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To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001. BSE Scrip Code: 543945	To, The National Stock Exchange of India Limited "Exchange Plaza", Bandra - Kurla Complex, Bandra (EAST), Mumbai - 400 051 NSE SYMBOL: NETWEB
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SUB: TRANSCRIPT OF Q1 FY24 EARNINGS WEBINAR

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Earnings webinar for Q1 FY24 held on Monday, 14th August, 2023.

This is for your information and dissemination on your website.

Thanking you,

For Netweb Technologies India Limited

Lohit Chhabra
Company Secretary & Compliance Officer
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NETWEB TECHNOLOGIES INDIA LIMITED
Q1 FY 24 EARNING WEBINAR
DATED: 14TH AUGUST, 2023

PRESENTER :

Mr. Sanjay Lodha : Chairman & Managing Director

Mr. Navin Lodha : Whole Time Director

Mr. Hirdey Vikram : Chief Sales & Marketing Officer

Mr. Prawal Jain : Chief Financial Officer & Chief Human Resources Officer

Mr. Sanjeev Sancheti : Head of Uirtus Advisors LLP and Investor Relations and Advising Firm

Mr. Sandeep Shah : Equirus Securities

Duration – 01:03:21

Sandeep Shah, Equirus Securities: Hi all. This is Sandeep Shah here. We are just waiting for one more minute as participants are joining and we will start the call soon. Thanks for waiting. Hi all. We can start the webinar now. So, hi, good afternoon and good evening to all the participants. I am Sandeep Shah from Equirus Securities. I welcome all the participants, investors and senior management to Netweb Technologies India's post-result FY24 earnings webinar. Please note that this webinar is for 60 minutes and the same is recorded. Now I hand over the floor to Sanjeev Sancheti who is the Head of Uirtus Advisors LLP and Investor Relations and Advising Firm of Netweb Technologies India to introduce the senior management of Netweb and to discuss the safe harbor statement and the flow of the webinar. Over to you Mr. Sanjeev.

Mr. Sanjeev, Head of Uirtus Advisors LLP and Investor Relations and Advising Firm of Netweb Technologies India: Thank you, Sandeep. Good afternoon to all the participants. It is my pleasure to introduce to all of you the senior management team of Netweb today to present the call. With me is Mr. Sanjay Lodha, Chairman & Managing Director of Netweb, Mr. Naveen Lodha, Whole Time Director, Mr. Hirdey Vikram, Chief Sales and Marketing Officer and Prawal Jain who is the CFO and Chief Human Resource Officer of the company. Before I hand over the call to Mr. Sanjay Lodha for the opening remark, I would like to draw your attention to the safe harbor statement in the earnings update presentation which was uploaded on the BSE and NSE website. Over to you Mr. Lodha.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb (03:51): Thank you. Thank you, Sanjeev. Good afternoon and a very warm welcome to all of you to Netweb Technologies Q1 Financial Year 24 earnings webinar. I will take you through the business and operational highlights of the quarter gone by with our CFO Mr. Prawal Jain who will share the financial metrics. First of all, on behalf of Netweb team, I would like to thank the entire investment community for the incredible response to our IPO. We really do not know how to thank each and every one of you for the faith imposed upon us. Your support and trust in us impose on us a greater responsibility to deliver and meet your expectations. I want to assure you that our entire team is committed to take Netweb to the new heights.

Let me discuss the key business highlights. Later, Prawal can cover the financial highlights. The total income in Q1 FY24 stood at 602 million, a decline of 13.2% against the corresponding quarter in the previous year. In fact, some of the billing got spilled over to the next quarter resulting in this dip. Due to reduced income, EBITDA fell slightly to 90 million. Consequently, there was a marginal decrease in PAT from 56 million in Q1 23 to 51 million in Q1 FY24 while the PAT margin increased by 38 basis points to 8.5%. Despite the decline observed in the current quarter, we maintain our confidence in achieving robust growth in the current financial year. It's worth noting that evaluating our business solely on a quarter-to-quarter basis might not provide a comprehensive understanding. An assessment based on overall annual performance would offer a more accurate reflection of our progress. The combination of a robust pipeline, ongoing capability enhancements, new strategic partnerships and expansion of our operations and product portfolio positions us well for a sustainable growth while upholding our technological leadership. The recent notification from DGFT, restricting import of servers with effect from 1st November 2023 opens up a window of opportunity for us and as it aligns with our Make-in-India Driven growth potential. Growth of LLM models and massive adoption of AI across businesses argues well for our growth.

Business pipeline continues to be very strong at around 28,236 million. Out of that 5,392 million we are already L1, means we have already won the orders but the purchase orders have not come. Since the order cycle is around 6 to 9 months, we expect most of the orders against this to be received in the next two quarters. While July being a strong month, 994 million orders in hand, a large L1 pipeline, we are very confident to close H1 on strong growth.

Future opportunities:

We are very excited to announce a significant milestone in our pursuit for technological excellence. With unwavering commitment to innovation, we have successfully entered into a transformative license agreement with a renowned industry leader like Intel. This groundbreaking partnership empowers us to embark on a journey towards producing cutting-edge high-end computing systems based on Intel's next generation architecture. We also plan to introduce low-power RISC-based ARM architecture based high-end computing system in the Indian market. This will be very innovative. We believe this is a significant step forward as it will help us to acquire critical cases where enterprises will be compulsorily needing the lowest footprint of data center, high-end servers and multiply the performance of systems with more force and power per work.

In response to the dynamic shifts and evolving landscape within our industry, we are proactively positioning ourselves to harness the full potential of emerging opportunities. With a steadfast commitment to innovation and growth, we are embarking on a strategic initiative that underscores our dedication to staying at the forefront of technological advancement. Central to this initiative is our decision to establish a state-of-the-art surface-bound technology (SMT) line within the forthcoming six to nine months. To ensure the swift realization of this endeavor, we have elected to set up our SMT line in rented premises. By utilizing the rental premises, we are poised to expedite the deployment of our SMT line effectively accelerating our time to market for cutting-edge products.

Emerging businesses:

As we forge ahead in our journey, a window of opportunity awaits us. Mass adoption of AI in enterprise and general workloads by large corporates is generating very large requirements of AI computer systems. Fresh requirements of cyber secure hardened high-end computing system specifically amid latest cyber-attacks on the foreign OEMs gives a big opportunity for us. Large learning models (LLMs), is such a large opportunity that it compels us to create a new vertical requiring very high-end AI computer systems. Private 5G architecture has major dependency on high-end compute system and is creating altogether a large opportunity.

Adoption of private cloud by BFSI specifically the public sector banks is a big-time opportunity for us as more and more banks are coming out with tenders for the private cloud deployment.

Adoption of HPC in oil and gas sector is also on the rise. Having worked on migration of workloads of HPC of one of the India's largest oil and gas exploring business puts us in an advantageous position to capitalize on this large emerging opportunity.

We are progressing well on our foray into the Netweb Switches and 5G ORAN. Netweb Switches are planned to be rolled out by end of Q3, while 5G ORAN is expected by end of financial year 2024.

Apart from the above emerging opportunities, national strategy on AI with an allocation of more than Rs 50,000 million also provides a significant impetus to our business.

I would now like to hand over to Prawal to provide you updates on the financial numbers. Thank you.

Prawal Jain, CFO and Chief Human Resource Officer:

Thank you, Mr. Lodha. Good afternoon, ladies and gentlemen. Many thanks for joining the earning webinar. I will give a brief overview of the financial numbers for the quarter before we open up for the Q&A session.

I hope everyone would have got a chance to look at the earning presentation and the press release by now. While our CMD has already covered the reasons for the dip in business, I will try to explain in a more gradual manner the financial performance of the quarter gone by.

As already explained, our revenue from operations fell by 13.7% year-on-year basis from Rs. 693 million in Q1 financial year 2023 to Rs. 598 million in Q1 financial year 2024, due to the spillover of billing into the next quarter.

Our gross profit grew by 14.8% from Rs. 193 million in Q1 financial year 2023 to Rs. 222 million in Q1 financial year 2024. This growth was on account of higher gross margins. Our gross margins grew by 920 basis point as compared to Q1 financial year 2023. This happened due to some higher margin orders being aggregated in the current quarter. However, over the year, our margins should average out to the year-end of over 27%.

There was a fall in operating EBITDA from Rs. 94 million in Q1 financial year 2023 to Rs. 86 million in Q1 financial year 2024. This was on account of higher employee benefit expenses which increased by around 95% from Rs. 50 million in Q1 financial year 2023 to Rs. 98 million in Q1 financial year 2024. This was on account of ESOP costs of around Rs. 35 million in the current quarter and increase in employee account whereby we added 50 people during this period. The increase was partially set out by fall in other expenses which fell on account of lower sales related costs. Hence EBIT margin expanded by 88 basis point to 14.4%. However, even though the gross profit margin will even out over the year, we expect to maintain at least these levels of operating EBITDA margins due to operating leverage as revenue starts climbing up in the coming quarters.

PAT declined marginally from Rs. 56 million in Q1 financial year 2023 to Rs. 51 million in Q1 financial year 2024, while PAT margin increased by 38 basis point to 8.5%.

Return on equity fell from 47.4% in Q1 financial year 2023 to 16.7% in Q1 financial year 2024. The main reason or the dual reason for this impact is the increase in net worth on account of pre-IPO equity money coming in and a slight decline in PAT levels.

During the quarter net current asset went up to Rs. 1115 million from Rs. 510 million in Q1 financial year 2023, while cash conversion cycle increased to 140 days from 84 days in Q1 financial year 2024. This increase was largely due to one large customer outstanding of Rs. 432 million against a large order which was subsequently realized in the ongoing quarter. This was a one-off situation which is unlikely to happen in future and hence can be assumed to be outlier.

While we continue to remain focused on our strategic priorities and growth pillars, laying emphasis on our long-term goal of sustainable growth and profitability, I would like to assure you that we are confident of achieving strong revenues and profit growth in the current financial year. With this now I hand over the call to Mr. Sandeep Shah.

Sandeep Shah, Equirus Securities:

Thanks, sir. So, with this we come to the end of the opening remarks. We can now open the floor for Q&A. Participants request you all to restrict to two questions in the initial round and for more questions request you to join the queue again. Participants whoever wants to ask question please press raise hand icon on your screen and once your turn comes unmute yourself, announce your name and company name first and then ask your question. Once you get the reply to your question, please lower your hand on the screen. Participant, please raise your hand icon to ask your question. Yeah, Mr. Satadru, you can go ahead and ask your question, unmute your line and introduce yourself. Thanks.

Mr. Satadru Chakraborty: Hello, can you hear me? Is the line clear?

Sandeep Shah, Equirus Securities (16:25): Yeah, we can hear you.

Mr. Satadru Chakraborty (16:30): Okay. Congratulations on a fairly good EBITDA margins. I had a couple of questions

Sandeep Shah, Equirus Securities (16:44): Mr. Satadru, your voice is coming out very loud.

Mr. Satadru Chakraborty (16:52): Is it better now?

Sandeep Shah, Equirus Securities (16:56): Yeah, much better.

Mr. Satadru Chakraborty (16:58): Okay, I hear some sort of an echo. So, my first question is really on the turnover ratio. I see that fixed asset increase by almost 95% year-on-year, that's why the ratio has come down. Is there some sort of guidance that you want to give around how this ratio should evolve in the coming quarters?

Mr. Sanjeev, Head of Uirtus Advisors LLP and Investor Relations and Advising Firm of Netweb Technologies India: Yes, so just to answer that, that some of these assets, our second facility was being built and those have been capitalized. I think that the revenue for that will come in the coming quarters. So, I would say that an average of what we achieved in the last year would be taken as a medium to long-term benchmark. But as we build capacity, there will be times when before they come into production, we will have some of these dips which you see today. And also, secondly, that this quarter was also a bit muted. So, obviously, the numerator also was smaller. So, I mean, these are the combined reasons that you could say where the fixed asset turnover ratio. So, we can look at a range which would be largely between anywhere between 15 to 20 on an average.

Mr. Satadru Chakraborty: Okay. My continuation on this question is in your IPO document, you have mentioned that approximately 53-55% of the revenues are coming from government contracts. So, is it fair to say that the revenue generation is lumpy, meaning before you generate much more revenues? Does that mean that the EBITDA margins of the last quarter are significantly better? So, do you see any sort of lumpiness?

Prawal Jain, CFO and Chief Human Resource Officer: Can you just repeat, I basically missed your voice in between. Can you please repeat your question again, please?

Sandeep Shah, Equirus Securities: Yeah, Satadru, it's again, from your side, there is a lot of echo when you are asking questions. So, if you can remove the headset and speak from the mic, it will be great.

Mr. Satadru Chakraborty: Okay.

Sandeep Shah, Equirus Securities: Mr. Satadru, if you can repeat your question, it would be great.

Mr. Satadru Chakraborty: Yeah, can you hear me? Is it better?

Sandeep Shah, Equirus Securities: Not really.

Mr. Satadru Chakraborty: Okay, then I will probably just type my question on the Q&A, that is easier.

Mr. Sanjeev, Head of Uirtus Advisors LLP: If you type it on the chat, we can kind of take it and then answer it from there. Sandeep can read it out for us.

Sandeep Shah, Equirus Securities: Yeah, participants who have questions, please raise your hand. Yeah, we have Mr. Vikrant Gupta from ICICI Prudential life insurance, go ahead Vikrant unmute yourself and ask your question.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Yeah, hi, am I audible?

Sandeep Shah, Equirus Securities: Yeah, you are audible.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Yes, two questions from my side. The first one would be on the data that you have given in the presentation around the pipeline and the L1 orders. So, what I would like to understand is, how does this translate into your revenue exactly? What are the execution timelines? And how likely is it that the L1 orders actually translate into your order book for the following year? That's one. And the second one is, we have talked about how we would like to diversify the HPC side into the oil and gas sector. So, if you could provide an update on any meaningful conversations that we're having with any customers and is something likely to be closed during the fiscal year.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: So, thank you Vikrant. Actually, as I have always maintained that our business is quite driven on by the pipeline we work upon, because

basically our customers are basically high-end enterprise customers and government customers, R&D customers. So, the pipeline is very important for us. So, as you know, as I think we have shown on the presentation, we have a pipeline of around 2800 crores approximately, if you really see. And out of that, we are already L1 in approximately 539 crores worth of basically tenders or the orders or the cases actually. So, what happens is that basically, since these are all large purchases and infrastructure kind of obviously capital purchases. So, once you get L1, it takes time for the order to come in and all. So, normally, what we have seen is that the normal time it takes for after you become an L1 to get to order is around 6 or 7 months approximately. So, we definitely see that these orders will be coming in the next quarters to us. And as you know, our execution cycle is somewhere around 6 to 12 weeks or in some cases around 16 weeks. So, basically, we will be able to bill them out easily. Okay. And as regards the breakup is concerned, approximately if you really see out of this, basically the L1 orders, we have the mix is almost on the screen. And for the AI systems, and all the different areas which we are working upon. So, that is one. And is basically if I understand, the second question was on oil and gas. So, basically, as you know, we have been working on oil and gas HPC applications, and there are very few people in the country who are doing that. And we already worked with an oil and gas major, we completely migrated all their applications and we work very closely with them. So, at this point of time, what we are doing is we are working with various ISPs, like Schlumberger and other basically, and says and others actually, so as to basically certify our systems and stack with them so that more and more of these oil and gas application people will be using our products and services. Like we are into a very, very close like discussion with ONGC primary at their various locations, Dehradun, Mumbai and various places in India where we will work with them. So, that is another one, which is a large consumer for oil and gas that we are expecting soon. And since we get the ISP certification with the other ISPs, that will help us to get into more, more deeper into different oil and gas customers.

Mr. Sanjeev, Head of Uirtus Advisors LLP: Yes, Vikram, does that answer your question?

Mr. Vikrant Gupta, ICICI Prudential life insurance: Yes, it does. Thank you.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: I am just requesting all the panelists to use only one device at a time and go on mute when you are not asking a question or answering. Thank you.

Sandeep Shah, Equirus Securities: Yeah, thanks. Thanks, Vikram. Participants, if you have more questions, please raise your hand. Sir, this is Sandeep Shah here. Let me ask the question. Sir, with 1Q execution, you said in your TV interview that FY24 sales will be higher than 600 crores. Can you throw some light in terms of segment wise growth perspective, which segment will be high growth segments in FY24?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah, we have already worked on it and I will let Prawal explain it to you.

Prawal Jain, CFO and Chief Human Resource Officer (25:33): Yeah. So, Sandeep, if you will see in financial year 23, around 39% of sales were on HPCs vertical. So, we expect around the same percentage, around 38-39% to be the sale for the current year from the same vertical of HPC. Private cloud and SCI were around 33%, which we expect to be in the range of 33-34% again. And AI system and enterprise workstations was 7%, which we expect to be around in the range of 8-9%. Then high-performance storage was in the range of 7% and we expect it to be at that level only. And data center server was 6% and again, we expect it to be at that level only. Software and services, which was around 2%, we expect it to be in the range of 3-4%. And rest is other spares and other things. So, that is the breakup, which we expect for the current year.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: So, if you really see, basically the area which we have been working, like basically supercomputing, private cloud, all these are very, very relevant areas today, actually. And basically, with AI progressing and the way we are seeing that. So, we feel that all these sectors will remain very, very long since we are growing already at the CAGR of somewhere around 40% approximately, which we are targeting. So, all the areas are growth areas for us and all these areas are growing at a good momentum and giving us a lot of paces. So, this is how

the split looks like. And we are definitely working on AI. AI can be a game changer. This is exactly what we are looking at this point of time, but we feel that the percentages, which you have mentioned, on the AI side, it can be slightly higher than what we are really expecting at this point of time.

Sandeep Shah, Equirus Securities: Thanks. Thanks. This is good enough. Participants, if you have questions, please raise your hand.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Question on the chat box or something. Actually, in case if we can take that. Yeah, Mr. Chakraborty had a question.

Sandeep Shah, Equirus Securities: Yeah, I think he has not yet typed.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: He is still typing. Okay, no problem.

Mr. Sanjeev, Head of Uirtus Advisors LLP: And one more, one question is already typed.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: What is your capacity utilization for this product? For the DPP expansion? What is your capacity utilization for this product? Can you speak on the status of the DPP expansion? What kind of asset turn do you expect from this thing? And how does this improve our strategic confidence in the market? I think you mentioned, I think you mean the SMT expansion project as far as what I can understand. So, basically, capacity utilization as regards will remain almost same basically, because as I mentioned initially also, in our case, our capacity utilization remains somewhere around 65 to 70% approximately. But what is exactly happening is that we are getting into a lot of SMT manufacturing. As I think I indicated on my opening remarks, we are trying to get into basically manufacturing of ARM-based servers. Okay, we basically already have a license, partnership with Intel, where we will be doing the next generation basically the motherboards, design and those will be manufactured. We are working on various AMD and different architectures. We have a complete array of products coming in. So, that will need us to basically, if we have the SMT line, that's the reason. Basically, initially, what we indicated was that the SMT line setup will be happening, we started getting benefit of it, maybe sometime in the 25 actually, financial year 25. But we want to do it faster. Because basically, since we will have a lot of products, and they will need specialized kind of manufacturing capabilities. So, we want to rush that faster. That's the reason we are trying to set that up faster. Basically, earlier they have given us a year approximately, but now we are pulling it to around six months. So, as to basically enhance our manufacturing facility. So, that is there.

Mr. Sanjeev, Head of Uirtus Advisors LLP: The second question is, roughly 50% to 55% of sales are from government?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb (30:30): No, I don't. I really basically, actually, if you really see my total, maybe last three years approximately, the sales around 50% of sale has been coming from the government. And I don't see any lumpiness in the sale primarily. And you already know that there is a new notification, which is there in the pipeline. Basically, as regards the DG of the notification is also there. So, that will push even the corporate sector as well. And I don't think of the government spending on supercomputing, on AI and all those things is really high. And we have a very huge funnel already, actually, really speaking. And that really speaks about the kind of, basically, the order projections we have. So, we are not seeing any kind of lumpiness in the game.

Mr. Sanjeev, Head of Uirtus Advisors LLP and Investor Relations and Advising Firm of Netweb Technologies India: I just want to add here, just to add, that this quarter's revenue, actually, customer, government customer was about 46% and non-government was 55%. And as Mr. Sanjay Lodha has already been telling that, this kind of fluctuates between 45-55, 55-45, because that's how the nature of business is. That's one. The second thing is that H2 will always, in this business, be heavier than H1. It's like a one-third, two-third kind of a situation. And generally, Q4 and Q3 or Q4 are the heaviest quarter. So, to that extent, you are right. But that's the nature of the business. Also, request any anonymous attendee to please give your name and organization name for us to be able to answer your question.

Sandeep Shah, Equirus Securities: Yeah, yeah. Vikrant, from ICICI Pru Life, you have a question. You can unmute yourself and go ahead.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Yeah, thanks for this follow-up. So, two questions again. If you could talk a little bit more about the plan to introduce ARM-based servers, where you've written that these servers are largely optimized for the newer AI workloads. So, is this largely an export opportunity that you see over the next few years? And secondly, if you could talk a little bit about what you have mentioned in your investor release about the opportunity arising out of the import restrictions on servers. So, these two things, if you could throw a little bit more light, sir.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: So, your first question was on the AI side. So, basically, on the ARM-based servers, actually, really speaking, if you really see up till now, whatever Intel and AMD processors we use, they are all primarily x86-based machines, okay? And what has happened is that, you know, ARM is a processing technology which is primarily based on RISC, and that it's low power. It's going to be the major problem of the data centers, because when the compute is increasing, the power quantity is increasing. So, what is happening is that all the data centers, the major money is in power. The power consumption will be increasing. And as you know, ARM is a very, very innovative technology, which really reduces the power consumption and gives you very powerful output. There are two advantages of ARM at this point of time. One is that basically it is low power. The second is it can be very well AI-optimized. You are probably aware NVIDIA was trying to acquire ARM, but was not able to acquire it because of some restrictions with US laws. People, even at NVIDIA was really running it in a very big way. So, we will be one of the innovators, actually, in India. ARM servers are not being manufactured. We will be manufacturing ARM servers. We feel that there's a huge opportunity for ARM in India, because basically if you see the kind of ChatGPT that the basic language models which are being processed at this point of time, we feel that will really exponentially help. This particular ARM can really help the AI workloads to really excel and can take advantage of it very, very well. So, that is there. Plus, basically, adding on to your question of the export opportunity, definitely there can be export opportunities. But actually, in the current year, while we are developing it, we are trying to target the domestic, and definitely we will target the export opportunities also, because large computers, the supercomputers which are going to be installed, that they will be on ARM. So, we are really, we are getting future ready there. The second question was that, basically, regarding your, basically, the import restrictions. So, the government of India, as you know that, have been very, very instrumental in requesting or basically asking people to manufacture in India. In that, continuing that motive only, they are coming out with these restrictions, because you know, the security has been a major, major concern, actually. And basically, so they were trying to basically request most of the manufacturers to come to the country, and they wanted to really promote domestic manufacturing. So, I think this is a direction in a very, very right way, in which they are putting, basically, putting restrictions directly, because as you know, with the kind of WTO restrictions, they cannot put additional duty on something being imported here. So, they put it under import license. This is a very similar thing that happened to the TV industry, maybe around a year back, approximately, wherein, basically, the TV is less than 40 inches, but not being manufactured in India. There could be a similar kind of restriction there, wherein most of the TV manufacturing, local domestic manufacturing, is really taking off very well. And as regards this, so we personally think this is a great move. This will really help, because what happens is, no one can really import complete servers from the servers, which are not made in India. They cannot import the servers into the country. So, definitely, this will help us. Up till now, make in India benefits are primarily available in the government sector. We are not only completely dependent on Make in India, because of the 50% of sales from government, 50% of sales from the enterprise customers. But still, basically, make in India, now even of the enterprise customers also, they will also have to look only for Make in India products, because primarily, government is trying to restrict the completely manufactured products from outside.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Understood. Thank you.

Sandeep Shah, Equirus Securities: Thank you, sir. We have next question from Rohan Nagpal. Please unmute your mic and introduce yourself before asking the question. Thanks.

Rohan Nagpal: Yeah, hi. Thanks for the opportunity. I just want to get your view on, help, I just want to understand what drives the underlying demand trend over here, where you're generating about 33% of

your revenue in Q1, in H1, and two thirds of your revenue in H2. Like, if you could just talk about the underlying sales dynamics over that, that'd be helpful. Thank you.

Sandeep Shah, Equirus Securities: Mr. Sanjay, sir, you are mute, you have to unmute your mic.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Are you able to hear me now?

Sandeep Shah, Equirus Securities: Yeah, yeah, we can hear you.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Okay. So, hi, Rohan. It's a good question, actually. And basically, let me tell you, what happens is that, basically, in our kind of business, obviously, the business we do is primarily for high-end compute and this kind of business. So, basically, what happens is that, basically, in our kind of business, what we do is primarily for high-end compute and this kind of, basically, purchases are for B2B kind of purchases wherein people use it for, it's a capex purchase, either it's a supercomputing or a cloud or AI system, it's basically a capex purchase. And if you see my customers also, they are always high-end enterprise and the government R&D, primarily. So, basically, we are not too much into the SME kind of space. So, what happens is that, in first quarter, what happens is that people go on for planning and all those kinds of, basically, what is their compute requirements are and all that. So, slowly, that gets picked up. Even in case of government also, as you know, the new regulations, what they are doing is that at the end of 31st of March, all the money is going back to the respective bodies, which are not getting utilized. So, unutilized funds are not there. The new funds get generated. The new funds get sanctioned by the government also. And the same thing happens in the private segment as well. I think the private also. The first quarter, primarily, they primarily try to lay out their budgets and all those kinds of things. So, I think that is the basic reason. We have seen this structure over years, actually, and that is the industry has been seeing that trend regularly. Basically, the first quarter, the H1 is lighter than the H2. Around one third of business comes in H1 and around two-thirds of business comes in H2, actually.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Okay, sir. Thank you. Okay, sir.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Thank you.

Sandeep Shah, Equirus Securities: Sanjay sir, we have a follow-up question from Satadru in a chat box. What he is asking is, in the AI systems and enterprise workstation segment, do you see any challenges procuring CPUs from the likes of NVIDIA and AMD? And are you already incorporating 5 nanometer or 3 nanometer computer processor? Is this being demanded by customers? And are those in the pipeline?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah. So, basically, as regards, you know that NVIDIA is really, definitely, NVIDIA GPU demand is at its peak, actually. And very rightly said, it is definitely at its peak. But fortunately, we are very close to NVIDIA and basically, we have projected all our requirements very well with them. So, hence, basically, there are some, once, twice, we have got slightly delayed. But primarily, our supply has been assured by them, both by NVIDIA. And as regards the processors are concerned, we use all the latest generation processors for NVIDIA and from AMD as well. And more than 90% of our GPUs are from NVIDIA. Only 10% of GPUs are from AMD. As regards CPUs are concerned, basically, we are using both the processors. Intel, AMD, both are being used for microprocessors. And, as you know, the new technology from NVIDIA, that's the reason we are getting into that. That is basically the ARM technology that is primarily from NVIDIA, wherein, basically, they are trying to use their own processor, going away from the x86 domain into the RISC architecture. So, that is another very innovative product which we will have so as to better the AI market very well.

Sandeep Shah, Equirus Securities: Thank you. Participants, if you have questions, please raise your hand. Raise your hand. We have one question on the chat. Mr. Kumar, how much order book we have currently and how much we can get in coming year?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah, actually, basically, as you know that, as I think I mentioned couple of times, that basically our company cannot be judged on terms of

order book because, basically, our order book execution cycle is around 6 weeks to 12 weeks in normal cases. Like, basically, if I have an order for 100 crores at this point of time, if my order book is 100 crores approximately at this point of time, so definitely that will be built in the next 12 weeks for sure. And, in the meantime, the new order book will be built up. So, what happens is that, basically, we are driven by our pipeline. So, basically, if you see our pipeline, our pipeline, as I mentioned, is already 2800 crores and we already L1 in more than 500 crores of, basically, cases. So, that will all get converted into orders and our order book will be built. As soon as it comes in the order book, basically, within 6 to 12 weeks, normally the order is getting billed.

Sandeep Shah, Equirus Securities: Okay. Thank you. Participants, if you have questions, please raise your hands.

Mr. Sanjeev, Head of Uirtus Advisors LLP and Investor Relations and Advising Firm of Netweb Technologies India: So, I think there is another question from Satadru. Satadru, I mean, can you just throw light as to from which organization are you representing? Sorry for this, but, you know, just to know.

Sandeep Shah, Equirus Securities: Yeah, Satadru, you can go unmute and answer.

Mr. Satadru: I am part of the Chakraborty family office based in Kolkata.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Okay. So, your question is, can you throw some light on Skylus product? Skylus is a private cloud product. Okay. Basically, it's a basically, as you know that we do completely end-to-end. The hardware is completely designed by us. The software stack is from us and the service stack is from us. So, basically, we provide end-to-end and Skylus is a very, very popular product which we sell. Basically, it's been used extensively in the industry and our private cloud business. Skylus is an important product. Basically, our customer, if you really see, all kinds of customers, all kinds of large enterprise customers are using our Skylus for their private cloud. As you know that, basically, for large customers, private cloud makes a lot of sense because, basically, they have a huge compute requirement. They cannot afford just to go on the public cloud and pay the bills. So, better is to go on the private cloud and all of our clouds are hybrid. So, in case there is a burst workload, we will migrate to the public cloud with ease. So, basically, that makes a lot of sense. The best example today is, basically, as you see, the BFSI, all the public sector banks, they are all trying to get on private cloud and the market growing. With VMware and Red Hat, actually, definitely, they are only a software company. Primarily, whereas we are an end-to-end company, we have our own designed hardware, we have the software and the service pack. So, that is one major difference, which I would like to say. The other is that their products are much more innovative and very well designed. That's the reason we are getting adoption and we are even able to take some of their customers.

Sandeep Shah, Equirus Securities: Thank you, sir. We have one more question in the chat box. This is from Mr. Vishnu Chhabra. He is asking, he is wondering, are you looking to collaborate with quantum systems?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah, quantum is basically... Excuse me. Yeah, so, basically, quantum is a game. Basically, currently, the market is still not ready for quantum. We have our plans on quantum. I don't think I'd like to disclose at this point of time, because basically, that is a big opportunity in the next two to three years. Definitely, the market will be ready for that. We are completely geared on that. So, that basically, we can take it on at that point of time.

Sandeep Shah, Equirus Securities: Thank you. We have another question from the (inaudible 46:07) in the chat box. We have talked about four countries in Europe and the Middle East. On what lines we are targeting and which countries we are talking about?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah, so, basically, we are basically, if you see our product line, we are targeting our supercomputing solution. The main, we have a complete stack there. We do have our hardware and software. Same thing for private cloud and HCI and AI. These are the three areas which, basically, we are targeting to take into these different countries. We are targeting, at this point of time, Middle East is one of the countries, and then we are targeting four

countries in Europe. One is Germany, for the industries we want to target there. And the Telcos we want to target there. The other is the UK. I think we have two more countries there, actually. Maybe, I can let you know later. The strategy is that, basically, since our products need support and service properly, because all these are enterprise production-grade systems, so we need to have people, on-call support available in those countries. We are trying to have people there, to have our resources there, so they can support these people there.

Sandeep Shah, Equirus Securities: Yeah, we have another follow-up from Satadru Chakraborty. So, what he is asking is, is there any guidance on cost of material consumed for FY24? And he stated going ahead. It was around 73% in FY23. What kind of challenges, opportunities do you see procuring these materials for Netweb in terms of supply chain, availability, pricing, customer concentration, etc.?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: I will let Prawal answer this for you.

Prawal Jain, CFO and Chief Human Resource Officer: Yeah, thank you Satadru. Regarding the cost margins, I think so we are talking about, so these have been in the range of 57% for the last year, and for this quarter, it was around 9 basis point higher. This was due to the fact there were some of the higher margin orders which got executed. So, for the year, we expect that the margins will remain in the range of 27-28%. So, material cost will be around, you can say 72-73% range only. Regarding your other question, I think so Mr. Lodha has already answered that supply chain, we have long term relations and we are very close to our suppliers, so supply chain will not be a problem for us.

Sandeep Shah, Equirus Securities: Thanks, thanks. Participants, if you have questions, please raise your hand. Sir, meanwhile, let me ask one more question. Sir, in your PPT, you have mentioned that there is a heavy adoption of private cloud in a PSU bank. So, can you throw more light on this and how are we participating in this emerging opportunity?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Can you come again on the question please? I missed your question.

Sandeep Shah, Equirus Securities: Sir, in your PPT, you have mentioned that there is a heavy adoption of private cloud in PSU banks in India. Can you throw more light on this and how are we participating in this emerging opportunity?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: So, basically, what has happened is that the adoption of private cloud in the BFSI segment, primarily in the public sector banks is really taking up very very fast. The first among them is Bank of Baroda, which is already out with an RFP and is almost about to get closed. Maybe we are targeting it, maybe even, I think, this quarter positively should get closed, actually. So, basically, it makes a lot of sense for them because they are able to manage its huge data. Because all the banks are large banks, they have a huge amount of data. So, what happens is that, basically, if they handle the private cloud, if they are more secure, the cost and the billing is also very rationalized because they are able to manage it well. So, that's the reason adoption of private cloud is one of the best ways to go about it. And currently, if you see, Bank of Baroda, Bank of India, Canara Bank, all these three RFPs are already there and almost to the point of finalization. But you can see, all the banks will definitely have private, all the public sector banks will have private cloud. And we, since we are there in the private cloud segment, and we have been instrumental with some of the large core banking software providers also. So, definitely, I think we are very well positioned. And in that situation, in cases, even if the case has been created by a large global system integrator or something, they definitely can talk to us and fix our solution. So, we are seeing a lot of traction around this. And I personally feel the next 3 to 5 years or 3 to 4 years is the time wherein, basically, the private cloud, SCL, will really dominate into the entire public sector.

Sandeep Shah, Equirus Securities: Thanks. Thanks. We have a follow-up from Vikrant Gupta from ICICI Prudential Life. Unmute yourself, Vikrant, and go ahead.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Yeah. The question was around the seasonality that we see in financial. Is this seasonality also present in your private cloud implementations and your storage solutions?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Actually, really speaking, this is the same, the trend is like that only. Because if you really see, the private cloud is also, in fact, a kind of a large-capex-purchase, same as supercomputers. So, definitely, in H1, basically, the H1 is around one-third of the business and two-third of the business comes from H2. That has been the normal trend. But adoption of private cloud is increasing, and basically, in the first quarter, normally, people do the planning and all those kinds of things. Basically, this is a large-capex purchase, and basically, the entire company's data is completely hosted on that cloud. So, it is a very, very critical piece of machine inside the organization. So, what I have personally seen in my experience is that I think the same seasonality is contained as regards even storage also because storage is normally also a subset of the entire environment. So, we have seen in the storage cases also, and we do only high-end and large storages. So, in that also, I think this maintains.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Okay. So, in storage, in FY23, I think we saw Q1 sales being higher than Q4. So, is there anything specific?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Actually, what happens for us is that storage is a subset of our main product, actually. So, what happens is that, basically, with the supercomputing solution, the storage goes. With cloud also storage goes. Now, basically, in case of... So, really speaking, we really don't focus only on the high-end storage kind of a solution. Okay. Well, the major focus goes into the kind of a solutions primarily in the private cloud and SCI and all. The high-end storage is normally a subset of the, like, when we sell our large supercomputing solution to a main algo trader, maybe, basically a large algo trading organization or basically who do analytics trading. So, we give them a supercomputer and then, basically, they need a fast storage so that, basically, all the kind of data analytics which they do, that needs to be done. So, basically, they need that. So, since we have... So, basically, it's a subset of that. So, primarily, storage we personally... We feel storage will only grow as per the other growth is happening. So, if you see, the real growth will come from these segments like supercomputing, the cloud, the AI, and the services. These are the areas which will really be growing for us.

Mr. Vikrant Gupta, ICICI Prudential life insurance: Understood. Thank you.

Sandeep Shah, Equirus Securities: Yeah, we have one more question from Nishant Vaas in the chat box. There are two questions. First being, can you give more perspective on the kind of customers in India who are adopting high-end AI compute for things like large language models? Is this private or government-driven? What kind of other partnership we can expect now that we have announced partnership with Intel and ARM-based companies?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: So, basically, actually, we see today, basically, AI adoption is happening everywhere. I'll tell you, all the large GSIs which I call them, I think, Infosys, PCS, and all these kinds of companies actually, they all have customers who are asking for these kinds of solutions. So, definitely, basically, what happens is that we really work with them so that they need the solutions and the systems so that they can work on that. That is on the private side. So, you recently heard some of them announcing some kind of large setups, primarily providing various ways to catch up with the adaptive AI. The other is that the government is very, very serious about it, and basically, I think, we are at this stage. Not like to mention very clearly, but there is a heavy activity happening inside the government because they also, they are understanding the potential of the LLMs and the kind of basically adaptive AI kind of traction which they are getting. And you already know that like Aravat, we deployed last year, which they are considering only as a POC, and primarily, there is the new AI policy already announced by the government, and a huge amount of money is being sanctioned out there. So, there will be a lot of money from the private as well as the government. So, AI adoption is really something which is really spreading very, very high. We are all focused to take that up as we have the right mix of products. What is the next question?

Sandeep Shah, Equirus Securities: Yeah, he has a second question. For Make in India, due to policy changes recently, how are you engaging with potential customers? Would you need to do additional investment in case this opportunity becomes higher share of your revenue?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Yeah, actually basically, the Make in India, since basically we are already part of the government's AI policy, we are already basically manufacturing most of our products in India. Our software is being developed in India. So, government is really, we are getting good support from the government. We are already engaging our customers but basically with the new policy which is the new DGF notification that has come, so that will definitely need even all the private enterprises also who were earlier able to buy something from foreign manufacturers. They will be also coming back to us. So, definitely we feel there is a lot of potential here. But again, we want to keep our focus here. We don't want to become a box seller as basically that was never an intention to become a box seller. We still like to maintain that we want to become, we want to be a high-end computing solutions product and solutions company not become a box seller, just basically selling box sales or something of that nature that has never been an idea. That is very well reflective from the kind of gross margins we have. So, we would like to maintain the core of our business. I have maintained it for 25 years and still would like to retain that.

Sandeep Shah, Equirus Securities: Yeah. We may have time for one last question. Participants who have a question, please raise your hand. Sir, let me ask the last question. In terms of the DGFT order which has come restricting imports, some of the computer hardware, will it impact some assembly imports which we do and our execution of orders?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: No way actually. This will not impact us at all. I cannot think about even one point whether it is going to basically block us or something of that nature. It is an enabler for us and basically government wants to manufacture in India they are very clear about it. They have come up with wonderful policies even for the semi-conductor side and all the areas. They have wonderful policies and government is helping to manufacture. It can happen in India. You have already seen the mobile phone case. I have already mentioned to you about television systems and how they have converted that. And they are very clear that people can understand two things. There are two areas. It is not to affect the industry or something of that nature. One is the security concern. We are fully aware about the security concerns which is there. And this is not only India. The other large countries one of the largest economies in the world is also facing similar challenges so even they are also trying to restrict. So, basically in the same direction security is a major issue. So, government understands that once things are getting manufactured locally, they can really tackle that problem in the long run and it can become a major issue. Basically, they have to control the balance of trade. The import bill is going up like anything and actually they really need to do that. And you already know that some of the world's major mobile phone manufacturing companies are already in the country and very successfully they have been doing it. So, we definitely believe that they are in the right direction and I think this will really give impetus to the local manufacturing and basically that will also help us to develop technology locally. It is not only manufacturing. Since this will happen, it will also help to develop the technology also and the most important is they are targeting the semiconductor industry. They want to develop the semiconductor industry. Until there is a manufacturing shifts to the country the semiconductor industry is not going to come to India. So, basically this will also trigger the growth of the semiconductor policy for the country. So, I think they are all positives actually. Thank you.

Sandeep Shah, Equirus Securities: Okay sir. And sir last question and then we can conclude. Status on commercialization of new product lines in the telecom segment of the Network switch and 5G ORAN and any initial response from the client on any of the ongoing POC type of concept in these new product lines?

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: Networking is almost all basically we have really received very good interest on our products. We have already basically, we have already just started using on some of our cloud projects and one of the large cloud projects which I am not able to announce at this point of time but we already we are trying to adopt that there. So, as you know that networking switch demand is very high in the market. So, we definitely think they are all on track and basically beginning of next quarter onwards we will have the networking completely rolled out and as I mentioned to you by financial year end basically our 5G ORAN stack should also be ready and we will be there in the Indian Mobile Congress. If any of you are there, we would like to showcase our products there then you can have live view of make in India 5G kind of a solution.

Sandeep Shah, Equirus Securities: Okay fair enough. Due to time restrictions, we need to end this webinar and thank you all participants senior management of Netweb and Mr. Sanjeev sir for attending the webinar. Sanjay sir you want to give any closing remarks or else we can end the webinar here.

Mr. Sanjay Lodha, Chairman Managing Director of Netweb: I am really thankful to all my investors for showing confidence in us. We are a 25-year-old company and basically, we are always committed and we have been very serious about our projects. I am completely involved in the business and we will take it forward in a very good manner and we will stand up for your expectations. Thank you.

Sandeep Shah, Equirus Securities: Thanks a lot, to everyone for attending this webinar. Thank you all once again.

Mr. Sanjeev, Head of Uirtus Advisors LLP: Thank you everyone.