

**Venkatraman S:** No retail customer well we said not building as of now currency for using the signature that is what we have taken so the signature validity generally two year only predominant number of signature is two years so whoever is holding a valid signature as of the September end that is the 160000 retail people.

**Rishi Jhunjunwala:** No, because I think our number was like probably closer to 200000 at the end of fiscal 2022 so I am just wondering whether should that number decline or is there a reason for that.

**Venkatraman S:** No I do not think it has declined anyway maybe as we will analyze and then come back to you exactly quarter-by-quarter you can put on the detail, it is not declined definitely because daily I am monitoring I think daily sales of the retail sale has really increased only in terms of amount so I do not think it has declined but we will examine again and come back if at all any mistake is there.

**Saji K Louiz:** And as a percentage to our Trust service revenue the retail is again the same percentage we are maintaining so 30 plus percentage of our Trust service revenue is still coming from the retail segment.

**Rishi Jhunjunwala:** On the Enterprise side is it possible to give some color on the potential, the current order book even if we do not quantify it can you suggest whether it is growing in line with our revenues are growing.

**Venkatraman S:** Yes, definitely not on the order book even the pipeline what we are chasing it is growing in line with our more than in line with the revenue whatever growth is there as we are daily bagging the pipeline and the order book both are good.

**Rishi Jhunjunwala:** So you have not seen any kind of slowdown because of all the macro related concern especially outside India business.

**Venkatraman S:** Not up to now we have not because the niche area which is a requirement for everybody and because of this lot of cost saving will happen. For example this US customer to whom we have

sold so by using our solution they have estimated that they may be saving almost \$1 million per year more than that.

**Rishi Jhunjhunwala:** On the overall business is there a seasonality between 1H versus 2H in the sense 1H you have total done roughly around 110 Crores, but on a sequential basis is it fair to assume that it will grow 10%-12% for 2H sequentially on a quarterly basis as well or four quarters do not really matter especially I am asking on the Enterprise side.

**Venkatraman S:** No, Enterprise side business has no seasonality but because of our pipeline what we are chasing and the order book we feel definitely it will grow further.

**Rishi Jhunjhunwala:** Because typically we see products businesses internationally have a seasonality stronger seasonality around December quarter so just want trying to understand whether the same plays out for us as well?

**Venkatraman S:** No, that is mainly in the North America and the western in the December quarter Christmas holidays they may not select and all that but ours is not only North America predominantly lot of deal happening in the Middle East also in Africa also. So it may not affect much.

**Rishi Jhunjhunwala:** Is there a particular reason why our expense around stock in trade is fairly volatile is it based on what we end up buying rather than what we end up selling on the devices?

**Venkatraman S:** No, not stock in trade. Stock in trade or you are talking about the operating expenses.

**Rishi Jhunjhunwala:** Yes, so 7.3 Crores.

**Venkatraman S:** Operating expense this time in the top line composition the token is more little bit so if you see there are two component one is the digital signature other is the token whenever the token is more in the top line correspondingly it will also have more cost on the bottom line because on the token the margins are very less so that is where the operating expense is higher this way the gross margin is little lower.

**Rishi Jhunjhunwala:** One last question in key project wins the second bullet that you have mentioned can you elaborate a bit more in terms of whether if it like a combination of multiple smaller wins that you are talking about or is it the one win we are not able to understand that clearly delivery of organizational eSign.

**Venkatraman S:** Maybe Kaushik can explain better so I will ask him.

**Kaushik Srinivasan:** This is a combination of multiple wins because basically a lot of states are now embarking on various initiatives under the machine mode projects and sort of digitized and go paperless with citizen service delivery and as a consequence they need to sign many documents and they are all using this organization eSign and our regulator permits the issuance of eSign to government officials primarily through government KYC and organizational KYC for organization so it is a combination of multiple deals, but essentially setting a trend for adoption of eSign for various use cases in government and other Enterprises.

- Rishi Jhunjhunwala:** Alright thank you so much.
- Moderator:** Thank you. The next question is from the line of Sarvesh Bodani an investor. Please go ahead.
- Sarvesh Bodani:** Yes Sir, congrats on the good set of numbers. Sir I wanted to ask a bit about the trade receivables that have gone up a bit higher for H1 so if you could explain the reason for it and given the context since you mentioned that competition is undercutting us a bit offering lower realization so is it an effect of that or what is leading to this higher surge in receivables?
- Venkatraman S:** No, trade receivable again if you see is comparatively thought in absolute number it has gone up in terms of the number of days compared to the last September it has come down only so the last September it was 111 days receivables and compare with this September it has come to 96 days receivable so correspondingly our revenues are also going up there is one more factor is almost more than 50% of receivable is within one month and so within one month receivable only has increased and if you say more than 180 days receivable it has only come down and as the percentage and out of that also quite a bit almost 25% of more than 180 days receivables also received in the October first 15 days so that way it is not really a matter of concern if you work out based on the number of days compared to last September to this September. But it can further come down. It has somehow the major government dues which are there which are likely to be received now.
- Sarvesh Bodani:** Alright thank you.
- Moderator:** Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.
- Sarang Sanil:** Sir just a follow up question is it possible to give a breakup of Trust services and Enterprise if you have the details like how much would be I believe DSE would be higher on Trust services but still can you give a breakup of the revenue part?
- Venkatraman S:** On what how much DSE and how much stock and like that is it.
- Sarang Sanil:** How much DSE and how much stock on assets there were IOT.
- Venkatraman S:** We are not segregating that way in the segment results because the Trust service itself is 40.9 Crores for the half year within that only token is the hardware component otherwise the IOT SSL everything is a very high margin business so the token itself per se may not be even 7-8 Crores around that only.
- Sarang Sanil:** But I believe within Trust services major component would be DSE right?
- Venkatraman S:** Major component is DSE yes.
- Sarang Sanil:** And on the Enterprises side it will be emSigner.

- Venkatraman S:** emSigner followed the emCA and the third product is emAS.
- Sarang Sanil:** Okay emSigner, MCA, and emAS okay Sir thank you.
- Moderator:** Thank you. The next question is from the line of Preyank Sethi from IIFL Securities Ltd. Please go ahead.
- Preyank Sethi:** Good afternoon Sir. I just had two questions one would be around Enterprise services one would be around Trust. So in last quarter you suggested that the Enterprise India business saw some sort of a blip considering with regard to government websites what is your outlook on the same do you see this time also the growth has been around 9% is what I see. So is the growth soft and what do you think the growth would be going forward.
- Venkatraman S:** Last quarter Enterprise India was round 13 Crores this quarter it is around 17 Crores so that way almost 25%-30% growth it has seen compared to the last quarter. Now order book on pipeline is also building up very well so that way whatever we expected that level of growth most probably will be achieved. We are not seeing any blip or any slowing down of the order book for the Enterprise solution.
- Preyank Sethi:** Similarly how would your outlook be for on the Trust services side considering that volume is reviving though pricing pressure stays how is your outlook for the year going forward.
- Venkatraman S:** Outlook for the year will be initially we were receiving lower growth in Trust services anyway Enterprise solution only we have taken the higher growth so still we will have the same outlook only but because whatever price drop happening, one is compensated by the volume growth and the other is compensated by the SSL which is a new business so with that on the overall we feel we may not be affected much by the price drop which is there the overall whatever estimation we had done that level of revenue we should be able to achieve.
- Preyank Sethi:** Alright thank you.
- Moderator:** Thank you. The next question is a follow up question from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.
- Sarang Sanil:** Sir you are leasing data center in countries outside India right and you had plans of setting up your own data center so is there any Capex plan there?
- Venkatraman S:** No, we are not leasing any data center outside because the data center we wanted to do for the Trust services business where we are not permitted to lease we have to create our own data center so in the prospectus we had put one is the strengthening of the data center in India that is our main center in Bangalore and the Trust recovery site in Chennai so that process is happening and the other thing what we put is the putting a data center in Europe and the Indonesia so that we have not yet come as to only after finishing this Indian data center then we will go with these international data center so these are all part of our project from 43 Crores or something is

earmarked for that out of that 13 Crores is for the international data center, but which will be taken up only after finishing the Indian data center.

**Sarang Sanil:** Okay Sir thank you.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. V Srinivasan for his closing comments.

**Venkatraman S:** So as there are no further questions we will occlude the call. I would like to thank everybody for joining the call. I hope we have been able to address all your questions. For any further information kindly get in touch with our investor relationship advisors. Thank you once again and have a great day. Thank you.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Yes Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

Notes:

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