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August 7, 2026

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai- 400 001
BSE Scrip Code: 532348

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot no. C/l
G Block, Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
NSE Symbol: SUBEXLTD

Dear Sir/Madam,

Sub: Transcript of Earnings Call

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of Earnings Call of the Company held on August 6, 2026, for the quarter ended June 30, 2026.

The same is also available on the website of the Company at https://www.subex.com/investors/announcement-filing/#investor-and-analyst-call

Kindly take the same on record

Thanking you,

Yours faithfully,
For **Subex Limited**

RAMU AKKILI
Digitally signed by RAMU AKKILI
Date: 2026.08.07 16:19:04 +05'30'

Ramu Akkili
Company Secretary & Compliance Officer

Subex Limited

Q1 FY27 Earnings Conference Call

Event Date/Time : 06/08/2026, 11.00 Hrs

Event Duration : 1 hour 13 mins 58 secs

MANAGEMENT DETAILS:

Mr. Ramu Akkili

Company Secretary & Compliance Officer

Mr. Sumit Kumar

Chief Financial Officer

Mr. Harsha Angeri

Head Corporate Strategy and AI

Mr. Nisha Dutt

Managing Director & CEO

Mr. Pratik

EY Investor Relations

Q&A PARTICIPANTS:

1	**Kiran Chheda**	: Chheda Investment Consultancy
2	**Patrick Mathias**	: Individual Investor
3	**Ajay Desai**	: Jayant Enterprise
4	**Harshit Singhania**	: Robo Capital
5	**Sanjyot Khare**	: Individual Investor
6	**Abhishek Kale**	: Individual Investor
7	**Nishita Shanklesha**	: Sapphire Capital
8	**Meet Mehta**	: Prasun Exponentials
9	**Mahesh Kumar**	: Individual Investor
10	**Nandagopal B**	: Individual Investor
11	**Jitendra Bhutoria**	: Individual Investor

Moderator

Good morning, ladies and gentlemen. I'm Madhuri, moderator for the conference call. Welcome to Subex Limited Q1 FY27 Earnings Conference Call.

As a reminder, all participants will be in 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 * and then 0 on your touch-tone telephone. Please note that this conference is recorded.

I would now like to hand over the floor to Mr. Pratik. Over to you, sir.

Pratik Jagtap

Thank you for Madhuri. Welcome to the call for the quarter ending June 30, 2026. Members of the management who are present for the call are Ms. Nisha Dutt, Managing Director & CEO; Mr. Sumit Kumar, CFO; Mr. Harsha Angeri, Head Corporate Strategy and AI; and Mr. Ramu Akkili, Company Secretary & Compliance Officer.

I would like to start the conference call by going through the Safe Harbor clause. Such statements in the presentation concerning our future growth prospects are forward-looking statements, which involves several risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

These risks and uncertainties relating to the statements include, but are not limited to, fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, withdrawal of tax incentives, political instability, unauthorized use of intellectual property, and general economic conditions affecting our industry.

With this, I now hand over the call to Nisha to take it forward. Over to you, Nisha.

Nisha Dutt

Thank you, Pratik. I am audible, right? Loud and clear?

Moderator

Yes, ma'am.

Nisha Dutt

Okay. Good morning, everyone, and welcome to the Q1 FY27 Earnings Call. Thank you for joining us today. A lot of you joined us for AGM, and you know that we concluded our AGM the day before. I would first like to start off by thanking all our shareholders for the confidence that they have placed in the management team and in me personally. So, that trust means a great deal to me, and it's a responsibility that I certainly do not take lightly. It is one that we intend to earn through consistent execution.

Over the last three years, our objectives have been very clear. We set out to simplify the business, sharpen our strategic focus, restore profitability, strengthen our balance sheet, and build a more disciplined organization. Now, I believe that that foundation is firmly in place. FY27, for me, represents the beginning of the next phase. This conversation is no longer about whether Subex can complete its turnaround. The conversation now is whether we can translate that strong foundation that we have set into consistent and sustainable growth. That is the mandate that we have set for ourselves this year.

Every decision that we will make in this company will be aligned to that objective squarely. With that, let me walk you through how we fared in the first quarter. We are encouraged by the start that we have made to this year. Revenue for the quarter grew 8.9% sequentially and 19.7% over the corresponding quarter last year. EBITDA margin was at 21.2%, while PAT stood at 17.9%.

Equally important, EBITDA has now grown fourfold compared to same quarter last year, if you compare. These results to me are not an outcome of a single large deal or a one-time event. In fact, they are cumulative impact of the work that has gone into business over the past several years. What have we done? Some of you who have been with us in this journey know this.

We have greater operational discipline in the company now. We have improved execution of our order backlog. We have tighter cost management, and we have been achieving our key billing milestones consistently. We also ended the quarter with cash and cash equivalents of INR 184.8 crores. This further strengthens our balance sheet and gives us flexibility to invest in the future.

While I say these results, I also want to set the expectations a little appropriately. While, as management, we are really pleased with the profitability that we have delivered this quarter, I do see this margin somewhat differently. They demonstrate the earnings potential of a business when the fundamentals are operating really well. Over the last three years, we have built a more disciplined organization, right?

So, this quarter reflects what that foundation is capable of delivering. But at the same time, I'd like to remind everyone that FY27 to me is about accelerating growth. As opportunities present themselves, we will continue to invest in product innovation, AI capabilities, customer-facing teams, and delivery excellence.

Our objective overall, the way we see this, is not to maximize short-term margins. It is to maintain a healthy margin structure while making disciplined investments that actually create greater long-term shareholder value.

I believe that striking this balance is the right way to build a stronger company. One area that I'm particularly encouraged by is Partner Ecosystem Management. As some of you know, that's one of our products. I mean, a lot of you know us for Revenue Assurance and Fraud Management, and likely so. But there is also, a third product that we are equally proud of, which is Partner Ecosystem Management, also known as wholesale billing in telco environment.

I've always believed, when we joined that PEM, and we kind of call it PEM internally, was strategically important business to us that had not received the level of investment that it deserved, actually. Over the past few years, we have rebuilt the team. We have strengthened the product roadmap, and we have renewed our focus on that market. What we have seen as a result of that is that these investments are now beginning to show. Some of the big deal announcements that we did last year for some of you who remember, were actually in this area, in PEM. Now, we are starting to see a stronger deal flow in this area.

The renewal that we secured this quarter together with the opportunities that we are seeing in the pipeline give us the confidence that this can actually be an important contributor to our growth story. I wanted to particularly highlight this because usually the story becomes RAFM, but there is an equally third, equally important component setting in our story right now.

Commercially, this quarter reinforces our confidence that strategy, the one that we have been pursuing, is gaining traction. We renewed our managed services and software license agreement with our Tier 1 operator in the Middle East. I know a lot of you have had questions about Middle East. There might be slowdown, but, again, we went and we actually secured our renewal. We secured new business assurance and fraud management with a leading operator in Europe last quarter.

We also renewed our PEM, Partner Ecosystem Management engagement with a Tier 1 operator in Asia-Pacific. What gives me confidence is that this is not simply individual wins, but what they collectively represent for us and our portfolio. Across geographies, across customers, we continue to invest in our core platform, which also tells us that they sort of they believe in our story and they are renewing with us. So, that's a big vote of confidence that customers are actually showing us. Alongside customer engagements, we continue to strengthen our market presence during the quarter.

We participated in MVNO nation. This specifically happens for MVNOs, not MNOs. There, we engage directly with operators, industry stakeholders. We also took part in GSMA Fraud and Security Group meetings in Singapore. We contributed to industry leaders, and we also continue to contribute to the fraud standards in the industry. These engagements are important because they deepen our customer relationships, they strengthen our market positioning, and they reinforce our role in shaping conversations across the future, you know, around the future of telecom operations. These, in a sense, also position us as thought leaders in some of these spaces.

That's one of the reasons why we make sure that we attend all the important conferences where content is being discussed, and we contribute on the front foot in some of these. This quarter also marked the beginning of our non-deal roadshow (NDR). Some of you have been a part of that. I found these conversations because, I hit the market after three years, to do the first NDR. I found these conversations particularly valuable because they reflected how investors' perception of Subex has evolved.

Three years ago, I know that when I joined, questions centered around whether the turnaround was possible. But today, I felt the questions are very different for us. Investors wanted to understand how we sustain growth, how we allocate capital, how are we going to continue to expand margins over time, and how consistently can we execute our against our commitments.

I welcome that change. That change in conversation tells me that something is working here, and we are delivering. It also tells me that conversation has moved away from recovery to performance, and that's exactly where it should be. And it is precisely where our focus lies today. On the people front, we completed FY26 performance and promotion cycle during the quarter. Building a growth business ultimately depends on building a stronger organization. Recognizing performance, investing in capability, and continuing to develop our talent remain important priorities as we scale.

Let me briefly cover the consolidated financial results for Q1. All numbers that I will speak now are in INR. Revenue for the quarter stood at INR 79.45 crores as against INR 72.96 crores in the previous quarter. EBITDA for the quarter was at INR 16.87 crores compared to INR 10.58 crores in the previous quarter. Normalized PAT for the quarter stood at INR 16.09 crores compared to INR 11.51 crores in the previous quarter.

PAT for the quarter stood at INR 14.22 crores compared to INR 9.93 crores, including exceptional items in the previous quarter. But before I conclude, let me leave you with one thought. The last three years were about rebuilding the business. The years ahead of us are about proving that we can grow it consistently. One quarter does not define a year, and I know that, but it can certainly establish a direction.

We believe this quarter demonstrates that the business is moving in the right direction. We have stronger financial foundation. We have healthier profitability. We have deeper customer engagement, and we have a clear strategy for growth. I believe our task is now quite straightforward. We execute with consistency. We invest with discipline, and we continue to create long-term shareholder value.

Thank you once again for joining us today. I will now be happy to answer your questions. Back to you.

Moderator

Thank you, sir. Thank you, ma'am. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Participants are kindly requested to restrict with two questions in the initial round and join back the queue for more questions.

The first question comes from Kiran Chheda from Chheda Investment. Please go ahead.

Kiran Chheda

Good morning, ma'am. Congratulations on a great set of numbers, and the turnaround, and the growth going forward. Ma'am, when we met last time, I had made a suggestion for capital readjustment. Has the Board given any thought to reducing the equity capital, writing it off against the losses that are pending so that we become a lean company and all the numbers and start looking good?

Nisha Dutt

Thank you, Kiran. Good to speak to you again. I remember that suggestion so clearly, and we did actually discuss it in the Board meeting that we just concluded yesterday. What we are going to do is we understand that some structural changes need to be made. Board is aware of that. The management is acutely aware that once the numbers start, we can go. There are some structural balance sheet things that we must do. This is something that we are going to consider. As you can imagine, this is going to be a little bit of a long-term process.

We will appoint a consultant. We will figure out, what's the best way to do it where we can protect all the shareholder interest. We will embark on this. As you know, this will take some time for it to manifest because once we have a path forward, this will require board approval, shareholder approval, and NCLT. This is, you know, the song and dance. There is a little bit of a process here. But that said, this is strongly under consideration right now. So, yeah, the suggestion was great. I came back with it. We have discussed it. So, we'll act on it.

Kiran Chheda

Thank you so much, ma'am. Second question is, has the board considered rewarding you much better than what they are doing now, considering your performance in the company?

Nisha Dutt

I just wish that you were there in my performance appraisal. I could have used some help. No, thank you. I mean, this means a lot coming from a shareholder, but we are discussing. One of the things that we are discussing is, how do we meaningfully improve stake in the company for our core set of people. This is something, again, that Board has taken quite seriously. You know, we are acting on that. Again, that's something that's not just under consideration. You will see action on that within a few weeks.

We have taken that into consideration. Board is aware of this. So, yeah, I mean, we are on that track as well. But I'm going to invite you next time when we do this performance appraisal. But thank you.

Kiran Chheda

Thank you so much, ma'am, and all the best.

Nisha Dutt

Thanks so much.

Moderator

Thank you, sir. The next question comes from Patrick Mathias, an Individual Investor. Please go ahead.

Patrick Mathias

Good morning to you and all present from Subex. I have two questions. One, in terms of executable order pipeline for this year, what size of funnel are we working on which is executable for this year? Second is, in terms of new order wins or sign-ups, what's the total pending order wins that we have for billing over a period of whatever year? I mean, contracts will be signed for three years, five years, etc. What are those total order wins that we already have?

Nisha Dutt

Okay. Are those your questions? Are those two your questions?

Patrick Mathias

Yeah.

Nisha Dutt

Okay. In terms of size of funnel, typically, the way we work in Subex or, the way I would say enterprise sales work, right, enterprise business work, we aim for a taste of 3-4 times pipeline. There are stages. There is something called a pipeline. Then you know, which is this can be unqualified, qualified. Then there is a qualified pipeline.

Then there is actually the order intake that we do, and that converts to revenue. That's typically the cycle that we follow. Our aim at any point of time, and as far as how the Board also actually judges management and keeps us on track is that at any point time, whatever my order intake target is for the year, I need to have at least 3x of that qualified pipeline I should be running at any point of time.

Rest assured, at any point of time, our pipeline is around three, two so, when you talk speak about the funnel, and I'm talking about qualified, not just unqualified. Qualified pipeline is around 3-4x. Unqualified and all that, which is still need to qualify, is much, much larger as you can imagine. But for me, what matters is qualified pipeline. So that's typically the pipeline that we run.

In terms of orders, you know, again, one thing that I wanted to clarify is that we don't announce every order that we win in the company because it's not required. Even by compliance standards, we are only required to announce either the new logos, significant deals, material deals, or some a certain flavor of the deals.

We don't actually announce every renewal, everything that we do, right, through the year. If you remember last year, just the deals that we announced in the market, last financial, they were in the range of five --you know, and, again, I might be a little bit off, but it was to the tune of 18-20 million is what we announced. Obviously, the actual pipeline will be greater than that. Our revenue, the composition of revenue, the way we work is 70% of our revenue is recurring in any given year. If I'm hitting, let's say, 10 million, you are rest assured that 7 million, I already had in the bank when I started the year.

This is how we kind of go through the year, and 30% is what we win in the year, and we convert some part of it. If it's a three year contract, we convert some part of it and recognize 30% of that in the year. That’s how typically our funnel works. In terms of pending, you will switch a different stage. If I won a three year contract, let's say, last year, I may be executing 25% of it this year. Then, it goes into managed services or license agreement. Every contract looks typically a little different, but in any given year, 70% recurring. For the deals that we announced last year, let's say, you can assume that we are going to take in at least 30-40% of that value this year. That becomes a part of our backlog that we enter the year with. That's typically how our revenue cycle works. But I'm happy to expand on it, but this is what it is.

Patrick Mathias

I wanted a specific number, not the expansion. I can't really imagine.

Nisha Dutt

Number, I can’t. You can imagine.

Patrick Mathias

I'm asking of the funnel, not the order.

Nisha Dutt

You can imagine. I can't give you the number.

Patrick Mathias

I am a very large retail shareholder who has been holding your share for the last 15 years. Last time also, in one of the conference calls, I was asking you for specific answers, and we were getting generic answers. This funnel, and I was pretty familiar with it, the stages of the sales life cycle, etc.

Nisha Dutt

Patrick, as you can imagine, these calls are recorded. They are recorded not just for our shareholders. They are also recorded for the purposes of competition in the market, right? We are listed. All my competition that I compete with in the market is private. Every single company that I compete with in the market is private. Nobody else is listed. Subex is the only one that's listed in, top four competitors that I work with. Some of these numbers by their nature are sensitive to us. This is sensitive information.

If there is a one-on-one you want to come and meet us separately in office, I'm happy to speak to some of this separately. But on a call, it's sensitive information. Hence it’s my hesitation is not that I can't give you the number. My hesitation is it’s competitive. This information is competitive. And hence, I hesitate to get this. This is not something I can disclose, actually.

Patrick Mathias

I'll be very straight with you. Your presentation does not give any direction on the business.

Nisha Dutt

Okay.

Patrick Mathias

I want direction.

Nisha Dutt

What kind of direction would you like?

Patrick Mathias

Growth direction.

Nisha Dutt

Like I already said, right, we are on the trajectory of growth. This year we have already seen its near double digit, right? We are already trending to that growth. I have committed, and I think I've been committing for the last few quarters that growth is the focus. FY27, we are going to be squarely focused on growth. That is where the whole management is effort is, to deliver growth to shareholders this year because I think we have done a decent job on the bottom line.

We have bottom line quite under control right now. What we need to do is build the top line, and we are squarely focused on that. Now, will I deliver double-digit growth, or will I do high single digits? That remains to be seen. But at least aspirationally, what we want to do is obviously much bigger for the shareholders. You can imagine some of the forward-looking guidance and all that cannot be given in earnings calls.

Patrick Mathias

We are a USD 20 billion company. We have a small base. No, not I'm talking about answers that I'm hearing are as if we are a USD 20 billion-dollar company. We are a small company.

Nisha Dutt

Patrick the rules don't change whether I'm a million-dollar company, a billion-dollar company. The rules of disclosure to the market and [inaudible 00:21:47]

Patrick Mathias

I'm not talking about disclosure. I'm speaking about growth trajectory. I'm speaking about growth trajectory, not disclosure.

Nisha Dutt

Growth trajectory, I have been through this for three years. I know, where I started, and I know what I need to deliver to make shareholders happy. I'm acutely aware of that. When we went to NDR, so I got direct feedback from a lot of people on what they expect to see, double-digit growth.

We need to see this kind of sustainable growth. I have all the feedback, and we are working towards it. If you think that aspirationally, company is still going to do some anemic growth, that's not even the goal here. We don't want to deliver anemic growth. That's not the goal.

Patrick Mathias

At the base we are as a company, for the last three years that you have been there, honestly speaking, by now, after holding the share for 15 years, my expectation is, given AI adoption, etc., there should be a minimum growth of 50% YoY on the top line. That's my expectation.

Nisha Dutt

Okay. I am not going to comment on that, but I would also encourage you to go and look at the other telco vendors, what their growth rates have been. I will encourage you to look at telco industry itself, what the growth rates that they provide.

Since you are invested in this industry, since you have been a long-term shareholder, since you have been following us for a while, I would encourage you to please go and look at the comparables in the industry because I would also love to see another vendor that's growing at 50% right now. It's not that aspirationally we don't want to do that. But we also have to be grounded at reality of where we are. I want to be sure that I give you the right guidance.

Moderator

Thank you, sir. The next question comes from Ajay Desai from Jayant Enterprise. Please go ahead.

Ajay Desai

Yeah. Good morning.

Nisha Dutt

Good morning, Ajay.

Ajay Desai

Nisha, congratulations. Now, my question was to get a clarity on this ESOP thing, which is announced. Like, when and at what price bracket it will happen? Or like, market purchase, trust when they will do, you can throw some more light on that.

Nisha Dutt

So, Ajay, we have the approval for ESOP. You must have seen the announcement yesterday. What we are going to do is, obviously, there are some steps to this. We are going to send it to the shareholders for their approval, which is a postal ballot. It'll take a month or so from the day we do postal ballot. I think Ramu probably has a better timeline than me, but I think within two weeks, we should be triggering postal ballot for this.

Once we have the shareholder approval, what we will do is then we will start acquiring from the market. When we have the shareholder approval is when we will decide or there is a set calculation for at what price we acquire, actually. We'll do that calculation, and we will acquire. It's not decided yet. Whatever the shares has been trading at for the last 60-days.

There is a calculation there. Again, I can share that with you separately. Honestly, I don't have the number right now. But the way compliance works, and Ramu can probably clarify this is, we have taken the approval for 5%. But in a given financial year, we are not allowed to acquire more than 2%. 2% is a cap on which we cannot exceed that. We will execute the 2%. The moment we have the approval, we have the share price set. We will acquire within, let's say, a quarter or so. We will acquire 2% or so. That's our plan.

In a year, we can only do 2%, and we'll max out that gap. That's the plan right now. I think in terms of timeline, I am seeing that they should be executed at around Q3 given that we are going to go through postal ballot approval and all that. In Q3, we should be executing to this. Once we execute and acquire the shares, there is a, again, a compliance that requires us to make sure that people who have to be awarded is must be awarded within the six months' time frame.

Again, Ramu, you have to correct me if I'm wrong here. But six months' time frame, we have to allocate it to the people that we want to give it to. That will happen in the subsequent Board meeting. We'll take the recommendations to the board, and we'll get it allocated. That's typically the process. I'm expecting Q3 is when you should see us starting to acquire from the market.

Ajay Desai

Sure. And congratulations on the good set of numbers.

Nisha Dutt

Ramu, anything? Thank you so much. Thank you, Ajay.

Ramu Akkili

To add further, we may execute in Q3, or it may extend to the full financial year. This is the convenient from the company.

Nisha Dutt

Yeah, because we take loan from the company.

Ramu Akkili

Yes.

Moderator

The next question comes from Harshit Singhania from Robo Capital. Please go ahead.

Harshit Singhania

Hello, am I audible?

Nisha Dutt

Yes.

Harshit Singhania

Congratulations on a great set of numbers. I'm like quite new to the company. Just wanted to understand, we have really grown our EBITDA margins. Where do we see them stabilizing around? We have quite a number of contracts. Are these around similar margins, or how much is the variance in the margins?

Nisha Dutt

Typically, we have a threshold below which we don't pick up contracts in the market, right. That ensures a certain profitability. But margins are not just a reflection of what we sell our contracts at. The actual EBITDA margin has a lot a few other components. One is, of course, the COGS part of it what we sell our contracts at and at what margin can we deliver. Because let's assume that I sell at, X%. I actually sold to a customer, let's assume, at 10% or so. Then there is possible for me to extract further margin from my delivery efficiencies.

We will extract something else also on additional. On top of that, there are other costs. There are manpower costs. There are facilities costs. There is a lot of other costs that we also control operational OpEx. There are other OpEx items that we control to get to EBITDA margin. Typically, we make sure that contracts are not sold below a certain threshold. In every geography, we have a different threshold set because there are geographies that can give you better margins than others. So that's how typically our margin structure works.

In terms of expansion of margin, like I was mentioning even in my opening remarks, see, we have a path to expansion of margin. We have delivered it this quarter. But I also wanted to just caution everyone that it's not that we can't expand margin, but I think the need of the business right now is that we reinvest for growth and for future. For me to create long-term value, it's more important for me to make sure that my products are well supported, and I have a robust roadmap for that. That's why I wanted to make sure that I don't get into the race of margin expansion indefinitely.

What I want to do is, we want to get to a good margin, which we have and then also plow back some money into reinvestment, actually, of the company, of some growth initiatives that I feel that we absolutely need to run, especially around AI and all that. We are going to do that. You should expect robust margin. But, again, my thing will be not that we cannot expand margin, but I think we need to reinvest some of the money. We need to take and blow it back into business. That's, broadly, my guidance or my thinking on how we'll do margin this year.

Harshit Singhania

Ma'am, completely fair point. I just want to ask, so are these levels, like, stable? I'm not asking for aggressive margin expansion.

Nisha Dutt

Stable. Okay.

Harshit Singhania

Yeah.

Nisha Dutt

It should be in this ballpark. Let me put it that way. It should be in the ballpark.

Harshit Singhania

The mid to high teens we can expect?

Nisha Dutt

Don't ask me for specific numbers. In the region. I mean, obviously, you will see the margin expansion for where we closed the year last year. Definitely, as I chase growth, I'm not going to cap margins where they were. Margin expansion is something that we are looking at. A reasonable margin expansion that gives us room to reinvest. If you know more, my take at this point of time, and my ask from shareholders also that we ask for your understanding on this.

Harshit Singhania

Okay. Just to get a better understanding, so 70% of our revenue is recurring, and the 30% that comes in is the contract that we get in the current year, which is in the working year.

Nisha Dutt

That’s correct.

Harshit Singhania

The 30% is where the main growth can be expected to come from and the operational efficiencies?

Nisha Dutt

Actually, not necessarily, in the sense that 30% is very important because that tells me what I will do next year.

Harshit Singhania

True.

Nisha Dutt

While in this year, it's 30%, for next year, it will become a part of the 70% that I do a backlog for the next year. It's very important from a, I would say, forward-looking perspective. Because order intake is a lead indicator of our revenues.

From that perspective, it's very important for me to do well in that 30% bucket. It's not so much for 30% of this year. For me, it's a 70% that will contribute to the 70% of next year backlog. From that perspective, yes, you are right. It's important, and that's where our revenue expansion comes from the newer wins.

See, once you win something, then you are on a trajectory. We know how we will recognize revenues against that. That only gets baked into the plans. The newer things that you do definitely are the things that it's like a cherry on the top. That's the cream. We need to kind of make sure that they do a good business there. Alot of expansion comes from the new business. In that sense, you're right.

Harshit Singhania

Okay. So, I understand you're not --

Moderator

Hello. Sir, can you please join back the queue, sir, for more questions?

Harshit Singhania

Sure. Thank you so much, ma'am.

Nisha Dutt

Thanks, Harshit.

Moderator

Thank you. The next question comes from Sanjyot Khare, an Individual Investor. Please go ahead.

Sanjyot Khare

Hello. Good morning.

Nisha Dutt

Good morning.

Sanjyot Khare

Congratulations, Nisha, and the team. We are really seeing a good improvement after a long time, and it's consistently compared to last quarter as well. My question is, definitely, you mentioned that you have a lot of orders already won. Execution is going on. That is really important to realize the margin, I mean, not profit margins. How the market scenario now? Are we seeing that still there is a delay in order closures?

Because we had made a good order announcements, like, two, three months back, which seems last two months. Again, we are not seeing the way you mentioned that not every order you announced, but I just want to see how the order closures are happening. Anything got delayed from the last quarter and this quarter indicating closed, especially on that.

Nisha Dutt

So, okay.

Sanjyot Khare

Go ahead.

Nisha Dutt

First of all, thank you. But in terms of contracts, we are seeing some amount of slowdown we have started to see from the Middle East, at least given the situation. Now, no cancellations. When I say delay, what's happening is that contracts are taking us longer to close, not the commercial negotiation. Actually, the legal days and fees.

Those kinds of things are taking us more than anticipated time these days because people are also becoming very careful about liabilities that they sign up, LOLs, we call them. There is a lot of hard negotiation that we are having to do on some of these. In terms of closure, I’m not seeing big delays. I'm not seeing, like, a quarter and all that delay, but I have seen, like last quarter that Q1 that we closed. There are some contracts that I would have liked to close in Q1, but as we stand, we are going to close them this month.

There has been a month forward. It shifted by a month. We are seeing some shifts like this. That had just what happens is that the war in the Middle East, but the fact of the matter is everyone gets cautious around it. We are seeing some drag, I would say, I would not call it even a quarter delay, but, yeah, it's moving a month or two here and there. It's happening. Some amount of delays are there, but nothing is lost, though. We haven't, like, lost any big deal and all that right now. But people are taking their own time to make decisions. There is some amount of that drag, I guess, to be honest.

Sanjyot Khare

Sure. How the markets in U.S. and Europe looks like? I mean, is it getting better?

Nisha Dutt

U.S. is actually better. I think Europe is also okay. Where we are seeing caution is obviously from the Middle East, and we are seeing some cautious buying on, I would say, little extended timelines even from Asia Pacific. We are starting to see some sort of delayed timelines even from APAC region. That is the thing.

Otherwise, I think Africa, again, by nature of the way business works in Africa, they do take a long time to close everything. It’s generally speaking, a little bit of a slower market. Africa has generally been slow. It's slowing down. The Middle East, for reasons known to everyone here, is becoming a little slower. I think APAC is taking a little bit more time, in my opinion, but what gives me comfort is that nothing is lost. People are actually -- so it's all getting delayed in legal negotiations and all that, which I think, from my perspective, I am okay delaying it by a month as long as we make sure that legally we are doing very watertight contracts.

We need a good contract in place instead of, you know, I need it on July 31. That is acceptable to me at this point of time. But nothing is lost you should be looking forward to hearing some announcements and all that in the coming quarters. We are working towards that. You will hear about it soon enough.

Sanjyot Khare

Sure. Thank you. Just the last point. Definitely, it's a good improvement to top line as well as bottom line, and hope we consistently more towards double-digit growth as well as very soon we reach crores revenue per quarter. Wishing you all the best.

Nisha Dutt

Thank you so much.

Moderator

Thank you, sir. Participants are kindly requested to restrict with two questions in the initial round, and join back the queue for more questions. The next question comes from Abhishek Kale, an individual investor. Please go ahead.

Abhishek Kale

Am I audible?

Moderator

Yes.

Nisha Dutt

Yes, Abhishek.

Abhishek Kale

Good morning, Neha and Manish. Oh, sorry. I mean, Nisha and Sumit.

Nisha Dutt

Good morning, Abhishek.

Abhishek Kale

Couple of questions, Nisha. The first is, from contract signing to subscription revenue, that window, right, do you have any metric that you are tracking? I think that window is substantial, I've been asking around this in the previous quarters as well. Would you be able to share some kind of a number, and if we have done, work on, shortening that window? Till what extent have we shortened it, and what's the scope? If you can give me color about it, that will help.

Nisha Dutt

Abhishek, our contract file to implementation to subscription, we have been sort of -- so every product has a different window, in terms of when I say every product, I mean, HyperSense, ROC. Every product has a different window depending, again, just to put some caveats around it, every product depending on the complexity of the implementation that we are doing. ‘

Some implementations are very large and complex, so they take longer time to implement. Then there are some which are very plain vanilla, standard, out-of-the-box sort of thing. Obviously, what we are doing is, I think, in terms of product, our product has become extraordinarily, I think we have made huge strides in that. It's quite stable.

In terms of R&D investments, we are looking at reducing the timelines. If I were to give you a specific number, it typically takes some contract signing. This includes our implementation, go live, and all that. Typically, we have seen it can take four or five quarters between when you will sign a contract and you will start seeing the subscription revenue.

But that does not mean that we don't have revenue during this wire time, right. Even when we are implementing, we have a lot of milestones. We will have a BRD sign-off. We'll have an FSD sign-off. There are implementation milestones that let us take revenue even while we are executing or implementing the project. This timeline is not specific to us. This is typically a cycle of the third telecom.

But that said, internally, what we have done and our endeavor this year and last year, has been to reduce my goal or the goalpost that I've given to my team is that we need to bring this timeline down by a quarter. A quarter, I feel that if we are able to crash from five quarters to four quarters or in projects where we are doing in four quarters to three quarters, that will give us enormous leverage in terms of revenues.

Our goal is one quarter, but I can also tell you that we just implemented one project recently, which was done almost, I think, 45 days ahead of time we were able to close the project. Are we there at a quarter? Not yet. But 45 days gain that we have made, actually. We are starting to measure this, and I'm seeing on an average, we are able to gain almost a month to 45 days in our implementation cycle.

We are going to sort of extend that and see if we can get it to our quarters. Typically, that's what a lot of internal initiatives that we are running are around this part that can we use libraries?

Can we use reusability? We are working on a bunch of initiatives just to crash this timeline. If that answers your question.

Abhishek Kale

Yes. Second question, I need the flight plan for INR 100 crores top line. Still waiting for that. Yeah, I know Ramu is going to give you glad for giving up our existing statement.

Nisha Dutt

कोशिश ज़ारी है, इंशा अल्लाह।

Abhishek Kale

I mean, I'm just saying that if you can give us when do you realistically see that?

Nisha Dutt

I see that. Realistically, it should be in few. I mean, it should be in few quarters. Definitely. Because, like I said, a lot of our business is backlog driven. हमको पता है की backlog क्या होता है। . I mean, I know what my backlog is for this year. I know my backlog. I know what I need to do in the year. I already know how my contracts are shaping up in Q1. Obviously, I can't discuss all that on the call, but I have a good view of what it should be. I feel that we will get to that number. We'll get to that.

I have a line of sight. I could not have said that. I don't have I mean, last year, if you had asked me, I would say that I'm aspiring towards it. But today, I can tell you that I have some line of sight. If all the pieces fall like I want them to and we are working towards it, it should happen. Just give us a few quarters. It should happen.

Abhishek Kale

Okay. One last question, if I may. FraudZap have you signed on any new customers during this quarter?

Nisha Dutt

FraudZap, it's actually again, I'm trying to recollect. I think is it this quarter? Yes, actually –

Abhishek Kale

I think it was last quarter we did one.

Nisha Dutt

No. This quarter also, like; this is one of the slight delays that I was talking about. It's moving by a month or so. But, yes, is it will be. It will not technically become last quarter. It will become this quarter. But, yes, it's one of the deals.

Abhishek Kale

Okay. Again, last quarter, I had asked this question regarding the margins around FraudZap. Are you comfortable at this moment or still waiting to see some more contracts flowing through to get the margin number for FraudZap?

Nisha Dutt

I think, see, we have done a few contracts already. We know where our margins will land on FraudZap. I think it's much higher. I think if it gives you any comfort, we have already recovered our investment on this. My ROI is already done.

Abhishek Kale

Perfect. That makes me happy. I'm still holding you for that flight path.

Nisha Dutt

Yes, of course.

Abhishek Kale

But then congratulations, and give my regards to the entire team for the job well done. I'm looking forward to better numbers in the future quarters. Thank you.

Nisha Dutt

Thank you.

Moderator

Thank you, sir. The next question comes from Ajay Desai from Jayant Enterprise. Please go ahead.

Ajay Desai

Yeah. Nisha, now if you can spend some more time in creating visibility of Subex in capital market and, with the kind of AI, if we can do something, which helps us recoup our big, big losses on which we are sitting here. If you can.

Nisha Dutt

Ajay, we had already started NDR, and we were just waiting for the silent period to get over. As of yesterday, we are out of silent period, so you will see us go back into the market. This is something that I plan to do consistently. We will do consistently. We are actually going to meet both.

Like, last NDR also, we met both the buy side and the sell side. We'll continue to do this with the help of EY. That's all the call. There is a plan in place. We are going to actually hit the capital markets consistently and make sure that the story and our narrative are heard by as many people as we can reach. So absolutely on the job.

Ajay Desai

Sure. Thanks. Whenever you are in Mumbai, please just let us know, and we will also come.

Nisha Dutt

Absolutely. As you know, all the capital markets are in Mumbai, so we have to be there. Absolutely, we'll do that.

Ajay Desai

If we are also informed, we'll plan accordingly.

Nisha Dutt

Absolutely. We'll make sure.

Ajay Desai

Thanks.

Nisha Dutt

Thank you.

Moderator

Thank you, sir. The next question comes from Nishita from Sapphire Capital. Please go ahead.

Nishita Shanklesha

Hello. Hi. Just on previous participant's question only, I just want to add something. You mentioned that, we have a threshold below which we don't pick up orders. If you could just, like, quantify what our threshold is, like, what are the profit margins that we look for when we take on new orders?

Nisha Dutt

That's confidential. It's competition-sensitive. Because as you can imagine that -- I'll tell you why this is confidential also. It's because a lot of the orders that we win, so anything in telco industry, and I'm sure this is applicable to many other industries where I see.

Any order that exceeds, you know, 800k or a million-dollar threshold typically goes through an RFP process. We are competing and bidding against our competitors. If I were to divulge, what our thresholds are, you know, or what my profit margin or what my margin threshold is, this becomes competition-sensitive. They now know what to beat me at in terms of pricing.

There are two parts to RFP, as you can imagine. One is technical. You have to be technically number one, and then you have to be also very competitive in your pricing. There is a technical and there is a financial/commercial component to this. I am not able to disclose because, we do competitive RFP bidding all the time, actually. In fact, right now, as we speak, we are in multiple RFP bids. They will cut beyond our thresholds if I mention the threshold number. That's not something I'm able to tell you.

Nishita Shanklesha

Right, okay. I see that our margins have been improving QoQ. Is that trend going to continue? Or if you could give some direction on how our margins will look like?

Nisha Dutt

Like I was saying, we are looking at expanding the margin from where we closed last year. And this quarter, you have already seen margin expansion. That's one of the big goals that we want to do margin expansion. But, like I was explaining to one of the previous shareholders, Brian, just now, I do not want to continue to expand margins at the cost of reinvesting in the business. We want to get to a healthy margin profile, and I think we are at a healthy margin profile.

It's beyond the point of actually just expanding margins. I'm going to take some money and plow it back into business. What you will see, what essentially this means for shareholders, is that you will see us, and I don't want to say that we are artificially capping it, but you will start seeing that we will start holding margins in a certain range. After that, we will take any excess money or any excess cash that we are generating, we will start going back to the business for investment.

Because I think the journey of Subex, what I've seen, and the opportunity that I see in the market, we really need to invest, actually. We really need to invest and invest well to win this, GenAI race, right. It's important. We need to do this.

Nishita Shanklesha

My next question is then, are we looking for any inorganic acquisitions, inorganic growth, in terms of acquisitions or something like that?

Nisha Dutt

We do have cash on the balance sheet, and one of the ways to leverage our balance sheet is obviously, through some of these methods. That's very much on our radar. We are kind of running a pipeline in the back. We are seeing what we can do. But am I actively talking to, someone right now? The answer is no. But are we strongly considering it? Do we have pipeline? Are we strategically looking at what kind of asset will make sense for Subex? Answer is yes. Because we do have some cash, as you know. We have about INR 185 crores.

Nishita Shanklesha

Okay. Understood. Yeah. Thank you so much.

Nisha Dutt

Thank you.

Moderator

Thank you, ma'am. The next question comes from Meet Mehta from Prasun Exponentials. Please go ahead.

Meet Mehta

Hi. Thank you for the opportunity. Am I audible?

Nisha Dutt

Yes, you are.

Meet Mehta

Okay. My questions have been answered. I just wanted to understand your R&D expense, for the annual is around INR 25-35 crores, approximately. Are we seeing any increase over here? Exactly, where are we doing the investment? Are you saying that, for growth, we are preparing the investment in the business? So just wanted to understand that. Can I go with my second question or?

Nisha Dutt

Yes. Please ask away. I'll answer both.

Meet Mehta

Okay. Next question is, given the Middle East conflict and all that, so are we seeing any better increase going further, and how are you going to, manage the working capital? So yeah, please be.

Nisha Dutt

In terms of R&D expense when I said that we don't want to kind of keep stretching the margin profile, lock it at a certain healthy margin profile, and then reinvest in the business, the reinvestment is essentially for R&D, actually. R&D for a company like Subex, R&D goes into two parts. One is obviously, engineering. The second part is AI engineering. For us, R&D spend buckets are only these two, and these are large enough.

Do I see that our R&D density will increase in the coming quarters? Absolutely. I think that's a bet, and that's an investment that we must make. Because being a product company, again, we are not services. My investment in people or expanding my workforce does not make sense. I need to go back and invest in technology. The way I think about it is that my people expense will be replaced by my token expense. I use more and more tokens.

Will the R&D intensity increase? Yes, absolutely we need to do that. To be competitive in the market, we will need to do this. R&D intensity, and we are also going to pursue some new initiatives. When I say new initiatives, I need to look at not just telco. I need to look at some adjacencies where I can go. All this is R&D for us. There are two components. There is R&D for the current product to make sure that, so for instance, my HyperSense and ROC set of products, they are both today GenAI-enabled. They are both conversational products.

That is R&D into the existing set of products, which then I can go and tell my customers that, look, you have an older version of the product. Would you want a newer version with, let's say, newer AI models, newer Gen AI capabilities? That's one part of R&D, which is your existing products. You want to really make them world-class and cutting-edge, right.

The second part of R&D is more experimental, where we wanted to make sure that we are listening. As you must have seen, the frauds types are changing. Your fraud, the way it used to happen on banks and all that, today, the fraud has come to our phones. When you want to tackle new fraud types, like, let's say, social engineering kind of fraud or account takeover, All these are R&D bets, and we have to take on take those R&D bets to make sure that we are expanding our portfolio appropriately. That's also an R&D. Some part of it is R&D so I think of our spend in terms of horizons.

We do three horizons. H1 is obviously what exists today, and I need to kind of fund that to make sure that, well, products are well supported. H2 is two years down the line. How do I want my product portfolio to be? H3 for me is highly experimental. I'm making a bet for the future to and if it pays off, it's big payoff. Typically, in capital allocation, we spend 10% on H3 kind of bets because I have to eat today. I have to feed myself tomorrow also. There is a horizon spending that we do.This is how we generally pan it out. So long answer to your short question, R&D intensity? Yes, it will pick up. It has already picked up last year, and we intend to pick up pace, actually.

You said question on Middle East conflict? Yeah. Middle East conflict, as I was mentioning to another shareholder, is it beginning to affect us? I think the effect that we are seeing is in terms of slowdown. Slowdown of orders, not cancellation, a slowdown or shifting of orders. But one of the ways that we have done some mitigation ourselves is, obviously, when we were discussing the our AOP and budgeting for this year, Middle East conflict was on already. We have some amount of risk that's already baked into the plan this year.

But, obviously, if it, completely escalates, then that's not a scenario that anybody can plan for, or we just don't know what that scenario is. But as we speak, what we have done is we have offshored all the delivery to India from the Middle East. In that sense, we make sure that the delivery continuity or implementation of project does not get affected in Middle East.

A lot of on-site resources that were actually sitting, let's say, in Dubai and Kuwait and Qatar have been pulled back into Bangalore. Now, a lot of delivery is happening from Bangalore. Customers are obviously, understanding and appreciative of it. We have done the mitigation that we can right now. Again, it's a wait-and-watch for us whether it actually deescalates or it escalates into a different state. For now, I think that, we have our eye on it. For now, we are okay. Some slowdown is there. That's also something that I'll acknowledge.

Meet Mehta

Understood. Just one last question. What is the count of R&D team and percentage of total people in your R&D? That will be my last question.

Nisha Dutt

Our R&D team, so my overall strength is approximately give or take, 700. Our core R&D teams are about 200 out of that.

Meet Mehta

Okay. Understood. Thank you.

Nisha Dutt

Thank you.

Moderator

Thank you, sir. The next question comes from Mahesh Kumar, an Individual Investor. Please go ahead.

Mahesh Kumar

Yeah. Good morning, Nisha.

Nisha Dutt

Good morning, Mahesh.

Mahesh Kumar

My first question, is this profit margin sustainable? That is first question. Second, multiple previous investor call, you have told that you are going to have Investor Day in Bangalore. When it is likely to happen? Because most of the information which you don't want to disclose in investor call, that you can share in the investor day that time.

Nisha Dutt

Yeah, you have a fair point. I think in terms of sustainability of margins, I think I've answered that a few times today. But, again, to reiterate, Mahesh, we wanted to kind of make sure that we get -- I think we are at a healthy margin profile right now. We are looking to be in this ballpark. I think from that perspective, do I see that we can sustain this margin? Today as I speak --

Mahesh Kumar

गरम गरम का (Indiscernible audio 00:56:02)

Nisha Dutt

Okay. So today as we speak, I think that, we should be able to maintain.

Mahesh Kumar

(Indiscernible cross talks in Hindi audio 00:56:08- 00:56:12)

Nisha Dutt

Today, as we see the margins, I think, we should be able to sustain it in this ballpark. That's what we are actually thinking. In terms of Investor Day, what we have done instead is what I would, Mahesh, do is we started NDRs. In NDRs, we have also invited some of our existing shareholders to come and meet us. My recommendation will be that the next NDR that we do in Mumbai and the EY team is on the call, we invite you to our one of the NDRs that we do.

Because I think that might be a better way to do a lot more coverage because I can meet newer potential investors. I can meet existing ones. Essentially, instead of just doing one Investor Day in a year, I thought that doing quarterly NDRs is a better way, because we will come to your cities. We are thinking Mumbai. We are thinking Ahmedabad, Chennai.

We are planning to do a broader coverage of NDRs. We'll come to your city. We'll invite you, and we'll make sure that, wherever you are, we kind of invite you into the next NDRs that we do. Investor feedback was also that NDRs are more useful to them. We will not likely do one day. We will go and do NDRs with you, and we'll invite you to those. You should be able to get an opportunity to ask anything that, we can't comment on in an earnings call.

Mahesh Kumar

Okay.

Moderator

Thank you, sir.

Nisha Dutt

Thank you.

Moderator

The next question comes from Nandagopal, an Individual Investor. Please go ahead.

Nandagopal B

Hi, Nisha. Congratulations for this great set of numbers My is question is around the R&D piece that you were talking about.

Just curious to know, because you spoke about Horizon 1, Horizon 2, Horizon 3. Also, you spoke about you have plans to invest in the future. What's the future looking like ahead, Nisha, you know?

There will be something in your mind? Because all these three are building blocks, Horizon 1, Horizon 2, Horizon 3, but they all lead into something that you are able to visualize. I would love to hear that. I'm not looking for any numbers at all. But if you could tell me what is the investment looking like, it'll be good, because at least we'll be able to plan how long to hold on. What is being created also, we'll be able to at least have some sense.

Nisha Dutt

That's an interesting question. There are three parts to it in Horizon, but what we are essentially looking to do is, and I think I covered this in some part in NDR. Essentially, what I'm planning to do is, in Horizon 1, obviously, I want to make sure that our current set of products GenAI-enabled entirely. Our current suite of products, be it RAFM, or PEM, definitely needs to be completely in line with what the market is doing.

The second part of it is that I want to make sure that we enter markets that are going to be very exciting. For instance, I'm looking at some of the CapEx expansion that's happening across the world. There is a large CapEx expansion happening around as you are aware, in data centers and other areas. We are strongly looking at that and seeing that, and there are two ways. I develop new capabilities or I look at my product and see where else I can take it. I'm looking at both, actually, right now.

My thing is that can I transition? In the next two years, I want to transition my split to, like, a 60, 30, 10. 60 becomes my H1, 30 becomes my H2, and 10 becomes my H3. This is where I want to you know, finally, this is where we were. But where I want to kind of go is to see if I can get into this newer areas, actually, because there is a lot of exciting things happening with satellites. There is exciting things happening with data centers. I think we need to be on one of these waves, and we need to ride the wave.

I always tell people internally also that you have to catch a wave to ride, and we must ride some waves right now. So that's where a lot of R&D spend is invested and kind of going. In middle, there is another sweet spot, which is to expand our portfolio. Fraud, for instance, is kind of changing into account takeover, social engineering. These are complex frauds. These are not the frauds that are call record, call data records of Telcos. This is a fraud that's manifesting very differently. We want to make sure that we are those people that you call first if you have an ATO, if you have a social engineering fraud.

I want to be people who kind of go and solve some of the hardest frauds that are there to solve in terms of portfolio expansion. For me, make your current portfolio really strong. Make it GenAI-enabled. Expand your portfolio into the areas where we haven't gone before, which, I would say are not just the usual frauds and all that we tackle, not like SIM swap and all that. I want to get into newer areas.

The third part of it is go to areas which are going to be the future and tomorrow, and I think, very exciting for us in the future because I know there is a lot of push, right, go outside of telco and all that. I don't want to go to utilities, for instance. That's not where excitement is. For me, the excitement is satellites. The excitement is data centers.

There is activity happening there, and that's the right way I need to catch. There is a lot of spend that I'm doing there in that area. If I were to say, I want to make sure that we retain our hold on to our cash cows and we truly make them cash cows so that we can release money to really go some of these areas. That require, as you can imagine, high spend. It requires high spend. It requires a different kind of team, I feel, almost. That's what my focus area is. Again, you have been with us long-term, but my request would be that I feel there is a lot of excitement in the space that we are in. It’s fast catching up. It's interesting where it's going, and I want to go with it.

Nandagopal B

Perfect, Nisha. At least, if not for the shareholders, at least within the organization, I hope these conversations have started because, you cannot lead an organization without a vision. For last many years, all conversations, even in these calls, have been very transactional. How does the next quarter look? Let the let us steady the ship.

Now, once the ship is steady, I think these conversations at least should start within the organization so that we can hold on to talent also. Because if there is so much promise ahead of us, I think it has to be tabled. People have to know that, yes, you're running towards something which is meaningful. Otherwise, we could be having problems, right?

Nisha Dutt

I agree. See, in fact, as you can imagine, it's frustrating for shareholders, but it's equally tiring and taxing for the management team to be on a quarterly treadmill, right?

Nandagopal B

True.

Nisha Dutt

This is something that we must.

Nandagopal B

Today we have broken that, Nisha.

Nisha Dutt

Correct. Exactly.

Nandagopal B

We have broken that today. It's not frustrating. It is never frustrating for an investor because some investors hit for the long-term. But only thing is it can be very blinding for the investor. He doesn't even know where is he going.

So at least that visual identity, if you can give that, “Hey, 10 years down the line, we could be like this.” The word called “could” is built into it. Nobody's going to hold on to the could. These are not goals. These are visions, very gaseous in state that they do change. I think it's high time we start communicating that, that what is it that we wish to create in future. Now nobody's going to hold on to you for that, right?

Nisha Dutt

Yeah. It's a fair point, though. What I will do is I'll take this feedback, and I will probably come back and articulate this much better next quarter. Let me take this as an actual item.

Nandagopal B

Thank you so much. It was a dream to see these results then.

Nisha Dutt

Thank you. Bye.

Nandagopal B

Bye.

Moderator

Thank you, sir. The next question comes from Jitendra Bhutoria, an Individual Investor. Please go ahead.

Jitendra Bhutoria

Good morning.

Nisha Dutt

Good morning.

Jitendra Bhutoria

Thank you for this vision update, actually, which you gave just now. That was really nice and great. My first question is whether we have any recoveries from those earlier sectoral contracts, which we had written off earlier because some legal recourse was being taken or maybe some settlement talks which might have taken place.

Secondly, we had done some investment in that Middle East subsidiary. Now, since there is slowdown there, are you thinking of certain more funds would be required to be infused into the subsidiary so that once the situation improves, we can really clear up faster.

Nisha Dutt

Okay. I will answer the first part of sectoral contract. In Middle East subsidiary, again, I will ask, Sumit to add in if there is anything that he wants to add in, but let me tackle the first part. To be honest, we are still in litigation on sectoral contract. We are still litigating this.

As you know, Jitendra, with litigations, it takes time. You know, these are things that move through the process. We are also looking at mediation settlements. All those are a part of litigation, right? Nobody gets to the court the first day. It's all a part of litigation roadmap. In some places, we are settling. In one of the larger contracts, actually, there were three entities. One has been settled and dispensed with.

We are looking to close the other two hopefully, we have been chasing it honestly from our end, but I'm hoping that this quarter we are able to close. With that, one of the big contracts will be closed and done with dispensed with.

The second one is entirely under litigation right now. That litigation is ongoing. And, again, I don't have a timeline, honestly, but I'm hoping that before we close this financial year, we are done with all the litigation there. Left up to us, they would have kind of done this quarter or next quarter. But given that this is not India jurisdiction that we are doing litigation in, this litigation is outside of India, actually. This is a different jurisdiction that we are fighting in. It's taking time. The court systems are working, taking their own sweet time.

Again, to give you some sense, it's Middle East where we are doing this jurisdiction. So Middle East is, by default, only a little bit slow right now. Doing a litigation there, it's taking us some time, Jitendra. In terms of Middle East, I don't think we will need to capitalize the entity anymore. I don't think so. Again, Sumit, do you see any such, you know, do you have a view on this?

Sumit Kumar

Currently, not. It is self-sufficient. The last time which we found the capital more about to support the business. So that remains the same. We don't expect further the infusion right now. Again, the situation is also volatile in the Middle East region. Current visibility is no, but again, in future, something is there. Obviously, we'll come back to the shareholders for their views around.

Jitendra Bhutoria

One more question. We had invested, when we sold off ID Central, we got shares of some company. I just forgot the name. How is that doing, that 1 or 2% investment in that company was there? So how is that investment looking like?

Nisha Dutt

It's doing very well. Actually, we have turned out to be good investors, I think. It's actually turned out very well. What we'll do is, I think, again, Sumit, I'm not sure, but will we do it in Q2 or Q3? We'll do an FMV kind of markup. We'll do a fair market valuation and do a markup. But to answer your question, actually, that investment has yielding very good results for us right now. We are really happy with the way it's going. Again, Sumit, I think it's Q2 maybe, right? Q2 or Q3, we do have some things, markup.

Sumit Kumar

Yeah. Basically, Q2 is going to be our balance sheet we have to disclose. Based on the current performance, since our investment, again, as you appreciate, it's an unlisted space, which we have invested, and the company is really doing well. It needs evaluation and all that.

We are looking the company, prima facie, the results are really good. Q2 will be the event where we can look into that whether it needs revaluation of fair market to be done. Based on that, we will accordingly report it. Just to summarize, this investment apparently, as we speak, it has it's performed really well. Yeah.

Jitendra Bhutoria

Is there anything on the, Forex gains from the currency, as rupee has depreciated and are most of the contracts are in foreign currency? What is the Forex gain on the last quarter? Or maybe because sales is a function of revenues, whatever revenues we get in foreign currency only. That impact is also captured in the jump in sales. Can you comment on this, please?

Sumit Kumar

Yeah, that's correct. There is obviously so from compared to the last quarter to this quarter, the closing FX to dollar, there is a bit of a loss because the rupee hasn’t strengthened compared to the last quarter. From a QoQ point of view, the Forex gain per se is not much. But though from a YoY point of view, definitely, there's a good grade. Based on the accounting policies, how the annual conversion happens is it's basically that month average rate. Definitely on the numbers side, it is, what, value. Predominantly, our entire revenue is largely foreign generated revenue. So, yeah.

Jitendra Bhutoria

The jump which we see from 72-79, what is the portion that comes out of the Forex increment?

Sumit Kumar

Say it again, sir. Somehow, I did not followed the question.

Nisha Dutt

I think he's asking from 72-79. What's the currency gain in that? That's what you're asking.

Jitendra Bhutoria

Yeah.

Nisha Dutt

Correct?

Jitendra Bhutoria

Correct, rightly so. Thank you, ma'am.

Nisha Dutt

I think it's about INR 3 crores, this currency gain, yeah, to answer your question.

Jitendra Bhutoria

Okay. Thank you so much.

Nisha Dutt

Thank you.

Moderator

Thank you, sir. The next question comes from Harshit Singhania from Robo Capital. Please go ahead.

Harshit Singhania

Hello.

Nisha Dutt

Hi.

Harshit Singhania

Most of my questions are answered. SI think I would like to just add on that. Like, 70% of our revenue is recurring. So, it would be just great if you could, like, in the future sometime when the company is stabilizing a lot better, then we could get some better, like, a bit more directional guidance at least so that we can understand where the company is headed, how the revenue is looking. So that I think that's just the last comment that I have.

Nisha Dutt

Sure.

Harshit Singhania

Otherwise, best of luck.

Nisha Dutt

Sure. Thank you so much.

Harshit Singhania

All right. Best of luck

Nisha Dutt

Thank you so much. We can use all the luck.

Harshit Singhania

Thank you.

Moderator

Thank you, sir. There are no further questions. Now, I hand over the floor to Ms. Nisha for closing comments.

Nisha Dutt

Firstly, thank you to all our shareholders for your continued engagement. I think the questions that you ask, the perspectives that you share, and the expectations that you articulated in these calls, they really keep us sharp. I don't view that as scrutiny or pressure.

Actually, I view it as an important part of building a better company. One thing that has struck me over the past few quarters is, this is something that I want to share with all of you is how invested, our own people. When I say our own people, Subexians, are in these conversations.

A big sea change for me is that the members of the management team regularly ask me how the investors are responding to our performance. Many of our employees dial into these earnings calls because they generally want to understand how the company is progressing and how the market views the work that they do every day.

To me, that's a very healthy sign, and it reflects an organization that increasingly understands that the work we do every day ultimately has only one purpose. It's to create lasting value for our customers, for our employees, and most importantly, for you shareholders. I think, this kind of awareness has created a strong sense of alignment across the company.

There is a shared understanding that sustainable value is created when we consistently execute quarter after quarter, not through promises, but through delivery. This is very, very well understood through the DNA of the company right now. I think this is something I particularly wanted to share here.

Thank you once again for your time, your questions, and your continued support. We appreciate your confidence in Subex, and we look forward to updating you on our progress in the quarters ahead. Thank you again. Good luck, and stay safe, and please stay healthy. Thank you. Bye.

Moderator

Thank you, ma'am. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thanks, and have a pleasant day.

Note: 1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.