

ROX HI-TECH LIMITED

(Formerly known as ROX Trading and Systems Pvt.Ltd & ROX Hi-Tech Pvt.Ltd)

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ROX | NSE | Earnings Call | 202425

November 21, 2024

To
The Manager – Listing
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, 'G' Block,
Bandra Kurla Complex,
Bandra (East) Mumbai 400 051

Symbol: **ROXHITECH**

ISIN: **INE0PDJ01013**

Sub: Submission of Transcripts of Earnings conference call held on Monday, November 18, 2024 at 1:30pm.

Dear Sir / Madam,

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference call held on Monday, November 18, 2024 at 1:30 Pm to discuss the half year ended on September 30, 2024 earnings with Investors and Analysts.

Submitted for your kind information and necessary records.

Kindly take the same on your records.

Yours Faithfully
For **ROX Hi-Tech Limited**

Thenmozhi
Company Secretary & Compliance officer



“ROX Hi-Tech Limited
H1 FY '25 Earnings Conference Call”
November 18, 2024



MANAGEMENT: **MR. JIM RAKESH – MANAGING DIRECTOR – ROX HI-TECH LIMITED**
MS. SUKANYA RAKESH – WHOLE-TIME DIRECTOR – ROX HI-TECH LIMITED
MS. AGNA DAICY EDISON - LEADER, INTELLIGENT ENTERPRISES – ROX HI-TECH LIMITED
MS. THENMOZHI - COMPANY SECRETARY – ROX HI-TECH LIMITED

MODERATOR: **MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the ROX Hi-Tech Limited H1 FY '25 Earnings Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors. Please go ahead.

Vaishnavi Ambokar: Thank you, Ryan. On behalf of Kirin Advisors, I welcome you all to the ROX Hi-Tech Limited H1-FY '25 Conference Call. From the management team, we have Mr. Jim Rakesh, Managing Director, Ms. Sukanya Rakesh, Whole-Time Director, Ms. Agna Daicy, Leader Intelligent Enterprises, and Ms. Thenmozhi, Company Secretary.

Now I hand over the call to Ms. Agna. Over to you, ma'am.

Agna Daicy: Thank you, Vaishnavi. Ladies and gentlemen, good afternoon and a heartfelt welcome and thank you for joining the conference call of ROX Hi-Tech Limited. We're delighted to have each one of you here as we explore and discuss the financial performance of H1 FY '25.

Before we dive into the details of this half year, let me offer a brief overview of our company and its robust business model. ROX Hi-Tech Limited, headquartered in Chennai, stands as a beacon of customer centricity and unwavering commitment to excellence in IT solutions. With over two decades of industry experience, we have transformed from an IBM business partner into a prominent IT player.

Specializing in system integration, ROX is dedicated to delivering a diverse array of IT solutions, demonstrating agility in adapting to industry changes, and offering a forward-thinking services to a broad clientele. On the operational side, we have made good progress by strengthening our relationship with many clients. These initiatives brought in new clients, showing that we are committed to growing steadily.

This half year, we secured a notable project with Everrenew, a Renewable Energy Company, to implement Grow with SAP, advancing our role into driving digital transformation within the renewable sector. In addition, we expanded our global presence with the establishment of ROX Hi-Tech PTE Limited, a subsidiary dedicated to wholesale of computer hardware and peripheral equipment. This move enables us to meet a wider range of technology needs and strengthens our partnership, our market position.

Our recent induction as founding member of the Indian Green Building Council further highlights our dedication to sustainability. This prestigious membership, symbolized by the IGBC founding membership certificate, reinforces our reputation as a trusted advocate of green building practices. Finally, our certification to provide comprehensive infrastructure services, including enterprise networking, product solutions, consultations, and customer support positions us to better serve our clients' evolving needs with reliability and expertise.

These accomplishments reflect our strategic growth path and our focus on creating lasting value for our stakeholders. We look forward to building on this momentum in the second half of the year. Now, let me take you through the financial performance of the company during H1 FY '25.

In H1 FY '25, the company achieved a total income of INR84.80 crores, reflecting a 9.62 percentage increase, while EBITDA grew by 18.78% to INR18.57 crores, underscoring enhanced operational efficiency. Profit before tax rose by 4.71% to INR14.67 crores, with net profit reaching INR10.21 crores. These results highlight the company's solid performance, driven by effective management and strategic positioning in the market, setting a strong foundation for the fiscal year's conclusion.

The noteworthy performance is a reward to our hard work, our effective growth strategy, operational efficiency, and nonetheless lucrative market opportunity which we capitalized during the reported period. At this point, we'd like to assure you the future is lucrative, and our company will do every effort to optimize profit from it.

We're grateful to you and your faith in the company and being an integral part of our journey. With this brief update, I'd like to hand over the call to Mr. Jim Rakesh, Managing Director, and Mrs. Sukanya Rakesh, Director of ROX Hi-Tech Limited for question-and-answer session.

Now, I request the operator to kindly open the floor.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Niraj Chhajer from Pransh Capital Partners. Please go ahead.
- Niraj Chhajer:** Hi. Firstly, why has the debt got significantly increased in your company? From March 2024 level to September 1?
- Jim Rakesh:** Yes. So, I will take this. Fundamentally, if you look at, that is more on the non-fund based limits. Because we had to give those guarantees to various suppliers and customers. So, those are basically bank guarantees and, import LCs and etcetera. So, that is what...
- Niraj Chhajer:** Non-fund based don't come on the financial statement. It is off balance sheet items. These are short term loans. Either you have taken a CC limit or an OD limit and this thing. Non-fund based typically don't come on to the balance sheet?
- Jim Rakesh:** I think I have to revert back on this because that's what my understanding is. So, let me check with my auditors and come back.
- Niraj Chhajer:** Sure, sure. Secondly, what will be the idle inventory levels? I see a significant increase in the inventory level from INR42 crores to INR60 crores. What's the reason for that?
- Jim Rakesh:** There are a lot of work in progress which is going on. Because there were some latency, the H1 in project completion because of various Indian elections and those kind of activities. So, work in progress is going on. They all will convert into, billable goods in the Q3 and Q4. So, that is the reason they have, cascading effect of inventory.

- Niraj Chhajer:** Okay. And what are our typical average inventory levels that we are looking going forward? Because we have a lot of hardware. So, what is the typical inventory level that we are looking for?
- Jim Rakesh:** So, we should be having around, two to three months sales. That's around 90 days worth of sales, a quarterly sales kind of an inventory.
- Niraj Chhajer:** Quarterly sales. Are you giving a full year guidance by any chance? What's the full year take?
- Jim Rakesh:** Guidance for this year?
- Niraj Chhajer:** For the current financial year?
- Jim Rakesh:** I think this is a similar pattern you can expect. I think with global stability coming in, IT consumption coming back to normalcy. I think we have; we are looking forward to have a strong H2. Similar to what we have, promised in the RHP.
- Moderator:** Thank you. The next question comes from the line of Priya Jain from Green Capital. Please go ahead.
- Priya Jain:** Yes. So, my question is, your top 10 clients contributed 45% of revenue in FY '24. So, what is your strategy for diversifying the client base?
- Jim Rakesh:** No, we are. This year, if you see, we have added five new clients in the H1. So, that way we are mitigating risks. We are also having acquisition clients which are coming in. And that way our dependency on marquee accounts will not remain in the H2. We want to be focusing more on public sector because that's where spending is kicking.
- Projects in the RFQ stage are there. So, we expect a couple of, important digital transformation, adoption in public sectors and all. In H2, we can see those new clients coming in onboard.
- Priya Jain:** And how do you ensure high customer retention and satisfaction in a competitive IT service market?
- Jim Rakesh:** Yes, it seems. That's the reason we are robust in the last 23 years in the marketplace. So, we have an H2 AI, strong end customer experience team, which is technically qualified, which can convert vision to value to a customer in a faster tenure of time. So, these are all, I think, it is the indigenous capability of ROX. So, that is the reason we have a sticky customer base. And we continue to do so.
- We keep improving our capabilities. If you look at our, AI capabilities we're building now, which is futuristic by nature. Most of the enterprise clients who are looking at us for long-term IT service, are also talking to us on AI POCs, consulting on AI adoption.
- So, these are all parallelly we need to build in this business capability, which we are building and which we are ready to showcase right now. And that's where we are also adding services like invoice processing as a service. So, we're taking to large customers, talking to them that we can handle their complete when the invoice processing through automation.

So, these are all additional areas where we are adding value to customers. So, that is the reason they don't see us as a cliché, IT system integrator. They see us as a futuristic partner who's relevant to their IT growth story, plus also support their business growth.

So, that is what is keeping us up and running in the market, keeping us busy. And I am seeing a very positive future because, according to me, the downturn and the tough days are over. But going forward with stability coming in the US, I think we should be in a very good position going forward.

Priya Jain: So, one more question. Are there any specific industries or sectors where you foresee significant client acquisition in next two, three years?

Jim Rakesh: We are seeing it in alternate energy in India because that is where sustainability comes in place. Because there's a huge focus from the PMO office that, Indian, energy dependency on fossil fuel has to come down. So, that way there's a lot of, investment going on, alternate energy like solar, wind and, those kind of areas where we see significant growth coming in.

Plus, also we are seeing factories getting automated. Now, I think the Indian manufacturers have understood if they have to globally compete, they need to automate their factories. They can't be sitting on legacy systems and expecting global competencies.

So, we are seeing customers talking to us on modernization of manufacturing line, IT, OT, network integration and robotic process automation. These kind of areas, yes, which we'll see, which will have some traction now.

Moderator: Thank you. The next question comes from the line of Mahesh Sheth, an individual investor. Please go ahead.

Mahesh Sheth: So, my first question is the IT industry is evolving rapidly. So, how is ROX adapting to the growing demand for cloud-based services and AI-powered solutions?

Jim Rakesh: See, the world, what the way we are seeing is going to go in the hybrid mode. Because the cloud today is a more consolidated offering from the various suppliers. So, customers today want to have their critical enterprise data in a hybrid fashion. When I mean the hybrid, they also want to have, on-prem plus also the cloud. Both will be the strategy. As I said, AI, ROX is well-placed.

We have already done some four use cases, vision to value, success to the customer base. Like inverse process automation, vendor onboarding, employee, performance management. These are all areas where we have already started, having our AI capability showcased in the marketplace, where we already have successful use cases.

So, we are ready, with, AI journey. And we are waiting for the market also to come to the point of, converting their exuberance into revenues. So, that is where we will see a lot of, our POCs converting into gains.

So, that's happening. And Parallels ROX is well-placed. If you look at, in the edge to AI, go-to-market strategy, what we have, we have got all the pillars in place, partnerships in place, capabilities in place, plus also our expertise are, growing day in, day out. That's what it is.

Mahesh Sheth: Okay. And my next question is, what new products or services, innovations can we expect as a part of your expansion strategy into AI and robotics?

Jim Rakesh: So, we are, I think maybe I will be able to take it one-on-one because these are all tactical information, which I can't be disclosing in an open forum. Maybe you can set up a one-on-one meeting through Kirin. I think I'll be open to discuss on the, unique value propositions, what we're trying to build in our arsenal.

Mahesh Sheth: Okay. Got it. And my last question is, are there any plans to upscale your employee training programs to support the evolving needs of your business?

Jim Rakesh: So, if you look at the culture in this company is we are, training is mandated. And a person who joins from college or when we do campus recruitment, they undergo six months, intensive training. They need to get certified in technology, which is a very, very competitive certification. Once they get certified only, we actually give them a confirmation, an employment letter in the company for them to onboard in the company.

So, that way we screen the talent and make them project ready. Parallely for all the senior staff, we have a continuous training program, which they need to undergo and keep upscaling on a year-on-year basis. So, that's the ongoing process because in IT industry, if we don't, you know, lead the knowledge curve, I think we'll be left nowhere in the ever-evolving marketplace.

Mahesh Jain: Got it. Glad to hear that, sir. So, that's it from my side, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Manish Shah, an individual investor. Please go ahead.

Manish Shah: Hello, my question is, I have heard about some medical automation product to be released this year from your company. Is it true or not?

Jim Rakesh: See, there is a medical automation software which we are building. That is part of our plans. So, it is on progress. I think you will hear from us very soon.

Manish Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Abhay Sharma from JC Capital. Please go ahead.

Abhay Sharma: So, my first question is, how are you planning to further strengthen your partnership with global tech leaders like IBM, Cisco, and Lenovo?

Jim Rakesh: If you look at currently, we are in the topmost tier of partnership with IBM. Cisco, I think we are in the verge of becoming the top tier very soon. Our team is working on it. Skillsets are getting built. I think our in-house knock socket is getting ready to showcase our capability. So,

this is an ongoing journey, and we have, I would say a roadmap for every, I would say technology vendor where we can be a choice of, a preferred choice for them.

So, we need to have a real-time timeline, and we keep equipping ourselves. But these are very cost-intensive exercises because retaining talent in IT is a challenge. So, we selectively do it, keeping the, what you call, hydration in mind as well.

So, that's an ongoing process. I think we are placed well right now. And I'm sure, I think that aspect of enabling ourselves to upgrade to a next level of partnership also is up and running in the company. So, that way, I think we will keep up the partnership levels to be one of the preferred partners for these IT giants.

Abhay Sharma: Okay, sir. So, my next question is, what are the key risks you foresee in maintaining your growth trajectory and how is the management mitigating these risks?

Jim Rakesh: See, that's what I said. See, the worst is over. After the election results in the US, the anxiety, the confusion or maybe the ambiguity in the global economy is over. Now, with capitalistic leaders, the helm of affairs, I think only going forward, things have to be better. So, that's what it is. So, correction and all these things are over now.

So, yes, the only way any organization can compete globally is to have technology an option in place. So, we are in a sweet spot in that way. So, I'm only seeing a positive future for all of us.

Abhay Sharma: Okay, sir. Thank you, sir.

Moderator: Thank you. The next question is from the line of Naina Jain from MK Capital. Please go ahead.

Naina Jain: Yes, sir. My question is, could you elaborate on the strategic benefits of your recent partnership with the Everrenew and expected revenue contribution from the GROW with SAP project?

Jim Rakesh: See, in this, this customer is from the wind energy sector, is one of the most promising organizations right now. So, they have chosen us as a partner of choice to implement their enterprise business application, which is GROW with SAP. So, that's a very marquee, I would say, project for us. Plus, also we see a huge growth runway with them. So, they are going to grow. As a partner, we are also going to grow with them. So, I will not be able to disclose the revenue contribution because that maybe I can take it one-on-one with you separately in this call. But it's a formidable I would say story.

Naina Jain: My next question is, what specific market or regions are you targeting with your international operations and what challenges do you anticipate?

Jim Rakesh: See, of course, international markets will be very competitive, will be what you called very, very asking in terms of service and promise of value in these kinds of areas, where we need to build our skills over a period of time. But potential is there in the market because IT is going to be one of the major growth drivers for economy. So, we are seeing that the good conversations we are having with our customers globally as well.

So, there are a couple of large projects which we are talking to them. So, we will see that also coming to a positive outcome very soon. So, we are bullish. I think, going forward, things can be only better from here.

Naina Jain: Okay, sir. My next and last question is, how does the formation of ROX HI-TECH PTE LIMITED in Singapore align with your broader expansion strategy?

Jim Rakesh: Of course, see, because most of our suppliers, if you look at, are based out of China, because the manufacturing efficiency is there. So, that way, it will be easy for us to source in Singapore and bring it here. So, that's going to help our supply side, I would say, sustainability.

So, we will be more confident in terms of our supply side as well because that way, we will be able to do projects on a timely basis. We can give commitments to customers, which is realistic, because we will have the supply side control as well.

Naina Jain: Thank you, sir.

Moderator: Thank you. The next question is from the line of Aditi Roy from Patel Advisors Private Limited. Please go ahead.

Aditi Roy: Congratulations, sir. And my question is, can you share more details about your competitive edge in securing high-profile partnerships like SAP-Gold, and Cisco Primer's certification?

Jim Rakesh: Yes, sure. See, that's what I'm saying, right? See, ROX was a 23-year-old company in the IT H2 AI market. So, if you look at, we have the consultants who are certified. We recruit from best colleges in the country, in the campus. We take Computer Science Engineers and MBA, from good institutes. So, they are all put under a six-month I would say, training program, where they need to learn these technologies, they need to get certified.

We have in-house talent with senior management, leadership team, who keeps guiding them on a daily basis. So, that is a continuous process. So, if you look at right now, we have around 60 consultants who are certified in various SAP technologies. And the same thing in Cisco as well. So, learning is not an option anymore in IT. It's mandatory for us.

So, internally in the culture of ROX, if you're not certified, you're not eligible for any growth or appraisal in this organization. So, that's the way it is. So, we invest a lot in training people and keeping them up, so that they can add value to a customer's experience.

Aditi Roy: Okay, sir. And I have last one question. How do you plan to leverage your positions as a founding member of the Indian Green Building Council for business growth?

Jim Rakesh: See, that's a very important, milestone what organizations achieved. So, being sustainable, because the world is going towards sustainability. And being a founding member in the sustainability with the CII, that adds a lot of value. So, I think we'll be able to talk to various new projects, which are coming up. We can guide them on sustainability. We can put them to the right people who can consult them as well. So, we're looking at new areas of conversations, new areas of possibilities with this achievement.

- Moderator:** The next question comes from the line of Rachna Sharma from HNI. Please go ahead.
- Rachna Sharma:** Thank you so much, sir, for providing me this opportunity. My question is, there was a slight decline in PAT and PAT margin in H1 FY '25. Could you explain the factors behind this trend?
- Jim Rakesh:** So, honestly, you will see the correction happening in H2, because there were some deals which we were not able to book in H1, which got skipped to October from September. So, that is the reason this impact is. But otherwise, you'll see things, regularizing over a period of time.
- Rachna Sharma:** Okay, sir. And my next question is, employee costs have increased significantly year on year. How are you balancing this with profitability?
- Jim Rakesh:** Yes, because if we have to grow, we need to have invest in high quality people, because that's where the growth comes from. A lot of engagements are happening. So, if we have to see sustainable growth a year from now, two years from now, we should start preparing from today.
- So, that is the reason we have invested in high quality resources. And that is where our engagements are with the customers in the marketplace. Yes, I think that should be able to get those businesses what we're getting.
- Moderator:** Thank you. The next question is from the line of Ananya Swaminathan from C Square. Please go ahead.
- Ananya Swaminathan:** Thank you. Good afternoon, sir. Thanks for the opportunity. Sir, I wanted to know what is the status of your NOC and SOC initiatives currently?
- Jim Rakesh:** Yes, they are already implemented. And we have already onboarded some customers. Yes, it's up and running. NOC and SOC is up and running.
- Ananya Swaminathan:** Okay, great, sir. And I want to know how do they enhance your service offerings? Could you explain briefly on it?
- Jim Rakesh:** Of course, now we are able to see a 360 degree engagement with customers because with NOC and SOC coming in our arsenal, we are able to have this multi-year contracts with customers on the security aspect. Yes, we are able to engage effectively SMBs in this country. That only adds a value to a customer because the customer sees that ROX not only adds, implements and, projects and maintains, but also they monitor our infrastructure on a 360 degree basis. So, that's an additional value added.
- Ananya Swaminathan:** Okay, sir. And any updates or could you provide updates on any upcoming greenfield or brownfield projects in the pipeline?
- Jim Rakesh:** Order book seems to be okay because I don't want to commit now because we have around INR35 crores of order book already for H2. So, yes, we are also working on a couple of large deals. So, yes, if even one deal converts, I think we should, reach the finishing line, I would say, comfortably.

- Ananya Swaminathan:** Okay. And, sir, what would be the timeline of completing that order book of INR35 crores you mentioned?
- Jim Rakesh:** H2.
- Ananya Swaminathan:** H2. Okay. All right, sir. That's it from me, sir. Thank you.
- Moderator:** Thank you. As there are no further questions, I would now hand the conference over to Ms. Vaishnavi Ambokar for closing comments. Vaishnavi, please go ahead.
- Vaishnavi Ambokar:** Thank you, Ryan. Thank you, everyone, for joining us for the conference call of ROX Hi-Tech Limited H1 FY '25. If you have any queries, you can write us at info at info@kirinadvisors.com. And thank you once again, management and everyone for joining the conference call. Thank you.
- Jim Rakesh:** Thanks, Kirin, for setting this up. It was exciting meeting the investors. Looking forward to connect very soon. Thank you.
- Vaishnavi Ambokar:** Thank you, sir. Sure.
- Moderator:** On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us. You may now disconnect your lines.