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**BBOX/SD/SE/2023/40**

**June 07, 2023**

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**Sub:** Transcript of Earnings Call hosted on June 02, 2023 on Audited Financial Results (Consolidated and Standalone) for the quarter/ year ended March 31, 2023.

**Ref.: Scrip code: BSE: 500463/NSE: BBOX**

Dear Sir/Madam,

This is further to our letter dated May 31, 2023 with reference number BBOX/SD/SE/2023/31 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call hosted on June 02, 2023 on Audited Financial Results (Consolidated and Standalone) for the quarter/ year ended March 31, 2023, is attached hereunder.

This is for your information, record and necessary dissemination to all the stakeholders.

For **Black Box Limited**  
(Formerly Known as AGC Networks Limited)

**Aditya Goswami**  
Company Secretary & Compliance Officer

**BLACK BOX LIMITED** (Formerly AGC Networks Limited)

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“Black Box Limited  
Q4FY23 Earnings Conference Call”

**June 02, 2023**



**MANAGEMENT: MR. SANJEEV VERMA – WHOLE TIME DIRECTOR &  
CHIEF EXECUTIVE OFFICER  
MR. DEEPAK BANSAL – EXECUTIVE DIRECTOR &  
GLOBAL CHIEF FINANCIAL OFFICER**

*Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 2<sup>nd</sup> June 2023 will prevail*

**Moderator:** Ladies and gentlemen, good day and welcome to the Black Box Limited Q4 FY23 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Sanjeev Verma – Whole Time Director and CEO of Black Box Limited. Thank you and over to you, sir.

**Sanjeev Verma:** Thank you. Hello and good morning everyone. I hope all of you are keeping safe and healthy. On behalf of Black Box Limited, I welcome everyone to our Q4 and FY23 earnings call. On the call, I'm joined by Deepak Bansal – Executive Director and Global CFO and SGA – our Investor Relation Advisors. We have uploaded our results presentation on the exchanges and I hope everybody had an opportunity to go through the same. We are happy to meet again.

I'll start with a brief overview on the quarter gone by followed by business and financial performance for Q4 and FY23. Black Box is a leading global ICT Solution Provider focused on designing, deploying and managing digital infrastructure for our global enterprise customers and Fortune customers, including Cloud providers. We are present in 35 countries and supported by 4000 plus highly skilled resources. With our expertise, businesses can create and offer relevant technological solutions and services that support their core business objectives. Our strategy of global that is “Think global and act local” helps us keep our relationships global and at the same time be relevant providing the flexibility to our customers, to cost effectively deliver in 35 countries, including from our Center of Excellence in India.

We've reported a robust performance in Q4 FY23 and won new project deals worth upward of \$95 million during this quarter. The performance was received across our business areas, of which significant performance was seen in data centers, 5G infrastructure, connected building and digital workplace solutions. On a full year basis, we had new deal project wins in excess of \$250 million with a large order backlog for North America of over \$209 million as of March 23, compared to \$148 million in March 22 and \$87 million in March 21. This consistent growth in order book despite the difficult economic environment is the testimony of the strength of our business model and we're optimistic that we will continue to see the same momentum in the coming quarters.

This has been a challenging year for the corporates in terms of overall operating environment. The margins were impacted by interest and the cost pressures and supply chain challenges. However, we did take some important decisions, which Deepak will talk about shortly, that has allowed us to deliver improvement in margin on sequential basis over the last couple of quarters.

On the revenue front, strong inflow of orders and strong execution has allowed us to deliver a sustained uptrend in our revenues. Our focus and investment in the data center space has been highly equipped. The market for data center especially with the hyperscalers and cloud providers is expected to grow significantly over the next few years. And we are well poised to address the possibility that lies ahead of us. We currently account 3 out of the 5 hyperscalers/ cloud/ social media company as our customers and are happy to state that we are well on our way to add a second \$100 million customer account in this space with significant project wins from largest social media giant in fiscal 23.

We are always looking out for good acquisition opportunities. Our key thought process behind any acquisition is a) to identify businesses that provide expansion through sale and revenues currently operating with suboptimal margin profile; b) it has to be complementary to our existing business in terms that it allows us to acquire newer customers, scale up existing business, help to diversify to newer geographic locations and build new capabilities. Lastly, we transform the acquired businesses quickly and bring out short term synergy.

Recently, we signed the definitive agreement to acquire Global Speech Networks Pty in Australia for a total consideration of AUD 2.5 million, which is subject to working capital adjustments at the closing. The company is engaged in the business of providing design, configuration, implementation, integration and ongoing service and support services for the GSN Genesys Engage and Genesys Cloud contact center solutions. For FY22, it had total revenues of ~AUD \$9.87 million. The acquisition will help Black Box to strengthen its presence in Australia and also add Genesys' capability to its services ANZ region. This will also give rise to an opportunity to cross sell to the current customers.

For the last couple of years, we have spent time towards creating the right platform for growth of the company and we believe the company has arrived at an inflection point which will help us to deliver a much stronger profitability numbers from here on. Keeping this in mind, for FY24 we expect our revenues to grow in the range of INR 7,000 to 7,500 crore with EBITDA of INR 400 to 450 crores and PAT of INR 140 to 175 crores. This growth will be led by increasing our existing customer base, market penetration with adjacent of new clients. In addition to these inorganic opportunities and better optimizing our operational cost and efficiencies will help us meet our targets. That's it from my side.

I now hand over the call to Deepak to run through the financial highlights.

**Deepak Bansal:**

Thank you, Sanjeev for the detailed overview. Good morning everybody. I will now discuss our financial performance for Quarter 4 and Financial Year 2023. We are happy to report revenue growth of 17% year-on-year for FY23 and closed the year with total revenues of INR 6,288 crores. For the quarter gone by that is Q4 of FY23, the revenue increased to INR 1,682 crores, which is a growth of 17% as compared to Q4 of FY22. The growth in revenue is on account of strong order book reflected in new order wins each quarter and larger share of wallet from our existing customers. Quarter-over-quarter, we are seeing good growth and given our sales pipeline, we are confident of continuing the same growth momentum in the coming quarters.

EBITDA for FY23 stood at INR 269 crores versus INR 260 crores in FY22. On a year-on-year basis, the growth remained stagnant and saw some pressure due to inflationary environment, supply chain challenges and project delays. However, sequentially we have seen a good uptrend in EBITDA which increased to INR 95 crores in Q4 FY23, as compared to INR 73 crores in Q3 of FY23 and INR 80 crores in Q4 of FY22. Please note that the EBITDA for FY23 and the Q4 of FY23 excludes gain on cash flow hedges to the tune of around INR 20 crores.

We are happy to see that our focus on cost rationalization initiatives and improved productivity has started yielding positive results. EBITDA margins for Quarter 4 of FY23 increased to 5.6% as compared to 4.3% in Q3 of FY23 and 3.2% in Q2 of FY23. We expect this improvement trend in EBITDA margins to continue throughout FY24.

Profit after tax for Q4 of FY23 saw significant improvement on a sequential basis. We reported a robust growth with a PAT of INR 23 crores for Q4 of FY23, which is a growth of 47% year-on-year and 197% on a quarter-on-quarter basis. However, PAT for FY23 stood at INR 29 crores versus 86 crores in FY22. PAT was impacted by higher interest costs and severance payouts to improve our onshore-offshore ratio. We foresee the severance cost to normalize and deliver a much stronger PAT in FY24. Sanjeev has already mentioned that we are targeting a profit after tax in the range of 140 to 175 crores for FY24.

Going ahead, we remain committed towards improving our operating profitability and some of the key drivers to drive the operating profitability would be:

- a. Customer operations and shared services utilizing our Center of Excellence in Bangalore
- b. Better rookie mix
- c. Better procurement and subcontractor management
- d. Right shore to ensure cost optimization
- e. Facility optimization and ERP consolidation and repricing contracts to get better yields

That's all from my side. I will now leave the floor open for Q&A.

**Moderator:** Thank you. We will now begin the question and answer session. Our first question comes from Hiral Nandu with Kalpvruksh Capital. Please go ahead.

**Hiral Nandu:** I have a couple of questions to understand. I'm new to the company. And just to understand on the number perspective and what I have heard correct to just kind of clarify, we said that we are looking at profit after tax of financial year 24 at around 140 to 175 versus what currently we are looking at like 25-30 crore is that means what I heard correct?

**Sanjeev Verma:** Yes.

**Hiral Nandu:** Great. So just correlation with that, what order book we have and what revenue visibility we have for the year 24?

**Sanjeev Verma:** I think on an earlier call as you heard, I think we have a revenue visibility of 7,000 crores. I think we're guiding at 7,000-7,500 crores. Our order book, if I heard earlier, our new project order book stands about \$209 million just for the US. There's been the highest ever. It is about three times more than what used to have in fiscal 21. So therefore I think our revenue guidance, we are confident of the range of 7,000-7,500 crores.

**Hiral Nandu:** And the margin improvement will be with the increase in the revenue and the other costs remaining more or less stable or any other factor that we will be having some saving on the revenue, maybe some interest reduction cost and some other reductions in the cost? So on the margin improvement and the PAT margin and the EBITDA margin improvement side, just to understand that how it will improve from the current level and what could be the approximate range with 140 or 175 crore odd or what would be the approximate PAT margin percentage?

**Sanjeev Verma:** Yes. So we are taking a queue, the baseline exiting of Q4 if you heard Deepak call out about 95 crores of EBITDA and at about 29 crores ballpark of PAT. I think we're baselining that exiting. We expect to improve from there. So therefore we are looking at more positive about the higher end of the guidance and not the lower end of the guidance. More towards 450 of EBITDA and more about 175 of PAT. And if you look at the baseline for Q4, we are at or about the lower end of the guidance already, we expect that to improve. The improvement will come from one of course partly from growth with some of our costs are fixed. So therefore, when you go from 6,300 to 7,000, the costs will not grow in a linear fashion. So there's more drop of those gross margin at the operating income level, so that's one. Second of course, you heard Deepak call out of certain more efficiencies of using right onshore-offshore mix. So we'll do that. So I think a mix of that and where we stand today exiting Q4, we feel confident about the guidance on all three parameters; from a revenue standpoint, from an EBITDA standpoint and from our PAT standpoint. And although we had been little conservative, I think we are positive towards the higher end of the guidance and not the lower end of the guidance.

**Hiral Nandu:** Some light on key customer base and the revenue from say top 5 customer kind of just guidance. So who are our top 5 customers and what would be the revenue approximately contribution from them?

**Sanjeev Verma:** Deepak, you want to take that?

**Deepak Bansal:** Yes. So our top 5 customers include almost like Fortune 50 type of customers in fact top 10 customers, top 10 customers contributes close to around 42% of our revenues in FY23. If you can look at slide #11 on our investor presentation, we have lot of details in terms of the client concentration of the revenue also. But the most important thing is that among the top 5 customers now, I think the top 2 customers will be crossing close to around \$100 million each. So that they are part of the top 10, which is almost like 42% of our revenues.

**Moderator:** Thank you. Our next question comes from Ashay Jain with Jain Capital. Please go ahead.

**Ashay Jain:** So couple of questions from my side. Firstly, can you talk a bit more about the recent acquisition announcement that we made 'Global Speech Networks', like what business do they do and can be a meaningful contributor to our sales going forward?

**Sanjeev Verma:** Thanks, Ashay. Yes, I think we have made a small acquisition largely in our customer experience contact center space. Earlier as you know, most of the contact center was on prem. It's moving towards cloud. One of our initiatives in certain segments of our business is to what I call cloudify so as we can go from the cloud, so GSN brings in that expertise more specifically in the customer experience, customer service space brings in a stronger partnership of the Genesys platform among the top 3 technology platforms in that space and we expect that to be accretive for us. We will gain a certain set of customers in a very advanced market like Australia and it will also enhance our capabilities on the contact center, customer experience space, which is one of our business pillars to help us take it to other markets as well. So to answer your question, yes, we believe it to be accretive. We believe it to be a future facing going in the right direction of serving a customer to the subscription cloud model and GSN allows us to do that.

**Ashay Jain:** Just to add on to this question, can you also throw some light on some other inorganic growth opportunities that we are looking at.

**Sanjeev Verma:** So I think we continue to look at other opportunities. There are no specific comments or details I have for you on this call. But having said that, as I mentioned before, we are focused on the economics of the transaction. We will not focus on the emotions or the ego of the transactions. Therefore, if it's accretive to us, by adding capability or a practice line that we got from GSN or opens up a new geography for us that we believe would be accretive or gives us some scale in that space, we would do that. So we'll continue to be prudent, but opportunistic to see that we are able to have an inorganic opportunity, we'll do that. But our focus of course for the management of the business and our sales are largely to drive organic growth in the areas that we operate and we are seeing very good pipeline if you heard earlier on. Our pipeline from newer projects over the last year's grew now. So we'll continue to focus on organic growth and continue to look at opportunity based inorganic acquisition if you may.

**Ashay Jain:** So secondly, on the margin front, the margins have been on the uptrend sequentially over the quarters. So do we see this trend continuing going forward and what additional steps are we planning to improve on this further?

**Sanjeev Verma:** Yes, we do expect that we will continue to sharply focus on our margins and cost going forward both at the gross margin level, which is for managing our cost of delivery and quoting at the right sales price to our customers. And I think that's ongoing journey that we continue to focus on. For improving our operating margins from here on, we'll continue to focus on the Deepak called earlier efficiencies and productivity. And last but not the least, there's certain margin flows down on scale because once we grow, another 10%-15%, which we are confident of guiding at 7,000-7,500 crores. Some of the costs are fixed and they would not be adding up. So therefore, we'll have an accretive to our margin. So to answer your question, yes, we'll continue to focus

on selling better, delivering better and managing better costs to improve our EBITDA and PAT margin.

**Moderator:** Thank you. Our next question comes from Anjana Shah with Shah Investments. Please go ahead.

**Anjana Shah:** Sir, couple of questions from my end. So for FY23, we had a total exceptional item of around 52 crores and we see that approximately 26 crores is towards provision of severances which have been paid. So can you help me understand what exactly is the foreclosure of leases and what the loss on derecognition of financial assets?

**Deepak Bansal:** Yes, so you know, the severance is primarily on account of the people what we have removed in US and Europe because we have continued our strategy in terms of identifying the areas where we can do some of the remote delivery work from India. So we have hired people in India, but we have removed the people. So for that there is a severance which has happened. So that is the severance side of it. On the lease foreclosure, basically it's more like an overall relook at our real estate portfolio. So we have lot of real estate on lease in United States as well as outside United States in Europe, in APAC and everywhere, wherever we have the offices in 34 countries. So we continue to restructure that whole lease. So when we restructure the lease and any lease which is going out, but when you do early release of the lease and all those things, we renegotiate the liability for the remaining lease period and all those things, so that goes into the foreclosure of this type of amount and that's why that amount is there. On the derecognition of some of the assets, so we have looked at our non-current assets and all those things portfolio and we have derecognized almost like 10 crores of the asset on the present value of those assets. And that's why that became exceptional item because that's more like a one time type of cost which has come in which we are not expecting to come in the future.

**Anjana Shah:** Sir another one which from my end. In our past calls we mentioned that to improve our onshore-offshore ratios, we took a hit of employee severances. So what has been the extent of this impact in Q4 FY23?

**Deepak Bansal:** So in FY23, so most of these, let's say, severances has happened between Q3 and Q4, which is November of 2022 to March of 23 and as a result of that, that is a part the benefit or part of the gross margin improvement what is happening on the overall basis. So if you see the Q3 of FY23, our gross margin was 25.5% and in Q4, our gross margin improved to 27.8%. So this improvement of 2.3% primarily has come in the form of this manpower reduction we have done in US and Europe, which is replaced in India. And as we all know that India, we can replace the manpower at a low cost as compared to the cost in US and Europe.

**Moderator:** Thank you. Our next question comes from Jiya Shah with Wealth Securities. Please go ahead.

**Jiya Shah:** So can you share your outlook on the Indian IT industry? How do you see the demand from this geography and what are the opportunities that you're currently focusing on?



**Sanjeev Verma:** Overall, the Indian story is strong. So therefore even IT industry locally of course we'll see how to go up. I think we're seeing a lot of infrastructure, roads, ports, airports, data centers, they're getting built. Having said that, I think from our perspective, I think India remains a fairly small market from a customer acquisition standpoint, largely at the back of the cash flow challenges we see in India that is as much as we expect to be growing, but in India we will be wanting to grow only at a very disciplined manner, although there's hyper growth and it is in line with how larger global IT companies operate. We see larger opportunities in the similar space in advanced markets like America and Europe and Australia and New Zealand, where we have the ability to get better margin and better cash flows. So to answer your question, India will definitely see hyper growth in the technology sector, which you would be reading and seeing investment in data center or networks or 5G that is coming through. But I think from our perspective we would be expecting growth in the Indian market as well, but we are not addressing a large segment of the market largely purchased by the government. We do not participate in those and we do not intend to participate in those, at least for the near term. So although India will see growth, it is between 5% and 7% of our business is expected from India and that ratio will continue. We don't expect that ratio to change.

**Jiya Shah:** And can you throw some light on the biggest challenges that you are currently facing?

**Sanjeev Verma:** Well, I think few of the biggest challenges that we were facing, we are coming out of supply chain, cost of labor. I think those things are easing out for sure at this time, right. And I think the other challenges that of course we might be facing and therefore we are conservative at this time is the higher interest costs throughout the world, I think that impacts our customers. And if it impacts our customers, possible impacts their ability to make a quick decision, although we are not seeing any softness in our business or our pipeline largely at the back of our business being non-discretionary. But having said that, their cost is with what's going around in the US with respect to buzz around recession, interest costs. So these are certain things that affect our customers and if it affects our customers, of course then it affects us. So therefore we are watching that closely. Having said that, we believe a very large part of business is non-discretionary. We are into building business infrastructure. You have to build that. And so therefore we don't see an immediate challenge, but we are cautious about it.

**Moderator:** Thank you. Our next question comes from Suhas Naik with Kridha Capital. Please go ahead.

**Suhas Naik:** I have a couple of questions. One is about whether we have cleaned up the large part of the balance sheet, all the provisions have been made or we are yet to make additional provisions going forward. That's the first question. Second question is on the margin front. We sound quite optimistic and we are doing pretty well in terms of growth and outlook is good. Then why are we just maintaining the fourth quarter margins for the next full year? Ideally, the margins should have been much higher with clean up, the operating leverage you talked about and cost saving because of offshoring. So all this put together, we should have had a much higher margin than what we are guiding for. What could be the reason and the last question is on the interest cost. On the interest costs as to how do you see interest cost moving going forward? Thank you.

- Sanjeev Verma:** So Deepak, if you can take the 1st and the 3rd question.
- Deepak Bansal:** I will take that. Yes, you first go ahead with margin and then I will take.
- Sanjeev Verma:** So I think it's a very good question. I think if you look at our exit margin rate, we are about sub 400 type in Q4. So if you heard me earlier, I think although I expect our margin to be more on the higher end of our guidance than on the lower end of the guidance in all the three parameters with revenue, EBITDA margin and our PAT right so more towards that and so two ways to look at it. One of course, as you've heard earlier on, we are being a little conservative. Some of our customers might get impacted with respect to the overall recessionary trend, inflationary trend and therefore you know might have an impact on our aspirations. Therefore it is conservative if you may. We are confident of delivering, I think the under committing and over delivering environment, we do not want to overcommit and under deliver. As I said, we expect to achieve more on the higher band of our guidance than the lower band of guidance.
- Suhas Naik:** What are the sustainable margins of this business? Like, can we work with say, 3%-4% net margins kind of business?
- Sanjeev Verma:** No, I think so the margin element is a part of scale, growth and the sustainable EBITDA margin for this business is in the range of 7%-8%-9%. The sustainable PAT margin, of course, is the element of again growth. How much can we grow from here. So it will be disproportionate. If you see our Q numbers for last year and this year, and even the numbers for PAT for last year, this year, the forecasted is disproportionate. If you'll end up doing 7,500 and move to billion or build more, which are planned for going forward is disproportionately accretive, right. So I think we have to reach certain scale to do that. We have been working focused quarter after quarter after quarter sequentially one step at a time. We have had some challenges, some controllable, some uncontrollable cost and COVID. We are coming out of it and we believe now that we have reached the inflection point from where we can only be more predictable and have a better gradient for growth, revenue wise, operating margin. And therefore we believe the higher end of our guidance of what we quoted was 7,000-7,500 crores of revenue, 400-450 crores of EBITDA or 140 to 175 of PAT is fairly reasonable and conservative and we're focused on relieving that. We have not guided beyond that, but I believe our future is much brighter. So we'll talk about it when we get there. Deepak.
- Deepak Bansal:** So on the balance sheet, you asked that question, so we have I think the balance sheet which is much stronger than before with our current assets and current liabilities ratio. So after a long time, our current assets are higher than the current liability. So that ratio is now above one on the current asset to current liabilities. So from that perspective, we don't see, let's say, much challenge on the balance sheet side of it. But we continue to monitor strongly now on a regular basis our balance sheet and we continue to see that there should be no pressure on the balance sheet and we continue to do business on a let's say normal basis and all those things. So that is on the balance sheet side of it. On the interest cost, we are not expecting as such the reduction in the interest rate, which has gone up in US in last let's say 6 to 9 months period where the interest cost has gone up by close to around 5% here. So with whatever right now the discussions

in the US markets including the debt ceiling and including the new paper of the treasury which is being discussed to issue between \$500 billion to a \$1 trillion, the whole discussion is towards that, that the interest rate is not coming down very nearly. In fact now in the June meeting, there is a discussion happening that whether 25 bps increase Fed will do or Fed will do a put. If they put on not raising the interest rate at least for 6 months, there is no reduction. If at best the reduction happens by next year, March or next year, June, the reduction is expected between 25 and 50 bps. So at present we are not looking at any reduction on the interest cost, as such, we will maybe in the second half of the year based on our EBITDA and based on our cash flow, we may repay some of the debt. So that some of the reduction will come, but otherwise I think right now we are expecting it to continue at the same run rate of the Quarter 4.

**Moderator:** Thank you. Our next question comes from Akash Mehta with Capaz Investments. Please go ahead.

**Akash Mehta:** I had a couple of broader questions. In the presentation, we have maintained that to achieve our guidance for FY24, we'll be expanding our customer base plus penetrate in newer geographies. So just want to understand which new geographies are we intending to expand to and which are the business segments that we look to start with?

**Sanjeev Verma:** So I think some of the business segments that we expect to be highly accretive for us is our data center connectivity business, networking business and our cyber security business. And all three are connected. And I think our growth, we expect massive investment in those areas. We are seeing it worldwide both by the large cloud providers or even third party data center build outs, including in India. Some of the tie-ups for the data center is mammoth. Of course, we are largely focused in North American markets. So we'll continue to go deeper in those businesses. I think we have reached a scale at an inflection point where our ability to participate in the bids or getting invited for larger bids, both local and global has increased. So therefore, we expect to see more deal pipelines and deal closures going forward in the specific spaces of building 5G networks, a data center and connected and smart buildings with of course every other infrastructure is now smart and connect right. So we expect that to happen and our deal pipelines are very strong. The investment coming in that space is very strong. With respect to coming to newer geographies, I think we have a reasonable presence of geographies, you know in 34 markets we expect again to be able to build the relevant scale going forward. We want to build scale in Asia Pacific market and we want to build scale in our European geography, right and by addressing some of the larger economies in that market, if you look at Europe, we expect the possibility more in Germany because we are not, we are doing more in UK to see that we are able to gain a certain growth or scale in this market. Scale is important because certain costs are fixed. So therefore you have to get into scale. Similarly for Asia Pacific, with the acquisition of Global Speech Networks in Australia, we got both, we got certain scale of this small asset and of course we got newer areas of cloud. So both from going deeper and wider with our existing clients specifically, in hyper growth areas of infrastructure, data center, networks, 5G, wired or wireless, as you can see, everything around us has to be rewired because we are so hungry for data that the existing networks throughout the world wouldn't sustain. And therefore, you're seeing massive investments. And Black Box is the forefront of doing that in these markets we

operate and some of the markets that we already present if you go to see the geographies but we want to scale up. And Europe, Asia Pacific is what we are focused to scale up now.

**Akash Mehta:**

Alright, that elaborated answer actually helps. And another question I had was on the customers, basically with the top customers and with Meta, we have started with a small base which is a substantial revenue contribution for us. So can you just throw some light on the strategy of how have we grown this account and what services do we give to Meta and what are the opportunities do we have for a cross-sell or an upsell here?

**Sanjeev Verma:**

That was a good question. Yes. So we started very small, just post the Black Box getting acquired, we acquired Black Box in 2019-2020. And of course I think the opportunity was participating in their massive data center buildouts. As you know, Meta/ Facebook, WhatsApp, Instagram are part of the same group, right and they're consuming more data centers, you know, than they can build and we saw that the possibility. And I personally mentor that account because was a sponsor from Black Box, visiting their leaders very often and sitting in quarterly reviews. So currently we are providing physical network infrastructure to Meta data centers, both passive infrastructure, structured cabling and active infrastructure with respect to building up their wireless and that network inside their campuses, we expect we had only one site. Over the period of the last 2-3 years' time, we are managing multiple sites in North America. We're managing sites in Europe. We are currently engaged in managing many more sites worldwide. So that's on the going deeper on what we do. Going wider, we expect to sell or to participate in other areas of Meta's technology purchases and it could be their command centers, their audio video requirements, their building management networks, so there are opportunities there as well. It's a large account. It cannot happen overnight, but we have a very focused team engaged with likes of Meta locally and globally and we have grown the pipeline from few million dollars 3 years back. We expect it to add up to close to \$100 million as we speak. And similarly from our top customer perspective, we're also working with other cloud providers in that space. The top five, we currently have small with them with few million dollar worth of projects locally, but we are focused on building the third customer in that space, we are getting into \$100 million, right. So that's and we have created our teams. And practices around building those focused approaches with our large customers. We serve many of the top banks. We serve large cloud providers, we serve very large pharma companies. So we have a good spread of accounts that has the requirement for what we provide as solutions and we are seeing how do we increase that share of wallet, increase that heat map in every account by a very sharp, focused account management, good executive sponsorship, bringing capability and I think those are the areas, those are the strategies that we are deploying to see that we are able to gain scale and more share of wallets from some of our top customers both in North America and other parts.

**Akash Mehta:**

Alright, so I think that helps a lot. It answers my follow up question as well that I wanted to know if there were any more customers that we are targeting for a US \$100 million account. So thanks a lot.

**Moderator:**

Thank you. Our next question comes from Suhas Naik with Kridha Capital. Please go ahead.

**Suhas Naik:** Could you comment on, one on the pipeline, how strong the pipeline is? And secondly, in terms of overall business environment, how are things looking actually in terms of say next 6 to 9 months?

**Sanjeev Verma:** So from a pipeline perspective and I alluded a few times before, our pipeline has been stronger than ever before. I think we exited last year fiscal 23 or you can say we entered this year with the strongest project pipeline in the history of the company, the new project pipeline. Of course we have 3-4 lines of business. We have new projects, we have maintenance contracts, we have annuity, but we have projects that drive growth I think is there and our pipelines are very strong at this time, well covered and we expect that to further grow at the back of our current talent management. Some of the new leadership hires that we have done more specifically in the focused areas of data center buildouts; networking with wired, wireless and 5G and of course cyber security that we incubated 2-3 years back is coming up to scale and we're winning some very good deals combined deals with the network with the infrastructure and cyber security. So I think overall the pipeline is very healthy. Both in North America and in rest of the world, we expect that to grow with more announcements of that there is the capacity. So that to give you an example, in the United States, is currently consumed 97%, so there's no capacity, right. So and they can't build faster enough, right and of Course with more and more people talking about connected cars, connected buildings, connected homes, this all requires digital highway because if you have so much connected, you have to go from point A to point B. Black Box is in the business of building that digital highway. So we expect more pipelines to come and more we scale, we are able to participate bigger. So I think we are very strongly focused on pipeline, very good pipeline and therefore we expect to be able to harness that as we move forward.

**Suhas Naik:** We have already built good reference with the names like Meta. How easy is it for us to now take this whole business to a new level where large marquee accounts like Meta join us?

**Sanjeev Verma:** Good question. So yes, of course, I think you get a seat on the table. You're part of a club that you can serve those customers, so we are currently focused on. We already have businesses with other similar cloud providers, largest e-commerce company in the world, you know the largest tech company in the world, so we are doing business and the current focus is to how do we grow that \$5-\$10 million annual business into \$20, \$30, \$40, \$50, \$60, \$100 million business we heard earlier. So earlier on I think if you heard Deepak call out, we had \$100 million club customers, we are at the verge of the second one or with the third one, it is a journey, right? So I think you do not get into, you have to grow with that customer. You just can't grow and just build that. So we feel very confident with the reference that we have, with the work that we have done, with what we have learned over the last 2-3 years, there are very few companies in the world that have the global scale to work with such companies, Black Box happens to be one of them. So I feel confident. Over the next 6-9 months as you asked for what we see, I think I see beyond that as well, right? But I think we are pretty well covered and confident of the deal pipelines growing even more over the next 6-9 months.

**Moderator:** Thank you. Our next question comes from Rajvi Shah with Shah Financial Advisory. Please go ahead.

**Rajvi Shah:** I had a couple of questions. The first one is what are your key growth levels in the medium to long run?

**Sanjeev Verma:** I talked about my key growth levers, if you look at in two aspects, we are looking at from a business line perspective, our infrastructure, data center, networking and cyber, we expect that. And from a geographical presence, I think we are subscale in some markets. We want to grow in those markets, Asia Pacific and Europe. Focusing on these three key areas, which is seeing hyper growth; networking, data center and cyber security.

**Rajvi Shah:** At the moment, what are the top strategic objectives for us?

**Sanjeev Verma:** Yes, I think of course the top strategic objective of course from our perspective is to be a dominant global digital infrastructure player. The second objective is to continue to grow over market 15%-20% organically. And the third of course is to provide a deep shareholder value by providing a stronger operating income and deep shareholder value and it will come through our objectives of consistent, predictable growth as a company. We are strong provider of digital network infrastructure and I think we see hyper growth in this space and I think that's our objective.

**Moderator:** We move on to our next question which is from the line of Ashay Jain with Jain Capital, please go ahead.

**Ashay Jain:** Thanks for allowing me again, a few questions. So firstly, like in FY23, we see in layoffs happening across the IT sector. So how is the demand environment now and how do you see it in FY24?

**Sanjeev Verma:** I think we are focused on, as I said, building digital infrastructure for tomorrow and in a space I see our line of business largely nondiscretionary. If you landed up in a situation where you ran out of milk and ran out of the internet at your house, most likely you will start to fix the internet first and the milk can come later, right? So therefore, we believe that we build that. So we're not seeing this time not to say that things can't change, but I think our pipeline or requirements, the capacities in the space of what we operate overall suggest that we have very strong headroom over the next few years' time in building the business infrastructure, network, data center, securing that infrastructure for our customers. So we do not expect that. Having said that, I think we are also cautious therefore that is reflective in our guidance. And I talked earlier being a little conservative, although we are more focused towards higher end of the band, we are being conservative at this time. We also want to invest right and in the business into newer capabilities, newer technologies, something that will keep us relevant and keep us future proof and accelerate our customers business. So therefore those are also baked in, in our plans of investing in our new capabilities and move forward. 5G being one of them, Private LTE being the second one. We are very strong in that space in the US and that is going to explode as we must be at the back of IoT deployment that we're seeing. Everything is connected. Our cars have cameras, our roads have cameras. Very soon every other place will have cameras. So therefore those need to be carried and processed somewhere. And that will require a different kind of network. So we feel

strongly about our opportunity over the next 3-5-7 years' time; very strong pipeline order book in the short term that we have said, but I think we constantly keep our ears to the ground. We ought to invest in some newer areas to see that we remain relevant so that we can harness the relationship that we have and therefore drive the results that our customers and our partners expect from us.

**Ashay Jain:** Secondly, like on this sequentially, we have seen good deal wins and I believe in that the data center segment contributed the most. So do you see this trend to continue in the coming quarters? And also apart from data centers, which other business verticals is expected to see same growth going forward?

**Sanjeev Verma:** So to answer your first question, the answer is yes. We expect our deal pipeline from the data center business or the data center led customers to continue. We have increased our focus. We have doubled down in that space. We have hired talent, hired management in that space. From local we're getting global and so that will continue in that space. The other few areas that I said before that we expect hyper growth are connected to data center. When you build a data center, you require the network. The network could be a wired or a wireless network. Now it could be a 5G or a Private LTE network right. Once you build the network, then you have to secure the network, right? Because as we all know, there is a lot of cyber going on and our company is focused on doing that as well. So the areas of connected and smart buildings, which is a very generic term for intelligent buildings, which as we all know, even our private homes are getting intelligent. So these are all connected, so data center networking, wired or wireless, including now 5G and Private LTE for the enterprise side, security and anything that drives IoT in our connected building space. So I think all these are digital infrastructures all enabled to build highway on which the future of tomorrow will run right. You need to have a robust network at your house to be able to watch a Netflix. That's the content line somewhere. If you roll back 5 years back and if you had that Netflix, you won't be able to watch in your house because there's no internet to support that. Now you can, because people are bringing 1 gig at the houses. So just to give that reference, similarly all corporates, all enterprise, countries, if you may need to be rewired for the new generation of AI and ChatGPT and ML coming in because they have to travel over that digital highway and that is what Black Box is focused on building those intelligent networks infrastructure and we believe that the next 3-4, 5-7 years will see massive growth and explosion in rebuilding the network for tomorrow.

**Ashay Jain:** Sure, that's quite elaborative. So lastly, can you help me with the segment wise revenue mix? Like how do you expect it to evolve and shape up over next 2-3 years?

**Sanjeev Verma:** So I think are you talking about the business segment or are you talking about geographies or?

**Ashay Jain:** Business segments.

**Sanjeev Verma:** So I think I'll look it in two parts, right. And I think if you want, of course, we look from a business industry segment, we are largely agnostic to a industry vertical. But having said that, not all verticals are the same, right? So although we have presence across manufacturing,

banking and finance and healthcare, we expect 2-3 business verticals to be very strong for us. Banking and finance being one of them, technology pretty much catching up and it's called technology that the likes of Meta and Amazon and Google and LinkedIn and Microsoft or any other IT companies that the company serves. We also serve with many large technology companies. We use our skills in building their own infrastructure, very strong for us. So I expect that either to be within the top 3-4 for us. Healthcare, Black Box is very strong in the healthcare space to primarily in North America, we're expanding it to Europe at this time, which includes life sciences, the pharma companies. We have very strong pharma companies as well who has large manufacturing R&D facilities. We support that with the lines that I said. So these are a few of the verticals that we are going to double down with respect to our business segment or lines of business, I called out earlier; data center, networking, cyber security and connected intelligent buildings, which encompasses all these three at the back of providing very strong services. So, right, we just don't deploy, we manage this for a long period of time. I talked about deal wins these are projects that will turn into the design, deploy and then start to manage. The new wins are for deployment and once you complete, you're going to management of that. So I think we see this business lines to see hyper growth. We have other lines which are more smaller but very highly accretive with respect to our collaborative workplace. CX we talked about customer experience, which you roll back again they required infrastructure to support, right? I mean we are speaking today now over the phone, hundreds of people have joined, you could be on a video that requires an infrastructure, right. So I think those are the focused segments, both from industry side and our business side.

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

**Sanjeev Verma:** Thanks. With this, I would like to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with me or Deepak or Strategic Growth Advisors, our Investor Relations Advisors, thank you so much.

**Moderator:** Thank you. On behalf of Black Box Limited, that concludes this conference. Thank you for joining us and now you may disconnect your lines.