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November 10, 2026

The National Stock Exchange of India Limited,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051.

Symbol: REDINGTON

BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai — 400 001

Scrip: 532805

Sir/Madam,

Sub: Q2 - FY 2026-27 - Earnings Conference Call Transcript

This is further to our letter dated October 30, 2026, intimating the details of earnings conference call on the unaudited financial results for the quarter and half year ended September 30, 2026, held on November 04, 2026.

In this regard, we are enclosing herewith the transcript of the conference. The same is available on the Company's website at https://redingtongroup.com/wp-content/uploads/2026/11/Redington-Limited-Q2FY27-Earnings-Call-Transcript.pdf

No unpublished price sensitive information was shared/discussed in the meeting/ call.

We request you to take this information on record.

Thanking you

For Redington Limited
VIJAYSHYA M ACHARYA KUNJIBETTU
Digitally signed by VIJAYSHYAM ACHARYA KUNJIBETTU
Date: 2026.11.10 15:46:22 +05'30'

K Vijayshyam Acharya
Company Secretary

Encl: a/a

“Redington Limited

Q2 FY27 Earnings Conference Call”

November 04, 2026

MANAGEMENT: **MR. V. S. HARIHARAN – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER– REDINGTON LIMITED**
MR. S.V. KRISHNAN – FINANCE DIRECTOR– REDINGTON LIMITED
MR. V RAVI SHANKAR – CHIEF FINANCIAL OFFICER - INDIA & MIDDLE EAST
PALAK AGRAWAL – HEAD INVESTOR RELATIONS – REDINGTON LIMITED

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Moderator: Ladies and gentlemen, good day, and welcome to Redington Limited Q2 FY27 Earnings Conference Call. Before we begin, a brief disclaimer. This conference call will contain forward-looking statements. which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involves 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. V.S. Hariharan, from Redington Limited. Thank you. And over to you, sir.

V.S. Hariharan: Thank you so much. Good afternoon, and a warm welcome. Thank you for being with us today. This quarter marks another important milestone for Redington. We delivered the strongest quarterly revenue and profit after tax in our history, not in the benign environment, but against a backdrop of geopolitical disruption, changing component prices and continued supply chain complexity.

The outcome says as much about the quality of our execution as it does about the strength of demand across our markets. We are in like a multi-verse phenomenon. Consolidated revenue for Q2 FY27 was INR43,002 crores, up 48% year-on-year. Profit after tax, excluding exceptional items, rose 50% to INR581 crores. Excluding Arena, this looks even better. Revenue expanded 54% and profit after tax increased 55% to INR657 crores.

Growth remained broad and the core business converted that growth into stronger earnings. For the first half of '27, consolidated revenue reached INR77,967 crores, a growth of 41% year-on-year, while profit after tax, excluding exceptional items reached INR1,067 crores, growing at 61%. Both are the highest Redington has recorded in any first half…

These results are not built around a single brand market or technology cycle. They reflect a portfolio designed for resilience, scale businesses that generate reach, value business that deepen relevance and emerging capabilities that prepare us for the next phase of technology adoption over the next few years.

Let me begin with a little bit more deep dive into our markets. India continued to lead growth with the distribution business growing 67% year-on-year during the quarter, while the rest of the world excluding Arena grew 38%. Contributions by GCCL. These are the GCC countries in the Levant countries outside of UAE and Saudi grew 121%. UAE grew 39% and Africa grew 35%. The Middle East grew 41% despite the geopolitical uncertainty. The breadth of this performance demonstrates the relevance of our portfolio across these markets.

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India benefited from several growth vectors working together. Premium mobility continues to be a key play for us in the Mobility segment, the Smartphone segment, backed by NPIs, higher and higher PC selling prices in the PC segment, substantial data center wins and sustained expansion in software, cloud and security. Our routes to market are also becoming more effective, direct-to-retail motion in India. Other technology-enabled models are increasing our reach while giving partners a more responsive distribution platform.

Across the Middle East and Africa, our teams adapted quickly to the logistics disruption, longer collection cycles and tighter liquidity. The region nevertheless produced strong growth, particularly in value-led categories. We are encouraged by the opportunity despite these situations in these markets while remaining deliberate about credit, inventory and cash discipline.

Now turning to our business engines and giving a little bit of narrative around that. Every vertical grew very good double digits during the quarter. More importantly, the mix of growth shows that Redington is participating across the full technology stack from devices to data centers and from cloud consumptions to software-led solutions. Mobility grew 40% and accounted for 34% of the consolidated revenue. As I mentioned before, premiumization, especially in India, new product launches across the world and selective price increases supported in the quarter.

SISA geography grew 70% with healthy momentum across both Apple and Android. In the Rest of the World, Mobility grew 34%, excluding Arena. Endpoint Solutions grew 38% and represented 30% of revenue. Higher average selling prices were the principal driver, supported by a sequential increase in commercial PC volumes. The business delivered its highest quarterly revenue to date, demonstrating the device demand remains relevant even as the market shifts towards higher performance and AI-capable PCs.

On the Technology Solutions Group, it was a standout performance this quarter. Revenue increased 91%, taking TSG to 20% of the consolidated mix. Servers, storage and networking all contributed. However, the AI servers, the GPUs with richer configurations and dramatically higher ASPs, in many cases, 4x, are driving the growth. Large deals exceeded INR3,800 crores and accounted for roughly 9% of the group's revenue.

A good chunk of the large deals in India came from data centers. Excluding these large deals, TSG grew by 33%, giving us confidence in the depth of the underlying opportunity. Software Solutions Group grew 39% and contributed to 15% of revenue. All SBUs grew under SSG with strong growth in cybersecurity and cloud.

Cybersecurity sprung back very nicely with all the efforts and focus in the last few quarters. We are widening our access to leading OEMs and brands and hyperscalers taking existing partnership into new market and combining products into more complete customer solutions. The objective is straightforward, moving from fulfilment towards orchestration and earn a larger role in the customers' technology agenda.

Our Professional Services business registered strong growth with many enterprise and SMB wins. Our new CloudQuarks 2.0 has been rolled out to all of Middle East, Africa and Cloud Life

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Cycle management tools, which is TrackMyCloud and Reonix has become -- has found better adoption by partners, and these will hold a lot of good stead in terms of stickiness to customers and partners to our cloud platform.

AI is becoming a common thread across the businesses. Our participation spanning infrastructure, workstation devices, cloud software, professional services, AI across all of them. Specific initiatives like AI exchange, which was created in Q4 of last year has moved from concept to commercial activity.

And the launch of AI COE in Singapore Physical Experience Center, also combined with the virtual COE that we are building. During the quarter is going to be very important critical for it in terms of the beginning of the journey, on being able to get use cases from customers and partners and find solutions from ISVs.

Together, these capabilities position us to connect multiple technologies, brands, ISVs as customer requirements become more complex. We also rolled out five AI learning centers over the last 2 quarters now in place in India, executed as part of our CSR program. Again, adds to the entire AI focus. Our OEM ecosystem remains central to the strategy.

Redington's advantage lies not only in scale, but in the ability to bring hardware, networking, software, cloud, a whole range of product portfolios across markets. That breadth allows us to open new routes to market for vendors and assemble more relevant solutions for partners and customers.

Operational quality remains equally important. Working capital was at 35 days at the lower end of our 35- to 40-day guidance range that we provide every quarter. Return on equity improved to 21.6% and net ROCE to 22.7%. Excluding Arena, these measures are even stronger at 24.4% and 28%, respectively. We also retained operating leverage revenue grew 48%, while operating expenses increased at a lower rate of 40%.

We will continue investing in the people, platforms and capabilities required for SSG Software Solutions Group, TSG, Technology Solutions Group, and AI, but each investment will be assessed against its ability to create durable returns.

Arena remains the principal area requiring corrective action. Revenue was lower by 37% year-on-year. If you remember, the Arena subsidiary exited the VDF contract and the resizing of the Turkey operations since happened, exiting from the Lira business. Redington share of the loss this quarter was INR115 crores. This loss comprises of the business loss and a lira business transition loss and an exceptional impairment of intangibles of INR40 crores.

Arena has a totally new management team in place who is now steering the company through. Our priorities remain restructuring portfolio choices and development of a Turkey-specific dollar-denominated growth avenue.

Stepping back, Q2 demonstrates the shape of Redington's next chapter. Our scale businesses are expanding Our value portfolio is gaining weight and our investments in cloud service security and AI and digital routes to market are beginning to connect. The record H1 outcome gives us

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momentum, but it also raises the standard of execution we set for ourselves. Our position in India across MEA creates a powerful platform. It gives vendors reach, partners access and customers the ability to source and integrate technologies across brands.

As AI increases the interdependence of infrastructure, devices, cloud and software, this ability to orchestrate ecosystems will matter more than ever. Behind every number our Redingtonians, who kept customer-supplied partners supported and operations moving. I want to especially recognize colleagues working in sensitive and conflict-affected markets. Their professionalism under difficult conditions has protected business continuity, reinforce the trust we have built with our stakeholders.

We entered the second half alert to geopolitical liquidity and market risk, but with confidence in the breadth of our portfolio and the discipline of our model. Technology adoption remains a structural opportunity across our markets. Our task is to capture that opportunity, responsibly turn growth into returns and keep building a stronger Redington. Thank you for your continued trust and support. We will now be happy to take your questions.

S.V. Krishnan: Just one add-on for all of your information, Hari is attending this call from hospital, his parents are not well. He may not be there for the full call. Just keep -- I mean the questions brief, please. Thanks.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nitin from Investec.

Nitin: A solid quarter. Congrats on that, and best wishes to your family, Hari. A couple of questions. So one is -- on the gross margins, just your thoughts on, despite the Mobility mix having come down year-on-year, still the gross margins seem to be trending down. There's some context there as to why that's happening?

Second, on TSG, from a large deal perspective, this quarter was extremely solid. I think more than what you did in the whole of last year, if I'm right. In that context, how does the pipeline look? And do you see this sort of sustaining sort of going forward? Or do you think this will be quite lumpy?

And apart from that is, I think last quarter, you had indicated some concerns on ESG in the context of inventory stocking. Great if you could give some context here as to how it looks at the moment. And maybe I have a few more, but maybe I'll get back into the queue for that.

V.S. Hariharan: Okay. I will start off on TSG and ESG. And Krishnan, if you can just jump in on gross margin right after that. So TSG, as I mentioned, it's not really a pricing phenomenon as a lot of people think. There is a real transition happening from CPUs to GPUs. And this is based on enterprises adopting GPUs and migrating GPUs. And we are seeing -- if you see -- and this is a global phenomenon, not just unique to our market, that is a big jump of ASPs and that's happening.

And it's almost 4x in most cases. And from a perspective of this adoption continuing, assuming people continue to be motivated by GPU. And what is going to achieve and AI because there's always a mixed bag of what you hear and how people get into that emotion of should I continue

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to adopt AI or not. We think this will continue because this is not just a short-term pricing phenomenon of something of constrained and components driving it, etcetera, its a CPU to GPU migration. So that's what is happening in the last 2, 3, 4 quarters.

And on the ESG side, clearly, that the trend continues. The unit volumes on the consumer side are declining. And the prices -- increased prices are giving us that revenue growth. Commercial PCs are flattish to a small growth for now. And that multiplied with the larger ASP is giving us that. There's still speculation in Tier 2 in terms of pricing, etcetera, and we -- from whatever we hear, there will be some price increases will continue for a few more quarters.

But at some point, the volume demand elasticity is going to come in is what we feel because the unit volumes are clearly -- if I -- there were some questions even previously, if I look at the unit volumes on PCs, there is -- year-on-year, if you take quarter -- the same quarter the previous year, it will be flattish to a slight decline on volumes, consumer a lot more and commercial holding up and the ASP contributing to the growth.

Again, I think at some point, these price increases will slacken the actual unit consumption. So that clear about that. On the TSG side is a bit different because of the transition of CPU to GPU. Over to you, Krishnan, on the gross margin.

S. V. Krishnan: Yes. See, when compared to the previous quarter, the gross margins are broadly similar. But having said that, if we eliminate the large deal, I mean, on account of large deals. This moves up to about some 5.13%, very similar to what it was in the last year, similar in same quarter. And you need to also understand that this includes Arena, where we have been doing till in Q3 and -- I mean, Q2 and part of Q3 last year, their local currency business, which have had better margins.

Moderator: The next question is from the line Pratik Kothari from Unique PMS.

Pratik Kothari: First of all, congratulations to the team. Sir, if you can just help us reconcile the kind of growth that we are posting and also in a few recent interactions with media, etcetera, I mean this is not something which is short term, you see this for at least 2, 3 years, if not 5. And on the other side, we read anecdotes reports about Apple cutting down on some phone production, Intel cutting down on some PC production volume shipments, etcetera.

A lot of this is pricing driven where volumes have either started to get hit or maybe will stay, over next year or two. so just if you can reconcile -- I mean, on ground, where are you getting this confidence from for the higher trend line in growth that we have been seeing for the last few quarters and maybe possibly more for the next few years? Because the news we hear is very different and that's sometimes confusing.

V.S. Hariharan: Yes. I mean I'll try and answer that. It's not a straightforward answer. Clearly, as prices go up, the people migrating from non-premium smartphones, premium smartphones, they will delay some of that, but the Premium segment of the Smartphone segment has introduced a lot of interesting new models as well. So if you look at -- and we find a lot of fold phones now, Apple has and the Samsung has and a few others.

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It's a very new category and people want to upgrade to those. And as we look at the market -- on the smartphone market, we say there are 3 segments in the market. One is where people buy from wealth, their own wealth. Second is people buy from credit. And third is people buying from wages.

And the one that we see migrating slower or transitions slower to Premium would be wages, Both the credit pieces and two-third of our premium smartphone in India is connected with an EMI kind of a picture. And so what the wealth and the -- and we are seeing that phenomenon actually because when we -- when the premium phones are launched, the one with unique features, the one with the newer phone factors, etcetera, is a hot in demand.

And then on top of that, the camera features the AI features, all of those -- so consumers share of the wallet on some of these things are going up over the years. And that's one that gives us the confidence. But it's definitely not at the same rate that we would see in the last few years that it has grown. So definitely, we're going to hit a wall somewhere. And truly, the entry level in the midrange of the market is seeing some of those.

Pratik Kothari: Okay. Correct. And second, on Arena, right? So from ex of this provisioning you had to do, I mean, we went from INR20 crores, INR30 crores of losses a quarter to almost INR70 crores this quarter. Anything specific to call out excess provision?

V.S. Hariharan: Yes. As I called out in my narrative, there were three parts to it. Like there's a business provision and there is a transition provisions. So the transition of the lira business, there were a number of things that were both in terms of rebates and discounts given to partners that should have been available from vendors were not fully aligned. And so some of that came in as provisions.

And then on top of that, we took an impairment of our intangibles. That's why it all added up. But if you look at just the business loss this quarter was much smaller. And Krishnan, do you want to add some more narrative on that?

S. V. Krishnan: Yes. See, these are the three splits. So just to elaborate what Hari said, the businesses where we exited, we had to I mean we had to also make sure that our customer relationships are proper. And if they have a challenge and we need to support them. So those are some of the hits and these are primarily on account of the discontinued businesses.

Pratik Kothari: All right. And lastly on this debt equity at 0.5, 0.6x I mean where would our comfort here historically, I mean -- or globally, I mean, what would that benchmark mean? I mean until what can we go up to?

S. V. Krishnan: See, the distribution business, which is working capital intensive, you tend to have normally debt equity of beyond 1:1. And this is what we will see across many constituents. But globally, it's on -- I mean it would be about 0.6x to 0.8x. So we are quite comfortable in where we are, and this is primarily on account of the higher growth that we see in the business. But like we had mentioned in the past, when we see the requirement for additional capital times, we will come back to the market at the right time.

Moderator: The next question is from the line of Hitesh Goel from Aurigin Capital

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Hitesh Goel: My question is actually on this -- the laptops, PCs and smartphones. On a Y-o-Y basis, how much of the growth is pricing led and how much has volume deterioration we have seen in the market? And has Redington actually gained market share during this period in the distribution? Can you shed some light there?

V.S. Hariharan: Okay. It is very hard to separate out the value-led versus the price-led because see, what happens is a lot of the PCs that are shipping now are AI-capable PCs and higher TOPS and things like that. And the entry-level PCs have become smaller and smaller. So it's a phenomenon of what is supply and demand.

And so is it actually customers trying to adopt AI capable PCs versus just going for the higher-priced PCs and they are upgrading or enhancing especially enterprises. It's somewhat hard to determine. My assumption, there will be a combination of both, but the exact split will be hard. And the second question was, sorry?

Hitesh Goel: Same in smartphones. So if you can also say, on a like-for-like basis, there's been 30%, 40% inflation, right, in smartphones and PCs and all. Is that right on a Y-o-Y basis?

V.S. Hariharan: The price increases have been anywhere between 30% to 50%. Yes.

Hitesh Goel: And also basically, when you're saying AI is more enterprise driven because I mean, consumer side, we are not -- the proportion of AI-led will be very low, right?

V.S. Hariharan: Correct. Absolutely. So it will be -- the adoption of AI PCs is more than 40% in the commercial PC segment and bought by enterprises, whereas the consumer is still hovering around 10%.

Hitesh Goel: Okay. And do you see the same trend continue in October, 3rd quarter basically because we have like previous participants said that recently we saw many companies saying that we are doing a reduction in smartphones and PCs and all that. So is there momentum continuing in your business at least?

V.S. Hariharan: We can definitely see the volumes, as I said, the consumer volumes are declining, the unit volume shipments, and we can also see activations in PCs, Microsoft activation data is negative 20%, 30%. And whereas in commercial, as I said, it's right now still between 0% and 5%, 0% and 7% something like that. And the ASP should drive on top of that is revenue growth. Now I think enterprises will need PCs.

And enterprises will need to transition and they need to transition because they are probably post-COVID when they refreshed, they were the 3, 4, 5 years. So we see that continuing. Again, will -- even on the commercial side, will there be a demand softening because of the price increases, we'll have a wait and see. We've not seen minus 10%, minus 20% type demand softening on commercial PCs.

Hitesh Goel: Great. And finalclarification, how much of distribution business in enterprise and consumer split in your business?

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V.S. Hariharan: Roughly two-third, one-third, you can say. two-third is enterprise in one-third is consumer. And I think you talked about market share as well. And I think we have gained some market share in some of the brands and I would say, largely, we are flat to a slight gain in market share is what we think in our markets we are in, not a whole lot. And -- but we have not lost market share. You would have gained a little.

S. V. Krishnan: Just to clarify one point on the commercial versus consumer. When Hari said, two-third consumers, it's because we have PC segment. We also have Mobility segment, which are broadly equal. If you take only IT, you need to look at it as half-half. And basis our own business, it's about two-third, one-third.

Hitesh Goel: So two-third is consumer, two-third in enterprise? I think Hari said two-third enterprise.

V.S. Hariharan: Yes, on the PC side, two-third is Enterprise…

Moderator: The next question is from the line of Aejas Lakhani from Unifi AMC.

Aejas Lakhani: Sir, I have two questions. The first is that could you call out, sir, the sharp rise in opex that we have seen, and you mentioned in the earlier remark that some of it is transition provisioning in regards to rebates and discounts. So Krishnan sir, could you just call out if there is a number, what is the sustainable steady-state opex that you're looking at? And also, could you call out the receivable and inventory provisioning that you have taken for the quarter?

S. V. Krishnan: See, opex has three important elements which you need to look at when you do the comparison. One, we have already spoken about this AR related provisioning. And that's something that's on the higher side, and this is both in arena as well as in the case of India. Second, the investments that we are making and primarily in the SSG-related space, which is also there as part of the current opex. The third is very specific to Middle East, where on account of war-related situation, there are some increase in cost and primarily is on account of insurance, etcetera.

Aejas Lakhani: Understood. And sir, so going forward, what is the sustainable opex number that you can lead us in the direction of?

S. V. Krishnan: We should track anywhere between INR950 crores to INR1,000 crores a quarter.

Aejas Lakhani: Understood. And sir, could you just call out specifically what was the receivable and provisioning numbers for the quarter?

S. V. Krishnan: It's about INR213 crores, which includes about INR67 crores in SISA and in Arena about INR135 crores.

Aejas Lakhani: Okay, sir. Understood. And sir, this is the receivable provisioning number. Is there any inventory provisioning that we have done for the quarter? And could you call out the number?

S. V. Krishnan: That's not significant, that's not material, Aejas. In this position, we are not concerned about our inventory when the price keeps going up, right? So I mean, the concern will be on AR and

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particularly in Turkey, the general conditions, the liquidity conditions in the market is not very great.

Aejas Lakhani: Understood, sir. And sir, my second question is on the capital intensity of the business. And given the very strong revenue uptick that you're seeing I'm trying to understand the capital consumption for the business incrementally. So, how do you intend to fund such growth? Where -- how should -- you mentioned earlier the debt-to-equity, you're still comfortable. How should we see that? Are there levers on the dividend side that you're planning to pull back or given the intensity of growth we are seeing?

S. V. Krishnan: See, like I had mentioned in the previous question, we are very conscious, and this is one of the priority areas that we keep looking at today, primarily because of the higher growth, which is something very positive. The levers, there are additional debt that's possible, like we spoke, there are opportunities to moderate the dividend or to raise capital.

So, at this point in time, we are able to manage with the debt. And the other levers, we will bring in when there is a requirement. But all depends on how this trend is foreseen to the future? If this is a -- I mean there is a strong trend, definitely, the capital raise will become requirement.

Aejas Lakhani: Understood, sir. And sir, any callouts on how we should expect growth across segments or regions for the second half? Because each segment has -- the Middle East had the disruptions, etcetera. So just any perspective on both across regions and segments?

V.S. Hariharan: Right. It is similar. What you see, I think you'll -- on a geography perspective, I think India, GGCL and Africa will continue to be very strong growth drivers. We still see growth in UAE and KSA come back, it will depend on the geopolitical disruption. This is a bit of an unknown. I reserve my comments on these two geographies based on what happens there.

Then when you look at segments, we talked about SSG being the strongest growth driver and SSG is now -- the other three business units are growing faster than SSG in some ways. So second half, we continue to see TSG being a very strong number 1 in terms of growth driver, followed by SSG. So the value segment will be good for the second half.

Typically, they have always been strong in the second half and the CPU GPU migration as well as the SSG work will drive that. ESG and MSG, we are a little bit more cautious because of the price volume elasticity and the volume dampening of demand because of the price increases.

So we would be a bit more cautious on those two. But we've had some NPIs on Mobility. So that looks interesting as well. But definitely, TSG and SSG being strong. India, GCCL and Africa been strong.

Moderator: The next question is from the line of Vinay Menon from Monarch Capital.

Vinay Menon: Few questions on my side, this time it happens so that they launched the Pro and Pro Max and not the base model and that is scheduled for spring. So how do we now look at Apple sales because Apple is a Q3 heavy quarter for us because September end typically the new phone

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launch. So do we see that now across the full part? And then should we not take the decline in volumes too seriously right now Because some of it will be recovered in Q4?

V.S. Hariharan: Yes. I mean, that's a very interesting question and asked in interesting way. I think there are -- Yes. So I'll try and answer this into three parts. See, there's a series of NPIs that happens with Apple. And Normally, it's only once a year. This year, we saw ProMax now the base model coming later.

They've also introduced a Duo separately, then they've also introduced a new set of products on iPad minis as well as on the computing side, the touchscreen laptops. So there is a lot to deal with. Clearly, if I look at what is going to happen, overseas in our Middle East markets, the Premium models are always slightly higher proportion.

India has been -- the base model has been higher proportion, even though there are more people now buying Pro, Pro Max. So you're absolutely right when the base model launch in Q4, you will see a better unit volume kicking in and 18 does have some good set of features. So those are all things that have happened.

But normally, we would have a Q2, Q3great, but we might have a good Q2, Q3, Q4, we had a series of NPIs. We are looking at it a little bit differently and volumes could come back in Q4 if the base model really helps being a hit. But again, prices have increased across everything. So that can be a dampener. Will people continue to buy 17 because 17 is still in the market or they go for 18, all of that, we'll have to wait and see.

Vinay Menon: The strongest quarter for distributors because it's the quarter before Diwali. But this time, because there is a bit of a delay in Diwali, are we seeing some demand of that also coming in Q3 and maybe that's where the inventory pileup has also happened?

V.S. Hariharan: I missed the first part of the question. It was a bit muted.

Vinay Menon: No, no. I think there was a -- like there is festive season is a little late compared to last year. So, are we seeing some of that demand to kind of come into Q3? And is that the reason for the inventory pile up also?

V.S. Hariharan: Go ahead, Krishnan.

S. V. Krishnan: Sorry, sorry, Hari. We also need to -- while partly yes Vinay, it's mainly to do with the Middle East situation where supply chains are still under stress. I mean, completely, I mean Strait of Hormuz is closed, and we need to find alternate routes of receiving the material. So everything has increased the TAT of doing the business and that's one of the -- I mean key reasons why inventory is on the high side.

Vinay Menon: Okay. Okay. And one last question. In terms of the large deals, data centers, as you mentioned, is a larger part. So are these orders from neo cloud? Or are these maybe to private enterprises, government? Can you just give me some color on that, that would be helpful?

V.S. Hariharan: It's almost all neo cloud.

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Moderator: The next question is from the line of Pranav from Emkay Global.

Pranav: I would like to ask a question about TSG. So TSG, I'm just trying to understand, since fair bit of this revenue will be coming from AI-related demand. Do you think that this will be a little lumpy in nature and hence, can cause some challenges in terms of managing the working capital? And secondly, I would also like to understand how do you see the growth runway for this business? Can this become very, very big, considering it is growing very, very fast?

V.S. Hariharan: The way we looked at it as -- I think customers are -- as they are transitioning their whole server space from being a CPU to a GPU and the associated storage networking, etcetera. They're just going for the newer category of products, which cost more and it's limited in demand today, and so it's priced like that.

Again, this is a run rate business as I see it. It's not lumpy because as long as enterprises continue to transition migration CPU to GPU, we will see it happening over the next 3 months. So it will not be lumpy. The data center business could be lumpy in terms of getting the orders and getting the recognition, but the TSG server business will not be as lumpy.

Pranav: And how much of this TSG business currently would be from data center and non-data center, I mean, to get a sense of recurring numbers?

S. V. Krishnan: For the current quarter, roughly about INR3,800 crores is our large deal sizes. If you eliminate everything else is BAU.

Moderator: The next question is from the line of Chirag from Motilal Oswal.

Chirag: Congratulations on a great set of numbers. I just want to understand directionally that from a seasonality point of view, putting the moving variables like war-related impact aside. Generally, I mean, H2 is better or H1 for the business ex of Arena and all?

V.S. Hariharan: Normally, H2 has always been better than H1. And it is -- because our Q3 is normally Q4 and year-end for a lot of brands and a lot of countries, not India. And so that has a budget -- spending your budget. And similarly, Q4 has the India impact of spending budgets. So normally, our second half is always bigger than the first half.

But this year is a bit different because the whole shortage and the price increases, I think, has pulled forward some of the consumption and purchase cycle forward, both on the PCs and even on the TSG side, definitely smartphones. It could be this year's second half, we are not seeing that much of a seasonality. And we just -- we see still a good Q3 and a good Q4, but we won't see that much of a seasonality in our opinion.

Chirag: Okay. So in, let's say, in a normal circumstance, should we assume because the growth pace on year-on-year, particularly in 2Q and somewhat in 1Q has become very large on year-on-year. So considering the current order book and the commentary you mentioned for the segment specific outlook, is it fair to assume like the growth will be north of, let's say, 25% at overall business level in H2, that extent?

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V.S. Hariharan: It should be. I mean there is no reason to pull back. The only caveat, I would say, is two caveats. First caveat is how much of a demand contraction that happens because of the price thing finally settling in and people saying, yes, I'm just going to delay my work, we will never be able to assess that until it actually hits you. But -- so that is a bit of an unknown unknown.

We are not seeing on that yet, but we will -- we could see that, especially post-Diwali season, the consumption of smartphones, consumption of consumer PCs, those kinds of things. And second thing is the West Asia crisis and how much of that impact would be felt in UAE, KSA, and some of GGCL. Those are the two caveats. But otherwise, Yes, you're right. There is no reason to disbelieve that will be north of 25%.

Chirag: Just one final question from my end. In past 15 days, somewhat the noise around AI and the capex behind AI, be it on hardware side or on software side, somewhat that is trying to settle down and also the geopolitical changes, which may happen considering the election outcome and all in the U.S. Let's say, if in a case, the AI-related spend incrementally come down or some of the proposed project take a back seat due to any reason, will it any way impact our outlook of FY29 or '30, which we have given for SSG or at a broader level for the business?

V.S. Hariharan: Those will affect. Your question is valid when it comes to TSG and the data center piece. SSG consumption, while there is an AI element, I think that piece is still outside of a pure AI recent back because the cloud security and software has been growing at one pace and we believe that will continue. Similarly, smartphones, there is not that much of an impact on AI. So it will be TSG for sure and somewhat on the PCs, these two spaces, there could be an impact of that if there is a pullback. But I think it will rationalize I believe with the other two…

Moderator: The next question is from the line of Priya from Emkay Global.

Priya: My first question relates to more on the AI exchange. Now what sort of traction are you seeing? And if you could just dovetail on some of the higher activities which you are seeing in the past few days in this quarter, just since we have done at least 1.5 to 2 months of its launch. And just a small follow-up on Google becoming among the top 5. I mean, how broad-based could this be? Or is it more related to cloud-related revenues and this could only increase going forward?

V.S. Hariharan: Actually was not able to get your question fully.

Priya: First was on the traction in the AI exchange, which...

V.S. Hariharan: Okay. So see, we all know, and I'll answer the first question and maybe I'll tackle the second one after that. We all know that the AI adoption, especially the commodity AI-adoption on things like on the Frontier models like ChatGPT, Claude, etcetera is very high. Both in consumer and enterprise space, there's a lot of discussion on agent AI. There is no doubt of that. The real challenge people are finding is how do I convert it into an ROI model.

And increasingly, people are getting a little bit disenchanted and disappointed in terms of getting that to happen. So an AI exchange type of a platform was to solve that gap where we bring in a platform where there are ready-made products that are working for some customers and these agents have been delivered for some customers and some of the customers can look at it and say,

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hey, I like this model for the BFSI segment used by 10 BFSI customers and developed by digital natives or ISVs.

And early days, I mean, we've launched it about a couple of quarters back. We are engaging hundreds of our partners with this, talking to their customers. And we've had many ISVs engage this model. This is a completely change of the go-to-market model. We are seeing traction in small bits and bites and a good funnel.

It's somewhat like what cloud was 10 years back. And we are encouraged by what we see. But clearly, this has to work for customers, and this has to have a replication, multiplication model by partners. That's what we're trying to see. So then it doesn't become like an every use case is a new use case, somebody has to go in and develop an AI solution for it. So it will take -- it will be a long journey, clearly. It is not going to catapult overnight. And the second question was...

Priya: On Google as coming in the top 5 vendor base in terms of some color over there. because that's on an H1 basis, if I look at grown money to -- and I know the base could be lower. But if pilot is on a very high growth, just trying to get some color over there.

V.S. Hariharan: Yes. So Google for us has two parts to it, has got a smartphone piece and it's got an office and cloud piece. So put together, it's grown very well for us. But we definitely, we play hard in Google Cloud in India, but we are -- we don't have partnership with Google in all places. Google is becoming very interesting because their growth -- if you look at overall growth and cloud is very high. They're catching up with the bigger boys and as long as they are in a very distributed centric model, we think it will be very interesting to answer that.

Moderator: The next question is from the line of Ashish from Leo Capital.

Ashish Konaje: Congratulations on a good set of numbers, sir. My question is, are we seeing a big pipeline of opportunities from the Neo Cloud data center buildout in India? How large could the potential size be for the distribution industry on that? And what sort of margin profile and return on capital do we expect on those contracts?

V.S. Hariharan: I think -- again, I think we have shared some of this before also. As the whole neo cloud specifically to India, goes from 1.5 gigawatts to 7 gigawatts and then to 12 gigawatts. Clearly, there is an opportunity for distribution as well. We see we talked about the next 4 years as INR150,000 crores opportunity. Now where does distribution play a role? One obviously in the hardware deal sourcing, working with our brands and working with the neo cloud operators.

Obviously, the big conglomerates in India getting into it. And trying to bring in their own capital and creating their own partnerships with the Neo Cloud operators for the U.S. So we have to see how this plays out between the smaller Neo Clouds locally set up in India and the Neo Clouds coming in from the U.S. partnering with conglomerates in India. So that will be an important play to understand that.

And distribution and distributors like us, we have to see value adds in multiple places, one obviously stitching contracts because we have -- we work with multiple server storage, networking and cooling system and power players, stitching those solutions. Working this whole

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ecosystem orchestration, being able to play a role in filling capacity bringing mid-market customers and be bringing in professional services, all of that. And from a -- if there are smaller players, we may be able to play a role in capital stitching. The larger players will do it on their own. So this is an evolving space, clearly, huge numbers.

But we will play where our value is, and you asked about margins. Definitely margins are not as interesting as normal business unit run rate margins that we have between 4.5 and 5. But the ROCE, we have been clear about picking up deals and partnering, especially on the hardware side, there is a ROCE target we have.

We don't fall below that, and we try to do this with less incremental opex. So the leverage is definitely good for us. And it's a starting point of working in the data center space to be able to play into the value-add space like managed services and filling capacity.

V Ravi Shankar: Just to add, Ravi here. Ravi Shankar from Redington India, I'm CFO of Redington India. Capital investment on the funded portion is almost nil. We only have a non-funded portion being utilized for the purpose of large deal. So in that sense, if you see the return, it is almost infinite.

Ashish Konaje: Got it. Got it. Sir, if I could squeeze in one more question on the Turkey Arena business, but when do you expect a turnaround in that business?

V.S. Hariharan: This has been a question every quarter and every time we have tried to answer there are new sets of vectors and things that happen in the Turkey market. There is a new issue and the funds in the market, there has been all kinds of things beyond interest rate and inflation that has happened, which is what is making us challenge and struggle.

I think, see, what we have done clearly on Arena, the subsidiary, they have exited from the high interest rate working capital business. And we believe we are towards the end of that piece. But there are other things looming in the horizon in terms of our existing partners that we work with how good are they in terms of going forward.

So we need to really closely watch the market, but we taken all steps to eliminate all the negatives we had, and we believe we are getting a cleaner business and a completely new leadership team that gives us encouragement, but we really cannot estimate all the new curve balls that are coming up in the Turkey market. That's the challenge.

Moderator: The next question is from the line of Shrinarayan Mishra from Baroda BNP Paribas AMC.

Shrinarayan Mishra: My first question is on ESG. Last quarter, we had highlighted there were above normal channel inventories in anticipation of price hikes so how is the situation currently inventory levels?

V.S. Hariharan: I think it is similar. I think this kind of trying to take some inventory so that they can make more money. That continues to be a challenge. So there is a little bit more than a comfortable level of inventory. I would say that.

Shrinarayan Mishra: Okay. Okay. And in TSG, if you can quantify what would be the contribution from large deals this quarter?

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V.S. Hariharan: Yes. I think that was called out also INR3,800 crores was the contribution. Growth without those large deals would have been 35% for TSG. Obviously, the 90% growth has come from the large deal portion of it.

Moderator: The next question is from the line of Akshit Shetty from Family Office.

Akshit Shetty: First of all, congrats on the strong performance. My first question is related to business transformation and profitability. I see that the TSG and SSG grew 91% and 39% Y-o-Y in the second quarter of '27. As Redington expands its cloud, cybersecurity and enterprise technology business.

So do you see this changing the company's traditional distribution lead business model? And over the next 3 to 5 years, can we expect a structural improvement in the gross margin and EBITDA margin and ROCE?

V.S. Hariharan: Yes. I think again shared this good question. Clearly, if you see SSG gross margin this quarter, it's higher than 6% and the profitability from the SSG business is also higher than the average PAT compared to the overall Redington average. And as Redington moves its role from pure distribution to orchestration, which has across TSG, SSG business, there will be a lot more solutioning, a lot more services that will be enabled. And that is the expectation that we are driving.

The other capability building that's going on, on CloudQuarks 2.0, the marketplace, the automation tools, the management of life cycle. All of that should result in greater value for the customer, greater value for the partner and getting greater gross margin. So the expectation of what we are trying to do in the next 3 to 5 years is clearly getting better gross margin on SSG and TSG business combined the whole ecosystem orchestration.

Akshit Shetty: My second question is relating -- related to working capital and cash generation. I see in the second quarter of '27 free cash flow was negative INR1,871 crores, whereas the first half of the '27 free cash flow was positive INR583 crores. As Redington expand into larger enterprise and data center projects, could working capital requirement increased structurally? Going forward, can the company sustain the earnings growth without a proportionate increase in working capital?

V.S. Hariharan: You want to take the question?

S. V. Krishnan: See, the free cash flow may not be a right metric when you see a growth rate of this nature in a working capital intensive business. So it is purely to do with higher growth, and that's the trade-off that's being chosen. Working capital, we are controlling the overall working capital in terms of number of days.

But because of growth, higher growth, obviously, the quantum of working capital as well as the debt is expected to go up, and we have spoken about it earlier I mean, currently, we see levers in terms of higher debt. But if you see a requirement for more capital, we will take the decision at this point in time.

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Moderator: Thank you. Ladies and gentlemen, due to interest of time, that was the last question for today. I now hand over the conference to Mr. V.S. Hariharan for closing comments. Thank you, and over to you, sir.

V.S. Hariharan: Thank you for a good set of questions, and thank you for the interest in the Redington journey. We are definitely committed to make Q3 and second half a success too. We continue to watch out for the trends on the geopolitical disruptions and the potential softening of demand because of the price increases. But we'll do our best as always. And come back to you with good results and look forward and happy Diwali for everyone in India.

S. V. Krishnan: Thank you. Thanks. Happy Diwali to all of you.

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

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