

Date : 26-07-2024

To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: <b>543945</b>	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai- 400051 Scrip Code: <b>NETWEB</b>
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**SUB: TRANSCRIPT OF Q1 FY24-25 POST RESULTS EARNING CALL**

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Post results earning call for Q1 FY24-25 held on Monday, 22<sup>nd</sup> July, 2024.

This is for your information and dissemination on your website.

**Thanking You**

**For Netweb Technologies India Limited**

**Lohit**  
Chhabra  
Lohit Chhabra

Digitally signed  
by Lohit Chhabra  
Date: 2024.07.26  
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Company Secretary & Compliance Officer  
M. No. A36610



“Netweb Technologies India Limited  
Q1 FY25 Earnings Conference Call”

July 22, 2024



**MANAGEMENT:** **MR. SANJAY LODHA – CHAIRMAN AND MANAGING DIRECTOR – NETWEB TECHNOLOGIES INDIA LIMITED**  
**MR. PRAWAL JAIN – CHIEF FINANCIAL OFFICER AND CHIEF HUMAN RESOURCE OFFICER – NETWEB TECHNOLOGIES INDIA LIMITED**  
**MR. NAVIN LODHA – WHOLE-TIME DIRECTOR – NETWEB TECHNOLOGIES INDIA LIMITED**  
**MR. HIRDEY VIKRAM – CHIEF SALES AND MARKETING OFFICER – NETWEB TECHNOLOGIES INDIA LIMITED**  
**MR. SANJEEV SANCHETI – HEAD OF UIRTUS ADVISORS, IR ADVISING FIRM TO NETWEB TECHNOLOGIES INDIA LIMITED**

**MODERATOR:** **MR. HARDIK RAWAT – IIFL SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Netweb Technologies Ltd Q1 FY25 Earnings Conference Call hosted by IIFL Securities Ltd. As a reminder, all participants' 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 the conference over to Mr. Hardik Rawat from IIFL Securities Ltd. Thank you and over to you, sir.

**Hardik Rawat:** Good afternoon, everyone. On behalf of IIFL Securities, I welcome everyone to Netweb Technologies Q1 FY25 Earnings Call. We have the pleasure of having with us the Senior Management Team of Netweb Technologies led by CMD, Mr. Sanjay Lodha, CFO and Chief Human Resource Officer, Mr. Prawal Jain, Whole-Time Director, Mr. Navin Lodha, Chief Sales and Marketing Officer, Mr. Hirdey Vikram, and Head of Uirtus Advisors, the IR advising firm to Netweb Technologies, Mr. Sanjeev Sancheti. Without further delay, I'd like to hand over the floor now to Mr. Sanjeev Sancheti. Over to you, sir.

**Sanjeev Sancheti:** Thank you, Hardik. Good afternoon to all the participants. Before I hand over the call to Mr. Sanjay Lodha for the opening remarks, I would like to draw your attention to the Safe Harbor Statement in the earnings bid presentation. I request each one of you to go through that presentation before the Q&A starts, so that you are aware of the same. Thank you and over to you, Mr. Lodha.

**Sanjay Lodha:** Thank you, Hardik and Sanjeev. Good afternoon and a very warm welcome to all of you to the Netweb Technologies Q1'FY25 earnings webinar. I will take you through the business and operational highlights of the quarter and the year gone by, while our CFO, Mr. Prawal Jain, will share the financial metrics. We are pleased to state that India's flagship state-of-the-art, end-to-end, high-end computing server storage and switch manufacturing facility in Faridabad was inaugurated by Honorable Secretary, Ministry of Information & Technology, Government of India on May 10, 2024, marking a significant milestone in "Make in India" initiative.

The new facility represents a substantial leap in network manufacturing capabilities for cutting-edge computing systems, encompassing the entire production process, including PCB design, manufacturing and SMT for high-end servers, storage and switches, demonstrating advanced manufacturing skills.

This facility will allow Netweb to manufacture Make in India high-end computing systems using latest generation chips from our technology partners, such as NVIDIA, Intel and AMD. It will also enable Netweb to market its products and solutions to the new industry verticals, which demands critical high-performance computing architecture. It demonstrates Netweb's steadfast commitment in progressing the innovation and bolstering self-reliance in India's technology sector.

Furthermore, the new facility is also very well-equipped in meeting demands for ever-evolving requirements of private cloud, AI cloud, compute data centers and more specifically, AI workloads.

On the financial side, our operating revenue grew by around 150% year-on-year to INR1,493 million in Q1 FY25. Operating EBITDA for Q1 FY25 increased by 131.8% year-on-year to INR200 million, with an operating EBITDA margin of 13.4%. Profit after tax increased by 203.4% year-on-year to INR154 million in Q1 FY25. The PAT margins improved from 8.5% in Q1 FY24 to 10.1% in Q1 FY25.

India is rapidly emerging as a leader in AI adoption with businesses and organizations increasingly leveraging AI to drive innovation and operational efficiency. The government's approval of over INR10,300 crores for the India AI mission will enhance the AI ecosystem over five years, focusing on compute capacity, innovation, data sets, application development, skills, start-up financing and Safe & Trusted AI. Key to this initiative is deploying over 10,000 GPUs through public-private partnerships. These industry tailwinds create a fertile ground for innovation and expansion and Netweb is uniquely positioned to harness these opportunities.

AI systems have clearly emerged as a pivotal growth pillar, contributing significantly to our operating revenue, with its share increasing to 14.6% in the quarter gone by, making a robust growth of 146% year-on-year.

Our strategic focus on the three pillars, HPC, Private Cloud and AI, ensures that we are at the forefront of technological evolution. These pillars are cornerstones of our growth strategy, enabling us to deliver cutting-edge solutions that meet the dynamic needs of global businesses. The development of servers based on NVIDIA Grace Superchip under the MGX architecture is in progress and we expect to roll out these servers soon under a Tyrone range of AI Systems.

In addition, we launched Intel Sapphire Rapids and AMD Genova-based high-end computing servers in the last quarter. We already have a very diverse portfolio of products, including some utilizing the latest NVIDIA GPUs to meet the demands for AI training and inferencing market.

Turning to the robust India data center demand, the landscape is evolving at a very fast pace, offering significant opportunities. Necessity of having a unified on-prem platform in the form of private cloud is revolutionizing the new-age modern data centers, replacing traditional virtualization platforms, thereby giving us enough headroom to position our private cloud and HCI solutions. Our path-breaking offerings, such as Skylux and Kubyts, have become a major alternative to existing virtualisation technologies and create a significant differentiator for our data center offerings.

With a robust business pipeline and order book totalling of 4,197 million as on 30th June 2024, coupled with continuous improvement in our capabilities and expansion of both operations and product portfolio, we are positioned strongly for sustained growth, maintaining our leadership in the technology.

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

**Prawal Jain:**

Thank you, Mr. Lodha. Good afternoon, ladies and gentlemen. Thank you for joining the earnings webinar. I will give a brief overview of the financial numbers for the quarter before we open for Q&A. I hope everyone would have got a chance to look at the earnings presentation and the press release by now. While our CMD has already covered the macro-outlook, I will try to explain in a more granular manner the financial performance of the quarter gone by.

Our operating income increased by 149.7% Y-on-Y on quarterly basis, reaching INR1,493.2 million in Q1 FY25.

While Operating EBITDA for Q1 FY25 increased by 131.8% YoY on quarterly basis, reaching INR200 million. The Operating EBITDA margin was 13.4% for the quarter.

The Profit after Tax (PAT) increased by 203.4% YoY on quarterly basis, reaching INR154.4 million in Q1 FY25. PAT margin improved from 8.5% in Q1 FY24 to 10.1% in Q1 FY25.

Return on Equity for Q1 FY25 was 14.3%, while Return on Capital Employed during the same period was 19.5%.

Net debt for the quarter was at negative INR330 million in Q1 FY25 as compared to negative INR109.5 million in Q1 FY24. Kindly note that this net debt calculation excludes unutilized proceeds from IPO.

The Cash Conversion Cycle for Q1 FY25 stood at 129 days as compared to 159 days in Q1 FY24.

We remain focused on our strategic priorities and growth pillars, laying emphasis on our long-term goal of sustainable growth and profitability. Following a strong quarter and supported by a robust order book and business pipeline, we are confident in achieving significant revenue and profit growth this financial year.

With this, I now hand over the call to Hardik to take it forward. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:**

Yes, can you hear me?

**Sanjay Lodha:**

Yes. Hi Sandeep. How are you?

**Sandeep Shah:**

Fine. Congrats again on a strong execution. Sir, the first question is regarding the tie-up with NVIDIA on the Grace Hopper. Any discussions with the client whether that tie-up is creating a bigger pipeline, and the deal wins, and the order pipeline can further grow at a material rate? Because you also said in your initial remarks that the AI adoption in India is increasing. So any color on that would be helpful.

**Sanjay Lodha:**

So Sandeep, we have been guiding very well that 30% to 35% of CAGR growth. We will still like to maintain our guidance on that. And you know that basically this growth which is not -- we are trying to achieve only in one quarter. This is on quarter basis. We have been doing it for

more than approximately three years. We plan to maintain that. Definitely AI, as you have seen in the last quarter, my remarks also, it was around basically 7%. It has come to around 14-point-some percent. So basically there has been a huge growth in the AI momentum which is basically helping us in the revenue. So that will go on.

And you fully understand basically definitely Grace Hopper, the systems will also come up. But definitely they will also keep on adding. But basically specifically on product-specific range, you understand we are a solution company. We want to -- basically, we are not a box pusher kind of a company. We want to basically, so the solution will evolve various kind of basically training and inferencing workloads and different kind of architectures will be used for that. So this will only make our complete product portfolio more strong and help us to achieve our growth rate.

**Sandeep Shah:** Okay. Sir, when do you expect this new architecture to be launched in terms of the tie-up with NVIDIA on Grace Hopper?

**Sanjay Lodha:** So basically the products are already getting ready. And I think in the coming quarter basically the product should be ready to market. But we are already marketing them, and we are already, the product is almost all ready.

**Sandeep Shah:** Okay. So is it fair to assume second half could be a period of building the pipeline and FY'26 could be a year of, first year of benefit in terms of getting the growth through this NVIDIA tie-up?

**Sanjay Lodha:** Yes, you can say that.

**Sandeep Shah:** Okay. And the second question is in terms of the government announcement about the AI cloud out of which INR10,000 crores, there was a media article just few days back, 50% of that they want to spend in the immediate term. So how are we placed to get in terms of, to garner this opportunity? And how this private-public partnership will work? Any color will help.

**Sanjay Lodha:** So basically...

**Hirdey Vikram:** I can answer the question for you, Sandeep. So first of all the opportunity itself is something which is based on the essence of the requirement that it has to be a sovereign AI cloud, and which has to cover the hardware part of it, the cloud stack. And after all, we have to maintain, I mean the government has to maintain. So all these three elements put together become the complete solution. And the best part is that Netweb is uniquely placed in this case because we have got our hardware system which are designed, manufactured in India. We have got our cloud stack, and we even provide the cloud deployment services also. So from that standpoint we are very well placed to address the opportunity.

And we are looking at it from that perspective only that how well placed we are, that should be looked at. And we are very confident that we are strongly placed with a strong product line and with a strong experience what we have, which we have garnered and some of the example deployments what you have seen already, like the way we have designed AIRAWAT which has actually become a miniature for the India AI cloud mission. So that itself gives a lot of

confidence not just to us, even for the user fraternity as well. The network is basically having the complete stack to meet the requirement.

**Sandeep Shah:** Yes, thanks Vikram. Just a follow-up, Vikram.

**Moderator:** Sorry to interrupt you, sir. I request you to come back for a follow-up question.

**Sandeep Shah:** Yes, thanks.

**Moderator:** Thank you. The next question is from the line of Mayur Patel from 360 One AMC. Please go ahead.

**Mayur Patel:** Congratulations for the excellent set of operating numbers. On the same point, INR10,372 crores budgeted by the government for this India AI mission, and it is covering 10,000 or more GPUs. So Lodha Ji, can you share that is this an entire addressable opportunity for us or some part of this would be our opportunity if you can just share your insight on this?

**Sanjay Lodha:** So basically you should understand this. Actually the Prime Minister's mission is to make India the AI factory of the world. So basically it is not that INR10,000 crores will immediately be spent into the GPUs itself. So basically this is your start-up ecosystem. Today what happens is that all the start-ups, if they want to -- basically you know there are thousands of start-ups which are coming up. And if they want to buy compute infrastructure, it is very, very costly. And that is basically not helping them grow or to basically develop themselves. In that situation, government wants to basically provide them the entire GPU facility so that basically they can evolve.

So the part of it, the entire INR10,000 crores has been allocated so as to basically enablement of that. So as Hirdey mentioned on the previous answer, very clearly since we are part of the -- basically the hardware is designed by us. We have our own hardware, our software, cloud deployment services. So we are through and through the entire process actually. So significant portion basically, so we are able to target the entire year. But you should not be considered that the entire INR10,000 crores will be spent only on buying the GPUs.

**Mayur Patel:** Got it. Just one more thing. We are on a path of very high growth. And clearly your order book, Lodha Ji, is giving a lot of comfort. Just is there any scope of improvement in overall cash conversion cycle as we move forward?

**Sanjeev Sancheti:** Can I take that? This is Sanjeev here.

**Mayur Patel:** Yes, Sanjeev.

**Sanjeev Sancheti:** You see that typically we are growing at a very, very fast rate, right? And specifically if you look at the way the revenue is growing, because of the pace of growth of revenue by debtors, a large chunk of debtors is getting created every quarter, which is larger than the previous quarter because of the growth. And that is the reason you are seeing this conversion.

As we stabilize our growth to what we are saying is 30%, 35%, you will start seeing the cash conversion cycle significantly improving. And we believe that we will be above 60% of our

EBITDA, the net operating cash. So I think that's just a transitional phase because of the fast pace of growth, a typical problem of growth. So that will definitely improve, yes.

**Mayur Patel:** Got it. Thanks a lot. All the best.

**Moderator:** The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

**Vivek Gautam:** Congratulations, sir, on an excellent set of numbers. I just wanted to know about the NVIDIA AI server opportunity size for our company and since when we can expect the production from the same facilities in India. And second thing was about the competition intensity we are facing. Is there any competition intensity over here or we are in a unique position for highlighting the USP of our company, sir? Thank you.

**Sanjay Lodha:** So basically to answer your question, the thing is that we are already manufacturing our servers, which are basically using GPUs and our servers are designed and manufactured by us. So the product range gets enhanced basically as we move forward because you know that we work with all the major chipset providers. We have direct OEM relations with NVIDIA, Intel, and AMD. So whenever the new chipsets are coming, we are trying to basically integrate and have more products.

So currently basically on our Sapphire Rapid servers, Genova platforms, both are extensively using GPUs. And we have been able to deliver some really good solutions and good products to our customers. So that is there and that has only led to, if you see our growth of the AI business which we are doing, it has grown from 7% to 14% year-on-year basis. So basically that is there.

As regards the new product basically which we are working upon on the new architecture of ARM-based architecture, so that product is almost all, as I mentioned on the earlier question, is almost all ready. And basically very soon we will be launching a product on that also. So basically, we have some more products on the roadmap based on the NVIDIA roadmap which are going to be introduced. So it's completely we have basically insight on the roadmap 12 months to 18 months in advance. So we have that and definitely we will have -- we will be trying to market along with the world market, and we will try to do it.

Answering the second question on the competition side, basically the thing is that that we are not box pushers, as I have been telling again and again. We try to deliver the complete solution. We have the hardware, we have the software, and we have our services. So all the three things integrated definitely gives us a much more better, puts us in a better position so as to basically provide and fight our competition in a much better manner. So I think that definitely that USP which we have, that will definitely be there, and the demand is also there. So I think we are well placed.

**Vivek Gautam:** What is the outlook for the next five years and any geopolitical risk due to China, Trump, Taiwan tensions keep on coming in the press?

**Sanjay Lodha:** Actually, really speaking over the period of, I can tell you we will at least for next two to three years, we plan to grow at the same momentum, which we have been telling around 30% CAGR, which I can tell you. Okay. And basically as regards geopolitical tensions are concerned, I think



things are basically today, I don't think anytime soon we will have more China because basically you really see U.S. and all that, everybody, the Chinese products, more and more manufacturing is moving away from China.

So I don't think we have any kind of a problem with the geopolitical tensions which are happening plus currently our market I think this quarter onwards you will see a different picture, but currently our most 99% or 98% of our market is domestic. So we are not dependent on exports as yet in future we may be, but basically, I personally feel geopolitical tensions are not a point of worry for us as such.

**Vivek Gautam:** Okay sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

**Garvit Goyal:** Good evening, sir. Congrats for a good set of numbers. My first question is on the data center opportunity. So can you please put some color on the opportunity where exactly do we fit in the value chain?

**Hirdey Vikram:** So see I couldn't get your name.

**Sanjay Lodha:** Can you repeat your name?

**Garvit Goyal:** CA Garvit Goyal.

**Hirdey Vikram:** Yes. So just to answer your question first of all the way data center opportunity is coming out there, it is basically evolving in the capacity of where the demand of the unified platform or the private cloud solution is something which is emerging out of this opportunity. And we being ahead of our time I would say because if you see our private cloud solutions which are largely meant for large data centers or modern data centers, we have started providing even 2016 onwards.

So from that perspective we are pretty much ready. And we are ready to serve this upcoming opportunity in a big way and the way data centers are getting designed, they require the unified platform and that is what we are ready to serve them with. And so in that capacity we are pretty much well-placed on one hand.

And the second thing is that having a large deployment base already that gives us a lot of benefit because we can provide a lot of reference points to our customers too, which helps us to grab more business.

**Garvit Goyal:** Understood sir. And sir secondly on the margin side like you mentioned we are always ahead of time in the terms of technology. We are spending on the technologies, bringing the new products as per the requirements of our customers. So how do you see the margins shaping us for the next two to three years?

**Hirdey Vikram:** For margin, I think I can let Prawal cover it for you.

- Prawal Jain:** So if you will see our operating EBITDA margins are in the range of around 14%. Going forward we see from the next year onwards an improvement of around 100, 150 basis points in this to a maximum point. So that will be in the range between 14% to 15% from next year onwards.
- Garvit Goyal:** Understood sir. That's it from my side. All the best for the future.
- Prawal Jain:** Thank you.
- Moderator:** Thank you. Thank you. The next question is from the line of Hardik Rawat from IIFL Securities Limited. Please go ahead.
- Hardik Rawat:** Thanks for the opportunity. Sir, congratulations on a good set of numbers. Firstly I wanted to ask you that we have seen some pretty robust growth in this quarter vis-a-vis the previous year. So how should we see this growth? Can it be said that we had a weak base because of which the growth has been so significant?
- Sanjeev Sancheti:** So I think you see the first quarter is always the weakest quarter. So we are only doing a Q-on-Q comparison. Now it is possible last quarter was slightly lower than normally expected where you can see that we are doing very well in healthy growth and we have a good order book position. So I don't see it as a one-off, but you cannot judge this Y-o-Y growth to be the growth for the full year.
- Sanjay Lodha:** Hardik, I would like to add here. Actually basically as I have been telling again and again, our kind of business cannot be evaluated on a quarter-on-quarter basis really speaking because basically one quarter really will not give you a very true picture. If you see my past track record also, we have been growing at a rate of 30% to 35% CAGR. I still maintain and we are very confident of maintaining that.
- My order book and my funnel everything really reflects that. So definitely we are very confident of maintaining that kind of growth. So basically one quarter you will see some higher growth, but that doesn't mean that basically the growth rate. I would not like to guide on a very high growth rate. We will like to guide you around 30%, 35% growth and which we are very confident of we have been doing it in the past few years. And we are very confident of continuing for the next few years as well.
- Hardik Rawat:** Got it, sir. So actually the reason that I was asking that was that historically like sir mentioned was that our Q1 is the weakest and the revenue growth, the revenue number at least the absolute revenue increases sequentially as the fiscal comes to an end. So Q2 is stronger than Q1, Q3 is stronger than Q2 and Q4 is strongest of all. So just wanted to see that since you have seen such a high growth in this quarter, will that trend - can that trend break maybe we are seeing more uniformity in the seasonality so to speak if you can share something?
- Sanjay Lodha:** Yes Hardik actually still I would like to maintain one-third of my revenue will come from H1 and two-third of my revenue will come from basically H2. So we are very sure about that kind of thing as regards that is there, but basically overall the picture will remain the same because if you really see the March quarter, the Q4 for last year was a record quarter for us. The quarter before that was a record quarter for us. So basically it has been the growth trajectory has been

like that and we want to maintain it, but overall guidance will be 30% to 35% growth only from my side.

**Hardik Rawat:** Got it, sir. And before I get back into the queue one last question was with regards to your supercomputing business. We had received a large order from Vikram Sarabhai Space Centre in Q3 or Q4 of FY24 worth about INR150 crores. So have we seen any execution for that order and if not, then will we be seeing that in the next two quarters?

**Sanjay Lodha:** Yes, you are right. You will be seeing it in the next two quarters.

**Hardik Rawat:** Okay. I'll get back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Private Limited. Please go ahead.

**Vimal Jamnadas Gohil:** Yes sir. Thank you for the opportunity and congratulations on a very strong quarter. Sir my question is again on this national AI mission and as you highlighted previously in the call, I think 5000 crores has been given out for purchasing the compute hardware. So if you can just quantify our opportunity size for us, what is the addressable market over there for us or is it that the entire 5000 odd crores is what we can capture potentially theoretically and when do we see the execution coming along and will this execution happen at decent margin and working capital levels?

**Sanjay Lodha:** As regards margin profile it will remain the same as it has been. Actually first thing is that I'm answering your last question first and the second as regards basically on the value terms we would not like to comment basically primarily it's an opportunity size of 10,000 GPUs to 25,000 GPUs. So the discussions the government is still basically into the RFP stage and it's not going to be one-time purchase. This money has to be spent within three years and basically that's how they want to work on that.

So the opportunity size is big for us. Basically the entire as I told you we are on the, as Hirdey mentioned on his answer that we are on all three parts. We are there in the hardware, we have our own software stack, we have the services stack. So basically, we provide a very good kind of a mixed kind of a solution. So I think we will get a good pie out of it, but basically as regards that is there still it's a government project and it will be spread across we think should be between two to three years in totality.

**Vimal Jamnadas Gohil:** And sir when will this start, when does the execution actually start?

**Hirdey Vikram:** Should start this year actually. Yes, I mean there's a likelihood and ultimately the structuring of the entire opportunity that is something which is going on right now. So as it happens, I mean this will largely depend on when the final document will come out.

**Sanjay Lodha:** Within a few months we are expecting the things to be rolling out, but basically because you know that the government of India itself has got a major Prime Minister has got himself a lot of attention on development of AI and this can be really a good step. So I think it should start very soon because the cabinet approval is already there.

- Vimal Jamnadas Gohil:** And our current order book number does not include anything from this at least, as of now?
- Sanjay Lodha:** Nothing from this.
- Vimal Jamnadas Gohil:** And lastly would you just comment on the working capital for this, should be in line with what we're doing right now, how will it be or better maybe?
- Sanjay Lodha:** Come again? I missed your question.
- Vimal Jamnadas Gohil:** The working capital for this particular project will it be better because since the quantum of this project is very large is there any chance that the working capital also could be a bit stretched because the volume of work is very high here.
- Sanjay Lodha:** I don't think so.
- Prawal Jain:** Let the RFQs and all other things come out then we will be in a better position to answer this question.
- Vimal Jamnadas Gohil:** All right, sir. Thank you so much and all the very best.
- Moderator:** Thank you. The next question is from the line of Rucheeta Kadge from I-Wealth Management LLP. Please go ahead.
- Rucheeta Kadge:** Hello sir. Good evening. So sir my question was mainly on the order book side. So current order book what is the execution cycle for it and about the L1 orders what is the tenure for them to convert into your real order book?
- Sanjay Lodha:** So basically first thing is that the order book which we have mentioned that is basically the number 419 crores odd something. So that exactly is the number which the orders have been received already. As you know our order cycle is not that long. We execute orders between 20 to 24 weeks normally. So this cycle gets executed during that time and as regards L1 which we are there so basically these are the numbers these are the orders where we have already won the order, but the purchase orders have not come. They are still not part of the order book, but we have won the orders. So basically within we have normally seen within two to three months they get converted into order book.
- Rucheeta Kadge:** Okay sir. And what about the pipeline sir usually how much is converted into order?
- Sanjay Lodha:** Around basically a pipeline is basically that last us around 18 months approximately. This is a rolling pipeline which keeps on added, but 60% is the 50% to 60% is the conversion rate which we have which is pretty high.
- Moderator:** Understood. Thank you so much. Thank you. The next question is from the line of Ankur Jain. Individual Investor. Please go ahead.
- Ankur Jain:** Yes I want to know that whether the HPC and Quantum Computing are the same or it's not same are we doing something into Quantum Computing?

- Sanjay Lodha:** Yes, actually we will not like to basically as regards HPC we are definitely doing very strong. You know still around 30%, 35% of our business comes from supercomputing and that is definitely our regular business which we have been doing for 20 plus years. We have a full stack of products there. That market is also growing for us, but as regards Quantum Computing, I will not like to comment at this stage. Basically as it evolves, we will be ready. We have some plans on hand, but I think this is not the right time for me to disclose them.
- Ankur Jain:** Okay sir. And second question is that are we claiming PLI in both the things, IT hardware and telecom or one thing only?
- Sanjay Lodha:** We are eligible for both, and we will be claiming in both.
- Ankur Jain:** Okay. And, sir, one more question. This other income of 3.89 crores, can you throw some light, what are the constituents of this other income?
- Prawal Jain:** Majority of this is interest from bank deposits, which are there in the form of IPO funds.
- Ankur Jain:** Okay, sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Priyansh, an Individual Investor. Please go ahead.
- Priyansh:** Good evening, sir. Congratulations on your remarkable growth. Sir, as you mentioned in your last con-call that the order book is INR400 crores, and you will be able to convert that into the income in 16 to 20 weeks. So, sir, why we are not able to see the revenue of around 250 or 300 while it is less? And the second question is, sir, I missed on the free cash flow. What is our free cash flow and how much it has been added in this quarter?
- Sanjay Lodha:** So, first to answer your question on order book, I have always been, as far as I remember, I have mentioned 20 to 24 weeks of basically execution. So, that is, we still stand by that only. So, basically, it can be some two weeks, three weeks up and down. So, I think we are completely in line with whatever we have projected. Okay. And as regards the cash flow question is concerned, I will let Prawal answer it.
- Prawal Jain:** Yes. If you will see, this Q1 is our softest quarter of all the quarters which are there. So, in this quarter, our cash flows, net cash, free cash flows from operations are always negative, though they are still better from what we had in the last quarter. Last Q1, financial year 24. But going forward, you will see we are targeting around at least 30% of our free cash flows to EBITDA.
- Sanjay Lodha:** Let me explain you. In the first quarter, as Prawal explained, in the first quarter, most of our expenditures are capex expenditures. So, the first one, one and a half months, there is hardly any invoicing. So, most of the billing happens towards the later part of the quarter. And hence, they are not sitting on the debtor, which will be realized subsequently. So, it is a good thing to look at a full year of FCF rather than looking at this quarter.

- Priyansh:** Okay, sir. And lastly, sir, can you give a guidance of after five years, as you mentioned in the last con-call that you have a guidance of five years that we can expect a growth of 30-35% CAGR. But after five years, can we at least expect 20% or around, can you comment on that?
- Sanjay Lodha:** It is very difficult to envision a post-five-year situation because this is not a FMCG company. This is a high-tech IT company where things are evolving very fast. Let us wait and have some patience. I have always been very, very, I want to guide the market on the very correct terms. That has been my perspective from the day we got listed. So, basically, like to maintain that. I will not like to do anything hypothetical or too much imaginary. I hope you will appreciate my point.
- Priyansh:** Okay, sir. Thank you, sir. Thanks for the opportunity.
- Moderator:** Thank you. The next question is from the line of Pratap Malivar from Mount Intra Finance. Please go ahead.
- Pratap Malivar:** I just wanted to ask. So, could you give some more clarity on the comment that you made that you have a roadmap of about 12 to 18 months from NVIDIA? So, could you throw some more light on this particular point? Like, what is the roadmap that they have given you and how does it plan to kind of ramp up?
- Sanjay Lodha:** So, basically, once we work with major chipset providers, okay, like Intel, AMD, or the other OEMs, we have an agreement with them wherein we know the future chips which are going to come. Okay. So, that basically before the products are being launched in the market, we are able to basically design our products accordingly. So, that exactly I meant. And basically, though I cannot be expected to divulge the details of the roadmap because those are all under NDAs.
- Pratap Malivar:** Okay. Understood. And secondly, an earlier participant had pointed out that we had got an order for supercomputing about INR150 crores. So, can you just help me understand? Are we providing the data centers, for example, to compute in regards to supercomputing? We are providing them servers? Or what is the product exactly that we are providing?
- Sanjeev Sancheti:** It's a complete supercomputer, which in basically, it has got our complete installation. Everything is there, actually. It's end-to-end. It's turnkey basis.
- Moderator:** Thank you. The next question is from the line of Kunal Mishra from Orkan. Please go ahead. Due to no response from the current participants, we are going for the next question, which is from the Onkar Ghugardare from Shree Investments. Please go ahead.
- Onkar Ghugardare:** Your first question is, how do you plan to utilize the IPO proceeds and capex for the current year? What will it be?
- Sanjeev Sancheti:** So, I think we've already put it very clearly in our earnings presentation. But out of the total fund of INR1,940 crores, we've already spent INR968 crores. And the balance of it will be utilized?
- Prawal Jain:** So, regarding the balance IPO proceeds of around INR97 crores, INR75 crores is for working capital and balance is for capex, which is yet to be incurred. And around INR14 crores, INR15

crores already capex we have incurred on the SMT line. Our building is under construction and is being constructed on a full force. So, we expect that all the INR97 crores left over will be utilized in the coming quarters.

**Onkar Ghugardare:** Okay. So, earlier you had mentioned that you will be looking for strategic acquisitions. So, for that you will have to raise proceeds from the market as you will be utilizing this?

**Sanjeev Sancheti:** No, no. We have enough cash flow generation to be able to do that as and when the opportunity comes.

**Prawal Jain:** So, as the opportunities come out, we will see. Because you will see our cash flows in the coming quarters will be on the healthier side. So, we will be able to meet those acquisition chances from our own funds. Right now, we are under evaluation stage. Right now, there is nothing on plate to guide you on that.

**Onkar Ghugardare:** So, right now, how much free cash flow you are converting out of the total net profit in percentage terms?

**Prawal Jain:** So, for this quarter as previously answered, our free cash flows are on the negative side. But as this is the slowest quarter and all the billing happens during this quarter in the later part of the quarter. So, going forward, we expect that our cash flows will significantly improve. And we are targeting around 30% of EBITDAs to be our free cash flows during the year.

**Moderator:** Thank you. The next question is from the line of Praveen Desai, our individual investor. Please go ahead. Due to no response, we are going forward with a new question, which is from the line of Hardik Rawat from IIFL Securities Limited. Please go ahead.

**Hardik Rawat:** Thanks for the opportunity again. Sir, I wanted to ask a couple of questions with regards to our export business. So, we were planning on expanding our operations in the Middle East and Europe. So, what are the updates on that?

**Sanjay Lodha:** So, it's progressing very well, Hardik. Very good question, actually. So, basically, things are moving on a very positive direction. And basically, Middle East, I think we have already started our sales effort in Middle East, actually. And primarily, I think very soon, we will be -- I think we will see in the future, maybe one or two quarters, we will see good revenue coming out on exports also from us. So, we will be on track on that.

**Hardik Rawat:** So, in the ME and European markets, which division is gaining the most traction? Like, our execution is going to be the highest in which of the segments, HPC, HCI or AI systems?

**Sanjay Lodha:** So, basically, primarily, moreover, it will be a mix of all the three, actually. Okay. So, primarily, private cloud and HCI, we are seeing a lot of attraction. And AI also, we are seeing attraction. We are also seeing some attraction in HPC. But you asked me to list it in the kind of opportunity wise. Firstly, private cloud. And the second will be AI. Third will be HPC. At this point of time, this matrix can be up and down any point of time.

**Hardik Rawat:** Got it, sir. Second is the question on the new SMT facility that we have inaugurated. So, just wanted to understand, since we just inaugurated it, I don't think it will be running at the scale that our other facility is running on. So, what are your expectations with regards to this facility, achieving economies of scale, which would further could probably help with the margins? And also, did the higher fixed costs from the new facility have a bearing on the margins this quarter?

**Sanjay Lodha:** I will let, on the margin question, I will let Prawal answer it. But the first part of the question, I would like to answer. As I mentioned to you, our, all of our capex investments are primarily more related to capability. Okay. Since, basically, and our facility is almost all ready and already in production. Already in production.

Basically, it was, so we had to fast pace it up. Because at the time of IPO, we had mentioned that basically we will be making it ready by FY25. But since, basically, we were trying to work on some kind of, various kind of new technological opportunities which we have, which have been available to us. So, we have to fast pace it. So, our facility is almost all up and running. Already in production.

So, definitely that is there. So, primarily, within next three months, it will be more or less, I think, next three to four months, it will be furthermore optimized, and it will come into complete production. But still, the unit is under production. And that will help us so as to get into the newer product segments, newer areas, which we are getting into. All those things that will be ramping up there. I will let Prawal Ji answer.

**Prawal Jain:** On the margin front, yes, the cost of that facility is there in our P&L. For the benefit of which will come to us in the next quarter. Might be two quarters down the line. So, margins will more or less a little bit improve then. But for the next two quarters, we don't see any improvement in the margin, which are there as of currently in our financials.

**Hardik Rawat:** Got it, sir. On network switches and 5G, just wanted to understand, where are we in the stage of development on both those products?

**Sanjay Lodha:** Network switch is already developed, and it is already giving us sales already. It is already started. We started selling it shortly by the end of last quarter. This quarter we were trying to already, I think you can see some revenues coming in. So, definitely that will ramp up. So, network switch is already there.

The 5G ORAN is still under development. That will take some more time. And at this point of time, the indication I can give you is somewhere around Q4 kind of thing. But we are trying to see if it can be done earlier.

**Hardik Rawat:** Okay. Lastly on the M&A opportunities that you hinted at, could you give an indication as to what area are you looking at for the possible opportunities?

**Sanjay Lodha:** Yes. Actually, the thing is that Hardik, you know that we are a completely R&D kind of a company. At the time of IPO, we had 54, 55 people primarily in the R&D. Today, the R&D strength has gone up to 80-plus actually. But still, we cannot do everything by ourselves. So,



basically, whatever M&A we are trying to do, we are doing in related activity only, which can help us grow actually.

And basically, we are looking at various kind of areas, which is completely related to our product range, the technology we work upon. So, instead of doing everything, we seek to do kind of basically M&A. That may help us to basically keep our growth pace or maybe increase our growth pace. So, that is the idea we have on the M&A.

- Hardik Rawat:** Got it, sir. I'll get back in the queue.
- Moderator:** Thank you. The next question is from the line of Praveen Desai, an Individual Investor. Please go ahead. Mr. Praveen, your line has been unmuted. Please go ahead with your question.
- Praveen Desai:** Yes. Good evening, sir. As you told, we are in the data center from the very beginning. So, what will be the revenue from data center for this year and the coming 2 years? Can you guide us?
- Sanjay Lodha:** So, basically, if you really see, our Private Cloud & HCI business is primarily mostly considered as a data center business only. So, that has been around 35% of our revenue. So, we personally feel that it will remain around 35% to 40% of our revenue.
- Praveen Desai:** But in terms of rupees, what will be the revenue, sir?
- Sanjay Lodha:** So, you can calculate that. Basically, I am guiding you at a growth of 30% to 35%. So, currently, basically, last year, my revenue was INR724 crores. So, accordingly, you can do the guidance.
- Praveen Desai:** Okay. And it will remain the same for the next 2 years?
- Sanjeev Sancheti:** For these 2 years, 3 years, we will grow at 30% to 35%. We don't give hard guidance. It's a range of growth. You will have to do the calculation.
- Praveen Desai:** Okay. Thank you, sir. And best of luck.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Yes. Thanks for the follow-up. Sir, just wanted to understand, we were also looking to venture into oil and gas as a sector within the high-performance computing, supercomputing. Any update on this years?
- Sanjay Lodha:** So, we are already working on that segment. Basically, primarily speaking, actually, at this point of time, some oil, we are actively engaged with some government PSUs. Basically, ONGC and all, which previously, earlier, they were tied up with some international ISVs, and they were creating barriers.
- So, basically, because of the "Make in India" policy of the government, and plus the kind of solution we are providing, we are heavily engaging them. But you understand, this industry takes time. So, I think, still, generating significant revenue out of that particular stream will take us some time. But we are making good progress.

- Hirdey Vikram:** So, we are just working on this already, Sandeep.
- Sandeep Shah:** Yes.
- Hirdey Vikram:** Yes. We are progressing well in that direction. So, I think we are in line with what we had planned for.
- Sandeep Shah:** Okay. So, supercomputer will continue to remain one of the high-growth pillars along private cloud and AI workstations. Because there, we are doing extremely good versus others, and there is lack of competition as well?
- Hirdey Vikram:** We don't look at the competition as such. It is more about how we are solving the problem statement of our customers. So, yes, if you talk about HPC, AI, and Private Cloud, we are focusing on all three equally. And I think all are going to become the major pillars, as we have been always saying so.
- So, yes, whether it is about oil and gas or the other verticals, our idea is to take all our solutions to our customers. And the best part is that customers are, with open arms welcoming our solutions. And that is the best part about the approach what we have.
- Sandeep Shah:** Okay. And just last clarification, Prabal Ji, you said 100 to 150 bps margin improvement from the current level of 13.4, right?
- Prawal Jain:** From?
- Sandeep Shah:** From the current level of 13.4 EBITDA margin, right?
- Prawal Jain:** Yes, around 1% I told you will come, but immediately not this year. Going forward in a year, 2 years' time, it will be marginally improved.
- Sanjay Lodha:** Our standard margin is around 14%.
- Sanjeev Sancheti:** So, our standard margin is 14%. First quarter margin will always be lower because we have a lower top line, hence a lower operating leverage, okay. Our average margin will be around 14%. When we talk of further operating leverage, what we are trying to say from next year, probably 50 basis points of expansion can happen because of volume growth and higher operating leverage.
- Prawal Jain:** So, that's what I am hinting out that from current 13.4%, it might go to 14.5%, 14.4% something percentage next year. With the operating leverage.
- Sandeep Shah:** Thank you.
- Prawal Jain:** Yes. Thank you.
- Moderator:** Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.

- Yash:** Hi. Thank you for the opportunity, sir. Just a quick question. Could you please tell me your gross margin on your AI Systems And Workstations?
- Prawal Jain:** So, our gross margins are pretty same across all over our products. There is a little bit more margins on our services, which is offset by a little lesser margins on servers and storage systems. So, we don't track as usually our margins separately, but moreover, as I told you, that is even across all our product segments.
- Yash:** So, the customers that you are selling the AI Wworkstations are the same for your HPC? Are you trying to cross sell more and more towards existing customers or today they have all three of the major segments or are they unique customers for each segment?
- Sanjay Lodha:** To answer it, actually, it is the same customers as well as unique customers.
- Hirdey Vikram:** So, there are opportunities for us where we are creating or generating new opportunities or new avenues where we are even approaching those customers who can be the first-time customers and looking for AI Systems. But there is an opportunity with existing customers also where we are trying to cross sell our systems.
- And there is the best part about that because that is giving us opportunities to grow both ways, whether to approach the new customers or to approach the existing customers. I think we have the opportunities in both the situations.
- Yash:** Got it. Thank you.
- Moderator:** Thank you. The next follow-up question is from lime of Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.
- Garvit Goyal:** Yes, sir. So, just a clarification on the guidance that you put in. 30% to 35% growth for next 3 years, right? Is it accounting for NVIDIA chips tie-up and other opportunities in the areas like data centers and quantum computing?
- Hirdey Vikram:** Quantum computing, we haven't guided anything. We have not even showed any roadmap or anything of that sort.
- Sanjay Lodha:** We are working on it. It's too early. But yes, everything else...
- Garvit Goyal:** NVIDIA tie-up and other opportunities are all accounted for in this guidance?
- Sanjay Lodha:** Current areas we are working upon, we are giving you that guidance of around 30% to 35% guidance we would like to guide. Yes.
- Garvit Goyal:** Understood, sir. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Naresh Khemani, an Individual Investor. Please go ahead.

- Naresh Khemani:** Thanks for the opportunity. Just two questions. What is the incremental revenue from Faridabad in top-line and margin-wise, profit-wise?
- Sanjeev Sancheti:** Sir, Faridabad, everything is in Faridabad.
- Naresh Khemani:** Sorry. The new factory. The new?
- Sanjeev Sancheti:** New facility just started.
- Naresh Khemani:** Going forward, what is the incremental revenue you expect from the factory? And what will be the addition and profit?
- Sanjeev Sancheti:** It is going to be as guided. The 30% to 35% incremental revenue includes everything.
- Sanjay Lodha:** Please understand, we are not box pushers actually. Just adding a factory will not increase numbers for us. It is more about capabilities actually. And basically, and the growth path which we are doing, 30%, 35%, that is basically a very good growth guidance which we are already indicating.
- But it is not that if I add one factory, immediately my revenue will come double. Something of that nature does not happen in this industry. It is a solution-oriented approach. And if you see basically the kind of box margins and my margins are much different. So, I think you should look at this industry in a different way.
- Naresh Khemani:** And one more question. What is the total market size of 3 verticals, 3 products which we are working with? And what is it going for?
- Sanjeev Sancheti:** What you can do is you can share your email address with us. My email address is there in the presentation. We will share with you the presentation which we had uploaded last time. The strategy presentation where each of the segments has its market size. It will be very difficult to tell on this small call all the details of the market size. We can deal with it separately.
- Naresh Khemani:** Okay. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question. And I will hand the conference over to the management for closing comments.
- Sanjay Lodha:** So, thank you. It was really nice answering all your questions. And if you have any further questions, you can always come back to our IR Investor Advisor, basically Investor Relations team, as well as our direct teams as well. So, thank you so much. And thank you, IIFL, for hosting this call in such a nice manner. Thank you.
- Moderator:** Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.