E2E Networks Limited

CIN- L72900DL2009PLC341980

1st Floor, A-24/9, Mohan Cooperative Industrial Estate

Mathura Road, New Delhi-110044, Phone No. +91-11-4084-4964

Email : cs@e2enetworks.com, website https://www.e2enetworks.com/

Date: May 31, 2024

To,
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai, Maharashtra-400051

Ref: NSE Symbol- E2E

Sub: Transcript of Analysts/Investor Earnings Conference Call Q4 & FY 2023-24

Dear Sir/Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on Tuesday, May 28, 2024 at 12:30 P.M. (IST) to discuss performance for the quarter and year ended March 31, 2024 (Q4 & FY 23-24).

The same shall also be made available on the website of the Company at https://www.e2enetworks.com.

This is for your information and records.

Thanking You

Yours faithfully,

For E2E Networks Limited

RONIT Digitally signed by RONIT Date: 2024.05.31 11:54:22 +05'30'

Ronit Gaba
Company Secretary & Compliance Officer
Membership No. A59215

E2E Networks Limited
Q4 FY24 Earnings Conference Call
May 28, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY24 Earnings Conference Call of E2E Networks Limited hosted by the Valorem Advisors.

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.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you ma'am.

Purvangi Jain: Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors.

We represent the investor relations of E2E Networks Limited. On behalf of the company, I would like to thank you all for participating in the company's Earnings Call for the Fourth Quarter and Financial Year Ending 2024.

Before we begin a quick cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the Company's fundamental business and Financial Quarter under review.

Now, I would like to introduce you to the management participating with us in today's Earnings Call and hand it over to them for their opening remarks. We have with us Mr. Tarun Dua – Chairman and Managing Director and Mrs. Megha Raheja – Chief Financial Officer.

I now request Mr. Tarun Dua to start with his opening remarks. Thank you and over to you sir.

Tarun Dua: Thank you Purvangi and good afternoon everyone. Welcome to our earnings call for the fourth quarter of the financial year ending 2024. Welcome to over earnings conference call for the

last quarter of the Financial year '23-24. Before we begin with the performance for the fourth quarter, and the Financial year '2024. Let me give you a very brief introduction about the company for some of you here who might be new to the company.

E2E Networks was founded in 2009, and is amongst probably one of the largest public cloud players in the cloud GPU market in India today. We have been providing cloud services since 2009 to various startups and businesses. And our primary focus is on workloads of artificial intelligence, machine learning and for applications developers, enterprise customers, running ERP and CRM solution, and we operate within the framework of infrastructure as a service delivery model on cloud computing. Which primarily consist of like the workload management for CPU, GPU, storage solution, containerization, virtual firewall, a lot of cloud native services like SKUs services, load balancing services and more recently, like the underlying infrastructure for artificial intelligence for training, and inference and deployment of model endpoints.

So we listed on NSE emerge in 2018. And more recently, we transitioned over to the main board of NSE. Over the course of our evolution, we have significantly expanded our customer base, and currently we service nearly 3000 active customers. We have our major facilities operating out of Noida and Mumbai where we use the underlying third party data centers. A more comprehensive list of product offerings and solutions of our cloud platform are accessible on our self-service platform at myaccount.e2enetworks.com.

So, in the current world we have increasingly seen that artificial intelligence, machine learning, and generative AI domain are the major new workloads, which are kind of like almost 4x to 5x the typical size of CPU workload. And increasingly, like what we are seeing is that like, there is going to be like a major shift of most of the workloads towards like centered around cloud GPU, rather than the traditional CPU bound workload.

So, what we have seen is that, this presents a very substantial opportunity for us to kind of start working at par with our competition, because frankly, everyone is trying to build at the same time and figure out what would be the path forward for the enterprises and for the entire set of organizations, how to adopt the cloud GPU. And multiple approaches, including that of people working with hyperscaler, people working with cloud GPU platforms like us, which provides a lot of underlying software infrastructure are being used. So we have seen as a national imperative also, from the announcements that the government has made regarding artificial intelligence and the support that the government is providing that, one of course that the data center capacity required for artificial intelligence is going to kind of, exponentially grow over next five years or so. And that data center capacity is going to be applied majorly by AI/ML workload.

Now, we feel that having been in the field since 2019-20 onwards, we have an edge in terms of our software, and listening capabilities for AI machine learning and generative AI workload and we have historically been providing very high value compared to the pricing we charge.

And very, very centered on delivering value to our customers. So, today primarily what we see is that, we are very, very focused once more on the startup ecosystem, where the new age AI/ML and generative AI startup are increasingly working on solving problems using Cloud GPU. And then basically, we also see a lot of demand from higher education and research. Apart from the traditional workloads that we continue to help the SME companies with. And in the near future obviously, our goal is to kind of expand this universe to include the workloads coming in from larger enterprises as well. Now, we have been very competitive on our pricing compared to the value we provide to our software and services. And this continues to remain very, very attractive to our customer base.

Now, we feel that we will continue to be able to grow at a higher than industry average growth rate over the next couple of years. And so it's been a long while since we have transitioned over to the self-service model, and the percentage of customers being served from our self-service, public cloud platform where we provide a lot of software support, which is very, very similar to what the hyper scalar cloud platforms do continues to serve us well. And in the future, with a very generous dosage of the software being built, targeted at the data site base and the AI/ML researchers and the gen AI company will continue to expand our offering and our software to help people utilize the workloads on our infrastructure platform.

So during the last quarter of the Financial year '24, we have made very rapid progress on many new features and services. And we will continue to release those new features on our AI/ML platform called Tir within the workload environment for the AI/ML workloads, where we take care of the ability to do all four major things. So the training, the inference, the model inference deployment, and the ability to build data pipelines in a scalable fashion. And we continue to add additional scalability features over there.

So, we have also kind of like integrated Tir better with over infrastructure services platform. So you have the ability today to launch raw operating system environment using containers on top of the paid platform that allows you to kind of have a very similar platform to what people are used to on the my account itself. And it's very, very seamlessly integrated with all the software features for using AI/ML. So we are additionally working on compliance and security features and monitoring features for our entire platform. And we continue to innovate on storage technology for our infrastructure services platform. And broadly, we are very confident of keeping up with the industry needs in terms of various verticals. And we are very happy to note that we are being recognized as an AI first cloud GPU infrastructure platform in India with technical capabilities, which are at par with the very best. So now, I would like to hand over the call to our CFO, Megha to briefly talk about some of the financial and operational highlights of the quarter under review. Over to you Megha.

Megha Raheja: Thank you Tarun and good afternoon everyone. Let me first start by giving you some of the key financial highlights. I will summarize the performance for Q4. For Q4 FY24 the revenue from operations stood at around INR 29 crore, which witnessed a growth of 67% on year-on-year

basis. EBITDA for the quarters is around 15 crore, which witnessed astounding growth of 68% on year-on-year basis. And net profit was reported at 4 crore with a growth of 39% on year-on-year basis.

Coming to financial year ended 2024, revenue from operations stood at INR 95 crore representing a growth of around 43% year-on-year basis. EBITDA is 48 crore, representing a growth of 45% on year-on-year basis, and a net profit of 22 crore, which witnessed a growth of around 121% on year-on-year basis. That concludes the update for quarters and we can now open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: I just wanted to understand, how do you think this will play out as the competition in this space increases, we know that Yota has already entered the space and has managed to create a relationship with Nvidia as well where they are getting the chips. So my question has two parts, one is how does your relationship with Nvidia exactly work and how do you make sure that you continue to get the access to the chips and number two is, how do you think you will be able to manage to keep your right to win as the number of players in the space increase?

Tarun Dua: Okay. So, first part about like whether people will get access to the chip, like what we saw in last 18 months have the kind of shortage of chips, those are like the kind of events that happened like once in a while. Now, there was obviously like 10x growth in the overall cloud GPU consumption and the GPU consumption globally. So that obviously resulted in like, short term shortages. Now, once that shortage is there, once the demand is clarified then obviously, the foundries and the entire ecosystem that is at the back end of the major chip makers geared towards the new demands, and that takes a couple of quarters, which has already happened. So we don't feel that in the future, that there is going to be that sort of shortage. And you will need like very, very special relationships to kind of like move ahead of the queue. Now, that being said, like we continue to enjoy a very good working relationship with all of our backend vendors, including and Nvidia. And the way we work is that like, basically we bring our back end vendors into the conversation with our customers whom we are talking to, and helping them with their workflows. And it is to kind of like help validate any solutions that we are building for our customers. Now, that relationship continues as well. And that relationship will continue in the future as well. Now, regarding like heavy competition, like I wouldn't like to comment on any individual competitors. But for the past 15 years, as a business, as a company we have operated in what is called a Red Ocean. So, we have never shied away from competition, we continue to build up our portfolio of software, and services and solutions with a view to develop a better understanding of the workloads that our customers are bringing to us. And that insight into the workload, that ability to understand the need for the workloads and implementing those in the software. That product differentiation is what creates long-term value for our customers. And we'll continue to do that. So as you continue to get the adoption

on your software and you keep getting the feedback from the customer, you keep building based on that. And that creates the long term value and differentiation for any business in software and cloud industry. And we will continue to do that.

Parikshit Kabra: So, just a follow up on that, first of all thank you for a detailed answer Tarun. But as a follow up on the part with the chip shortages so your opinion is that, in the next couple of quarters, the queue for getting these GPUs will no longer be a concern, the supply constraint will be gone in a couple of quarters, because I got a sense that is going to be.

Tarun Dua: There is always going to be some queue. But it's not going to be the longest queue that we have seen in the past of that type okay, like we are looking at 52 weeks, 56 weeks, 60 weeks and so on. That is not going to be the future. A normal queue and mostly because end of like overall, that's the nature of integration required to deliver the chip in a form that can be utilized by cloud operators. So nobody buys like raw GPUs anymore like we are always packaged in the form of like HGX conserve or other server formats that are coming up. The entire integration takes time. And like people have to understand the entire solution before they can implement it. So that is the part that takes time so, I don't think like it is. So, all the moving parts have to be in sync for the solution to be built for you and then deployed at your location. So all of that part takes time but like I don't think like there is going to be a long waiting to queue in the future as well.

Parikshit Kabra: Got it, so we don't have a format priority relationship with Nvidia and other vendors. It's a informal network as such, is that a fair statement then?

Tarun Dua: Let's see. Like if you go and search on the website of the major vendors like we are obviously listed as a cloud service provider partner and from the perspective of like, all the support that we have demanded and got, I feel that like it's a type of a relationship without putting any additional formal requirements to it, it continues to be a great relationship.

Moderator: Thank you. The next question is from the line of Ayush Bansal from Emkay Global. Please go ahead.

Ayush Bansal: So, looking at numbers, there is a 185 crore CAPEX in FY24 which was 35 crore last year. So, what is the revenue potential for this CAPEX and is this reflected in the MRM as of now?

Tarun Dua: So some part of the MRR reflects this CAPEX obviously and what we believe is that, of course like the CAPEX kind of like reflects into MRR and number of different SKUs and each SKU obviously based on the amount of value added software, the nature of the length of the contract and so on. So, depending on many factors like that, MRR realization is differentiated, but regardless of that, based on our current understanding, we believe that like the MRR potential with the current CAPEX that we have already done would be of the order of anywhere

between like 14 to 16 crores from the current MRR number like we should be able to achieve over like next couple of months.

Ayush Bansal: Okay, got it. And is there any further plan for CAPEX during FY25?

Tarun Dua: It's a continuous process like as we continue to project the demand coming in from our customers, we continuously make the expense on CAPEX, so there is no CAPEX done and dusted ever in our cloud industry. So, we are always buying.

Ayush Bansal: Okay. And can you help us quantify that number, if you have anything in mind?

Tarun Dua: In an ideal world, like we would like to end another $100 million or about Rs.800 crores over the next 12 months.

Ayush Bansal: Okay. And how do you see that to be funded?

Tarun Dua: It's will have to be a combination of things including like financing from banks and leasing partners and vendor financing and some equity raise.

Moderator: Thank you. The next question is from the line of Abhishek from ABC Capital. Please go ahead.

Abhishek: In the November concall you had guided for a growth of 40% to 50% top line. So, can we get that next year, the revenue will be around 140 crores and you have given that margin will be around 30%. So, we can guess that the bottom line will be around 40 crores, is it correct?

Tarun Dua: See, I leave that task typically to an analyst, we do our best. So, like obviously we kind of have some sense of projected demand and we have some sense of like how much capacity we need to put up, now that conversion happening over like predictability of that conversion. So, if we can not promise that, but obviously we try our best to kind of like convert the capacity we have to revenue as soon as possible.

Abhishek: Fine. One more single question, like can we consider that since you are providing background support for all the software's which these startups are doing. So, can we consider E2E Networks like a proxy for all the new age computer based startups new age startups that are coming, can we compare like that, is it like that as the startups go, we can think that our regulation company also will work and…..

Tarun Dua: I can't clearly the question. So, is your question is like overall, if the AI/ML GenAI business grows, then are being to see a lot of growth because, that was like a lot of GenAI startup, the short answer to that is yes obviously, there are no answers to, basically like what those startups are doing and what are their workload requirements and how many of them are coming to us, and so on. But like broadly from a perspective of where the market seems to be going, in general if you are seeing a lot more AI/ML adoption, overall, both in the industry as a little bit

startup as well as into higher education and research, then yes, that growth is in a sense like a proxy for our growth as well.

Moderator: Thank you. The next question is from the line of Pankaj Shah from Dinar Wealth. Please go ahead.

Pankaj Shah: So, wanted to understand, since your demand is so high for the AI/ML workloads, how quickly can we deploy this CAPEX, this 150 crore CAPEX which we have done?

Tarun Dua: For the CAPEX done, is already deployed on our cloud platform, how quickly can we sell is like something that we do not make a statement on, that is something we like to look in the past once we have done it. So, that's the way we wish to operate.

Pankaj Shah: So in past, you used to guide that over a quarter or two quarters, we used to sell the capacity. But the question is like, if the demand is so high, do we see that change?

Tarun Dua: That is always the guidance we give, there is obviously like a cycle to kind of like selling to the cloud customers. So, where obviously you continue to stay in touch with the entire ecosystem, continue to work with people on POCs, continue to kind of like guide them on how best to optimize their workloads on our cloud platform. So that is the typical explanation of the cycle of a quarter or two. But obviously, like having a shorter period, or having a longer period is always possible. So you can't predict the future for like let's long term future you can predict and yes, over the next five to 10 years, we are going to be explosive growth in the AI/ML field. But can you predict like a quarter-on-quarter or say that like next two quarters, whatever is going to happen, that is something which is very, very hard to predict, at any given point of time.

Pankaj Shah: Right. So the question was not from a quarter-on-quarter perspective, it was just that if the demand is high, and are we seeing the changes in the deployment?

Tarun Dua: The demand is only going to increase as the industry shifts to more cloud GPU centric workloads. That demand is only going to increase in the industry. And obviously, it is not possible to predict like, what's going to happen in the next one quarter or next one years, but it is possible to kind of make a view over a medium term or long term of five to 10 years and say that yes, this is a broad industry trend with the entire industry thing to agree on.

Pankaj Shah: Okay, got it. And sir how should one look at the asset turn, so earlier we used to get a 0.7x over a year. So does this increase with time or how should we look at?

Tarun Dua: See, it's very, very difficult to kind of, these are all averages, in the sense that like the asset turn also relies on a number of things, the period for which the customers are using the services, so, then there is more scarcity in the market, people want like longer contract period, when

there are less scarcity, then obviously people want like shorter periods, but that doesn't mean that they are going away tomorrow, day after or next month. But they also tend to end up paying a certain percentage more for shorter periods. Now, that being said, like there is also the nature of SKUs, so for the same underlying hardware, assets, like there are a number of ways in which the assets get monetized due to the nature of the software capabilities as well. So over there, for each different SKU, the asset terms could vary from all the way from point 0.5 to even like 2. So what is the final blend we are able to achieve like, is again something we can look back into the past and say that, okay this was what was achieved but, there is a lower bound for that which we can predict, which is like somewhere, anywhere between say 0.55 to 0.6. But that's the lower bound. But, on the other hand, like there is no upper bound in a software driven cloud, like where, what sort of capability you can bring to the table to achieve like an asset turn. So normally, if you ask me, that was not how we look at our business, we look at our business as a technology business, very focused on figuring out the various industry solutions. And over there eventually like, the asset turn doesn't matter, because it's like, very, very capability and technology and software driven business and it's not about being the cheapest on the market. It's about creating enough value for the customers.

Pankaj Shah: Okay, got it. If I got it it's correct, you said 800 crore CAPEX plan for FY25 right?

Tarun Dua: Ideally, in an ideal world, like I believe that might be something we might want to do.

Pankaj Shah: Okay. And a few on the bookkeeping side, the line item which is the purchase of consumables and services, what exactly is this item?

Tarun Dua: See primarily like the major expenses that we have are on the data center side as you are aware that we use third party data centers, the major amount of services purchased are related to data centers services that we purchase.

Pankaj Shah: So is that a power or anything else?

Tarun Dua: It's all like a combination of power, base, bandwidth and certain other smaller items. Just as a part of this. Software purchase is also there, so some of it intended for the customers where there is a direct one-to-one relationship between services purchased and services delivered to the customers, the examples of that would be the licenses, of the licenses that we delivered to our customers. And then there are obviously like certain other services that we also procured in the normal course of planning….

Pankaj Shah: Right. So what I was trying to understand is, majorly we should look at expense as a fixed or more of a variable?

Tarun Dua: So the services would be like in the same proportion as the revenue or a way that they will increase with the revenue in a certain incremental percentage fashion. Now again, it's the

question of like, there is a broad number that is there and broadly that percentage will kind of like as the volume increases, like go down slowly.

Pankaj Shah: Okay. Sir what exactly goes into the other expense, because I am sure the lease rentals are being calculated below the EBITDA with IndAS 116. It majorly flows through depreciation and interest. So what exactly it does?

Tarun Dua: Let me ask you to repeat the question that get Megha to answer some very specific finance questions you are asking me because, I come from engineering background now completely into the business part. But, I let Megha answer your question if you can repeat your question.

Pankaj Shah: Sure. So, one thing on the balance sheet side, the right to use asset which we have created, I assume that that's mainly on the data center lease visibility which we have and if I come on the P&L side the lease expense will be covered mainly through depreciation and interest. So what exactly are other expenses if I'm understanding this correctly?

Megha Raheja: Sure. So in other expenses we have payment gateway charges, then membership subscription, legal professional fees, these type of expenses and advertising and promotion, these expenses.

Pankaj Shah: Okay. And this right to use is mainly for the least visibility which we have, data center?

Megha Raheja: Lease is separately capitalized as per IndAS.

Tarun Dua: So, the data centers were not lease, data centers are rented in a not strictly in the question of trend, but data center services like they have their own classification. But on the other hand, like leasing relate to the equipment and this is all lease to own kind of equipment.

Moderator: Thank you. The next question is from the line of Ratan Mehta an Individual Investor. Please go ahead.

Ratan Mehta: Hi, Tarun I have been your customer for many years of your company. I came to know of you guys about six, seven years ago and since then, you have given terrific service. And a few years ago, I had the opportunity to invest. So, I did, so I have a couple of questions. If you don't mind, I'll just dumb it down to myself. Down the business model, which is the civic buyer box, and this box is your standard CPU RAM, you take pieces of this box, and you rent it out and get more rent than the cost of this box. Then there's this new box, which is a GPU, and you rent this box out again, with the same model, you are going to get more money for it. And then there is a third box which is cloud storage, which is just hard disk, and you get money for that. So this accurately kind of describes the economics of the business?

Tarun Dua: Okay. So in the sense that, where you are saying that you have combined software with the boxes. And ultimately, you are selling a box is that the definition of the business, I somewhat disagree to that, because ultimately you are running a workload. But the way to run the

workload, how to make it more efficient that is what the people pay for on the cloud. Otherwise, everyone would be kind of like running like on prem, and kind of like company-locating on their own and managing on their own. So, as the world becomes more complex, like a typical cloud operator is doing something like a couple of 100 activities on the side of security, on the side of reliability, on the side of scalability, on the side of like being able to, of course the part about being able to utilize the resources on the tap, that's the whole other infrastructure. So, typical number of activities that a cloud operator is doing for you, which you cannot very easily replicate in a business is numbers around a couple of 100. Most of these being done in software's also, a lot of these activities are done as standardized processes that take root over decades of experience from the personnel and codified both into software as well as into the processes for the people. And also for basically, what you are demanding from your vendors, and so on. So, very, very when you say that dumbing it down like really dumping it down, that ultimately you are selling a box.

Ratan Mehta: No, I especially get the nuance in that.

Tarun Dua: Box is what we are selling, so potentially you could kind of, so it's a whole ecosystem that has to be built, so it's not something easy to replicate and say that okay, let me deploy some software onto a box. And I can be an equivalent of like E2E Networks or one of the competitors who has been around for a couple of years to kind of achieve that.

Ratan Mehta: Thank you so much for really explaining that appreciated. I didn't mean to simplify over the middle. But I really appreciate your clarification. The next question based on this little analogy is, when you are using debt to grow, you are now putting a lot of the debt towards GPUs in the hopes that AI and GPU game is going to be where you make the most amount of money. And the CPU game, you may have reduced, I'm not sure about this, but you may have reduced the amount of debt you take to grow in the CPU route, so is that a risk to the business and how would that layout?

Tarun Dua: Not much really so, the CPU side also continues to be helped by both the tailwind. So one is that like anyone who is buying that GPU is not necessarily just using the GPU, they are also necessarily buying the other parts of the cloud ecosystem so which also helps over there. And second, the organic growth of the existing set of customers who are very focused on the GPU workloads, we continue to pay attention and continue to pay great focus to that and continue to build software features for that. And what our very sincere belief is that like, when people are looking at a cloud, they are looking at it holistically, they are not coming in just for the GPU capabilities alone. Now, during a scarcity era, that could have been the case where people are like, okay, all I need is the GPU cloud, I don't need anything else. But typically, for any developer, data scientists, AI/ML scientists they require the entire cloud ecosystem, and not just the GPU side of things. Now, that being said that like, yes the CPU acquisitions do get vast. So for an example let's say, someone like an E2E Networks spends let say 200 crores,

supposedly, all of it into GPU. But I'm assuming that like, it could also have a 10% portion, which is actually going towards like storage and CPU side of the cloud as well.

Ratan Mehta: I understand, my concern only comes from because obviously you are in the cloud space. The noise around you, as the CEO would be everyone around you saying GPU, GPU, GPU. And the risk in terms of CPU versus GPU is coming down to watch how you, what noise you heard. And that might bias you a little way which is where I'm asking the question from. So my concern is that, five years from now, three years from now, or two years from now, it's discovered that there aren't that many applications in AI, which is a possibility. A lot of this debt then cannot be repaid with revenue, because perhaps the GPUs don't pay off, that debt. Do you see that future playing out at all or how you mitigated that risk?

Tarun Dua: No, so one is that like, of course we are not a dumb CPU or dumb GPU rental company. So in the sense that like, we continue to be a software driven business, and what the investment represents is the capacity to service customers. In an ideal world, as we would like to have unlimited deadlines to kind of expand the capacity in an unlimited fashion, and not even have to worry about where the money is ideally coming for on the hardware side at all. But that being said, I don't see there is any risk, the process of going to the GPU is irrevocable. The kind of exponential computing offered by GPU is kind of like really changes the era in which we are operating. So, I don't think we are going back to the era of people kind of investing more than 25%, 30% on the CPU side, but major investment in the entire IT industry are going to be on the heavier GPU compute side. And there would be like, definitely more than one vendor on the GPU side as well. And there would be multiple aspects, so if you look at all the CPU companies, they are also getting into the GPU game. That tells us that yes, CPU is going to continue to be there for a very long time. But the majority of industry focus is going to be solutions which are built on top of the GPU.

Ratan Mehta: Thank you. The next question is from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

Kshitij Saraf: I have a couple of questions. Firstly, how fluid is the CAPEX plan for you, so are you looking to spend it mostly on Nvidia GPUs, or are you also following developments around Microsoft coming up with its own set of copilot PCs and sort of PRM also comes into the picture over there. So, just some sense of how you are looking at this whole vendor landscape and adjusting your CAPEX or thinking about it.

Tarun Dua: Sure. So, in the short term all our GPU investments that I see are definitely all going to Nvidia. Now, there is obviously no exclusivity as such in the sense that tomorrow if somebody is able to bring more capable check for any specialized used cases, we would definitely evaluate that independently and take a call on that at that point of time. So, like we are very, very open to kind of be very flexible about how do we do over CAPEX based on the customer demand. So,

it's obviously not all going to be made in one shot, it would be spread over some word. And kind of that's the way we have always operated.

Kshitij Saraf: Understood helpful. Secondly, on the fundraise, on the equity bit, what are the kind of timelines we are looking at and are we looking to deploy the entire bit at once, once the approval comes through?

Tarun Dua: So yes, the ability to kind of like consume capital for us is not in doubt. Now, we are working on it, like over like next couple of quarters, I guess.

Moderator: Thank you. The next question is from the line of Ameya Pimpalgaonkar an Individual Investor. Please go ahead.

Ameya Pimpalgaonkar: I just have a couple of questions. And some of my questions have already been answered. So, I will not repeat those. I just want to take your attention to the recent outage that we experienced at one of your data centers. So, I just wanted to understand from you. Has it caused any kind of impact, let's say in terms of, of course maybe not in financial terms, but in terms of customer experience of sorts, maybe it could be nice if you start also publishing some of your customer experience course, maybe not this quarter maybe coming quarter. So this is my first question. I will come to the second question after this.

Tarun Dua: Sure. See related to the outage like we have kind of completely and transparently shared the entire timeline. And what exactly happened with all of our customers. So obviously, all the details like are basically the primary responsibility we have is towards the customers. Now what happens in case of a outage at large where there is a complete blackout, those kinds of blackouts, like even when we were talking to our vendor, they said that seen like, this kind of a blackout like once in a decade, kind of a thing. It's not that this happens every day, of course, there is always a probability of something like this happening. And it does happen to all the major providers at some point or the other, impacting, one or more of their facilities. So, what happened in the outage was that like, obviously there were a complete blackout. Now, there was at the level of our third party vendors, there was a miss from their side, where they kind of continued try to power on without waiting for the UPS to be charged fully. Now, this created issues for our recovery, because some of our equipment failed because of the surging power and going away of people like a couple of times, and we had to kind of throw away some of the equipment damaged due to that. And then on the software side, you have to take care of verifying the impacts on a per customer basis, one-by-one. Now, typically, if you look at any operations team, the operations teams are decided, are kind of there to have the ability to deal with some level of surge, so let's say you have a couple of 1000 customers, typically in a week maybe 5% or 10% of those customers come back asking for personalized support and which is definitely done. Now, in this type of an outage where the impact runs into a very large percentage of the customer base. Obviously, your normal support processes do not work, everyone on calls cannot be answered although text messages and emails can be answered as

per the queue. And based on, some of the priorities where the customers come in and say that look this is very critical to my business. Can you prioritize it, obviously we do the **–50:05** kind of go and solve those customers problems first. And obviously, the goal is to kind of, service all of our, our entire customer base uniformly over there. So, yes this was already explained to all the customers, this was a black swan event that happened. And most of our customers were very understanding about it. Some customers had, even some other issues, which they opened up about that, this was a black swan event, for sure. But I have other problems. So that also allowed us to engage with many of those customers and solve many of the other problems as well. And so we have, two major facilities now in Noida and Greater Noida, and this happened at older facility. And our plan over next couple of years is to kind of slowly migrate without disruption all the customers in this facility, and obviously prioritize those customers who are kind of willing to put in the effort today to help them migrate over to our new facility. And we are also going to be putting up like a 200 gig link between the two facilities to facilitate that. The new facility is like very, very new. The plan was always to put up a very long broad link between the two facilities to link them together. But yes, like we have prioritized this and kind of we prioritize solving the problem for all the customers who could be brought up. Now, if that power outage had only happened on the power outage level, and kind of, so it's a lot of ifs and buts and what could have been done, should have been done. That's all in the past now, but, I would like to point out that, in case that the third party vendor had trained their processes better, we could have avoided a world of pain for us and for our customers, by putting up the power only after the UPS was charged, instead of trying to bring it up couple of times, which damaged some of our equipment. And of course, we had enough equipment on site to be able to kind of continue the operation post replacement for all the majority of our customers. Yes, we spend a lot of time in verifying, or each of our customers whether their services are up and over couple of like 24, 48 hours that we continue to call our customers and make sure that everyone's services are completely up and running.

Ameya Pimpalgaonkar: Understood, thank you that was helpful. And my second question Tarun is on.

Tarun Dua: Let Ameya continue with the second question, technically he has asked only one question.

Ameya Pimpalgaonkar: Thank you so much, I appreciate. I had to ask you this, because you are doing a lot of value addition in terms of your software ecosystem as well as at a network level for example, you have TIR framework, you have InfiniBand, that you have recently deployed, both 1.6 Tb and 3.2 Tb. Just wanted to, pick your brains, what nature of advantages let's say this InfiniBand is bringing you compared to the peers, when we talk about embedding a value, when we sell a contract to a customer, what sort of value are you able to bundle in your offerings because these small things are, not coming to the front and I just wanted to understand how you are looking at this, when you go to a customer, what kind of value are you able to attach to these things for now that you have. Thank you.

Tarun Dua: Sure, thank you Ameya. That's a important question to address, in cloud what we are doing is, like I said that we are doing hundreds of activities and integrating like hundreds of different services based on open source and hardware and the processes our team to be able to train that. Now, it is to what end so one end is that like, we are always providing the latest greatest technology to our customers at all times. So that is always the goal, now the second part like you asked specifically about 3.2 Tbps kind of InfiniBand so, the overall idea is that, what is difference between the old world of the CPU and the storage and the new world of CPU plus GPU plus very high speed panel file system kind of storage and so on. Is that like earlier what you were doing was that like, the nature of your software was dependent on the abstraction that you provided in your data, which was like you were choosing to store the data, which was by its very nature, like key value payers or relational or some sort of structuring of data was required. So your data was going into structure databases, and the software was limited by what you were storing in terms of the structured data. Now, structured data in any organization is actually only about actually 5% or maybe even less of the amount of data that any organization produces. All the other 90%, 95% of the data is actually unstructured data. Now, if you look at the new world of AI, where GPU has almost 100 times the processing capability, now that 100 times that processing capability is actually going to be used for the remaining 95% of the data that does not get captured in structured database format. Now, which means that like earlier you were designing your storage and network and your entire internal bandwidth infrastructure for being able to process like very small amounts of data. Now you actually are building for like being able to handle like 20x, 100x or maybe even 1000 times the amount of the data in motion to be able to process it on like very fast, high speed, GPU processes. So that's why we are building all the technology around like why do you need a bigger network. Why do you need a 400 gig or 800 gig Ethernet and why do you need a 3.2 Tbps InfiniBand is to address the data in motion at these scales. Because these are the scales required for dealing with organizational data which is unstructured, so which is primarily used to be classified into say voice or natural language, or LLMs as they are called today in GenAI term or video or images. And tomorrow, that nature of data is going to become multimodal. And like, we may not need to store all of that data, only the weights and biases kind of like generated through that data and to vector databases and so on. But yes, like you still need to be able to handle like a lot of data in motion. For that, you need to kind of like completely upgrade the way in which you think about technology.

Moderator: Thank you. The next question is from the line of Shashank Rastogi an Individual Investor. Please go ahead.

Shashank Rastogi: I have just one query. So my question is that in the last quarter, your deposition part increased a lot, is there any change in your accounting policy. If it's the same currently.

Tarun Dua: Let Megha answer this question, and after this question from your side, we'll take like one more participant question. And then we would end the call. But let's have Megha's answer to your question and then we will take one more question and then we will end the call.

Megha Raheja: So there is no change in accounting policy as regards depreciation. The depreciation was changed from April '23, where we have changed from WDV to straight line method in line with the Companies Act. That answers your question?

Shashank Rastogi: Yes.

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

Parikshit Kabra: I have two questions. First is to understand the kind of customer profiles that we have. I know you mentioned that startups are our focus area, but are we also seeing that as the operations of our customers scale, they migrate to quote unquote, the bigger players like AWS and Azure for stability or security reasons or are we not seeing that pattern as of now?

Tarun Dua: Okay, so the nature of our customers like primarily is the four different buckets today. So one is of course, like we have the SME segment, which continues to be our main the bulk of our customers, then we have the higher education and research category, then we are back with a bang with working with a lot of startups today. And fortunately, we also work with like an auto flex partner ecosystem, both in India and outside India. And they also bring in like a lot of customers. And to answer your question about like do customers migrate. I don't think there is any imperative to migrate today as such among the customers from anywhere to anywhere. The nature of workloads has become multi cloud, so it feels that like in a single organization, multiple cloud is given. So nobody is trying to consolidate into a single cloud platform anymore. So there is no imperative to migrate the workloads, so wherever the workload are running most efficiently by any team who is running the workload. They usually continue to run over there.

Parikshit Kabra: Got it. My second question, if I can get that in.

Tarun Dua: Please go ahead Mr. Parikshit.

Parikshit Kabra: Thank you. So, I was just trying to understand what is the split of our revenue from following foreign customers right now and how are we, what is the GTM for that?

Tarun Dua: I don't think we are doing a formal split right now. But currently, like our focus continues to be in India, although we would obviously not refuse any customers coming from outside as well. So from a focus outside your perspective, like majorly we are focused on the EMEA market and the US market. And hopefully, we will start focusing on the Southeast Asian market as well, but the bulk of our revenues continue to come from India.

Moderator: Thank you. The last question is from the line of Abhishek from ABC Capital. Please go ahead.

Abhishek: Just one question, what is the team size right now and is there any plan to increase net count next year and if yes, then by how much?

Tarun Dua: Broadly, we have claim to somewhere between 140 to 150 people in the team. So approximately about 150 and we continue to grow the team organically. So, specifically wherever we have access to talent, we continue to do that. And it's going to be an organic growth, so we don't have any kind of a super formalized plan, we have seen a gap. And based on those gaps, we continue to fill those gaps both in our technology team and our marketing team, as well as the operations team.

Abhishek: So, no significant increase in the employee cost next year?

Tarun Dua: So again, it's a question of like, so we continue to operate in like startup mode, we are obviously, wherever we find talent, so we are happy to kind of entertain the talent and figure out like how they can help us and the doors for hiring are never closed at E2E ever.

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

Tarun Dua: Thank you everyone for participating in this earnings concall. I hope we have been able to answer your question satisfactorily. If you have any further questions or you would like to know more about the company, please do reach out to our IR managers at Valorem Advisors. And thank you very much.

Moderator: Thank you. On behalf of E2E Networks Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.