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To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: 543945	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai- 400051 Scrip Code: NETWEB
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SUB: TRANSCRIPT OF Q2 FY26 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 Q2 FY26 held on Monday, 03rd November, 2025.

Kindly take the same on your records.

Thanking You,

Yours faithfully

For **Netweb Technologies India Limited**

Lohit Chhabra

Company Secretary & Compliance Officer

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“Netweb Technologies India Limited
Q2 FY '26 Earnings Conference Call”

November 03, 2025



IIFL CAPITAL



MANAGEMENT: **MR. SANJAY LODHA – CHAIRMAN AND MANAGING
DIRECTOR – NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. NAVIN LODHA – WHOLE-TIME DIRECTOR –
NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. ANKIT KUMAR SINGHAL – CHIEF FINANCIAL
OFFICER – NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. HIRDEY VIKRAM – CHIEF SALES AND
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**MR. SANJEEV SANCHETI – UIRTUS ADVISORS, IR
ADVISOR – NETWEB TECHNOLOGIES INDIA LIMITED**

MODERATOR: **MS. RENU BAID PUGALIA – IIFL CAPITAL SERVICES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Netweb Technologies' Q2 FY '26 Earnings Conference Call hosted by IIFL Capital Services Limited. 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 start then zero on your touch-tone phone. Please note, this conference is being recorded.

I now hand the conference over to Ms. Renu Baid Pugalia. Thank you, and over to you, ma'am.

Renu Baid: Thank you, Mark. A very good afternoon, everyone. On behalf of IIFL Capital, I thank the management of Netweb for giving us the opportunity to host their 2Q FY '26 earnings call. From the management team today, we have with us Mr. Sanjay Lodha, Chairman and Managing Director; Mr. Navin Lodha, Whole-Time Director; Mr. Ankit Kumar Singhal, Chief Financial Officer; Mr. Hirdey Vikram, Chief Sales and Marketing Officer; and Mr. Sanjeev Sancheti, Uirtus Advisors LLP, IR advisers, to Netweb Technologies.

I now hand the call to Mr. Sanjay Lodha for his opening comments. Thereafter, we can start the session for Q&A. Thank you, and over to you, sir.

Sanjay Lodha: So thank you, Renu, and -- good afternoon, and welcome to all of you to Netweb Technologies's Q2 Financial Year '26 Earnings Call. We are pleased to share, the quarter has been an exceptional for the company. We secured two large strategic orders worth approximately INR 21,840 million to be executed by financial year '27, reaffirming our position as India's largest OEM in high-end computing solutions space.

Operating income grew by over 50% year-on-year in H1 '26, while operating EBITDA increased by over 60%, delivering a healthy margin of 14.9%. PAT for the period stood at INR619.1 million, up by 49.5% year-on-year with 10.2% margin, reflecting strong demand, disciplined execution and scalability of our business model.

We have once again outperformed our stated growth guidance of 35% to 40% CAGR reaffirming our commitment to constantly deliver our promises. The strategic orders won are of national significance aimed at strengthening India's AI compute infrastructure and advancing the vision of Sovereign AI journey of the nation.

By delivering world-class AI infrastructure, designed, engineered and manufactured in India, we are helping build nation sovereign compute capabilities, accelerating its emergence as a global AI powerhouse, enabling citizen-centric services and moving closer to the vision of making India the AI factory of the world.

Beyond these strategic quarters, our growth in the AI segment has continued to be very strong. This segment's revenue contribution rose from 14.7% in first half of financial year '25 to 25.4% in first half of financial year '26, reflecting an impressive growth of 160%.

The performance underscores our steadfast commitment to in-house design and manufacturing of next-generation systems, fully compliant with Make in India vision and contribution to India's emergence as global hub for high-end manufacturing. Netweb's continued focus on its three growth pillars that is high-performance computing, Private Cloud, AI Systems is enabling us to capitalize on strong momentum across these segments, supported by robust industry tailwinds.

These core business positions us as a technology leader in the HCS space. This strength is reflected in our robust organic order book of INR4,939 million as on September 30, 2025, together with recently secured large strategic orders of over INR21,000 million and strong business pipeline. We are very well positioned for strong sustained growth over the next few years.

I now request Ankit to take you through the financials.

Ankit Singhal:

Thank you, Mr. Lodha. Good afternoon to all the participants. I would like to draw your attention to the safe harbor statement in the earnings call presentation. I request each one of you to go through the presentation before the Q&A starts, so that you are aware of the same.

Ladies and gentlemen, thank you for joining our earnings call. Before we open the floor for Q&A, I will provide a brief overview of the financial performance for the quarter and the year gone by. I trust that by now you have had the opportunity to review our earnings presentation and press release. While our CMD has already discussed the macro outlook, I will elaborate on the financial performance, providing a more detailed analysis.

Our operating income for Q2 FY '26 increased by 21% Y-o-Y reaching INR3,037 million. Our operating EBITDA for Q2 FY '26 increased by 25% Y-o-Y reaching INR454.6 million, while the operating EBITDA margin for Q2 FY '26 was 15%. Profit after tax, PAT, for Q2 FY '26 grew by 20.1% Y-o-Y, reaching INR314 million, while the PAT margin stood at 10.3%.

Our operating income for H1 FY '26 increased by 51.1% Y-o-Y, reaching INR6,049 million. Our operating EBITDA for H1 FY '26 increased by 60.6% Y-o-Y, reaching INR903.2 million, while the operating EBITDA margin for H1 FY '26 was 14.9%, improving from 14.1% in H1 FY '25. Profit after tax, PAT, for H1 FY '26 grew by 49.5% Y-o-Y reaching INR619 million, while PAT margin stood at 10.2%.

Return on equity for the H1 FY '26 was 22.4%, while return on capital employed for the same period was 30.2%. Our cash conversion cycle as on September 2025 stood at 120 days, reflecting an increase of 9 days compared to the previous quarter.

The primary reason for this increase was the reduction in the payable days from 84 days in June '25 to 70 days in September '25. Receivable days improved from 124 days in June '25 to 117 days in September '25. It is important to note that advances received from the customers for large strategic orders have not been adjusted with the debtors while calculating the receivable days.

Inventory days remained unchanged at 72 days across both quarters. Our balance sheet strength is reflected by us being a 0 net debt company. The company had net free cash of INR2,379.8 million as on September '25. For the large strategic order, no additional capital expenditure will

be required. Short-term working capital needs, primarily LC-based, have been already secured to ensure smooth execution.

These orders are LC backed, guaranteed timely payments and eliminating credit risk. We remain firmly aligned with our strategic roadmap and growth priorities with strong momentum through the year, a robust order book and a healthy pipeline. We are well positioned to deliver consistent revenue and profitability in current fiscal. With this, I now hand over the call to Renu Baid.

Renu Baid: Yes, we can now start the session for Q&A, please.

Moderator: Thank you very much. The first question is from the line of Akshay from AK Investment. Please go ahead.

Akshay: Yes. And my first question is, sir, apart from the INR2,100 crores orders that we got, whatever effect that might have on our financials for half 2 of FY '26 and FY '27, apart from that, we are maintaining our organic growth guidance to 35% to 40% for the next couple of years. Is that understanding correct, sir?

Sanjay Lodha: That is very right.

Akshay: Okay, sir. And sir, this is the significant order inflow that we saw in the last one month. So can we expect the same type of strategic orders in coming years due to the India AI mission in coming quarters or coming months?

Sanjay Lodha: Definitely, we are optimistic, and we will keep on reporting as and when we get the orders.

Akshay: Okay, sir. Okay. And if -- and if you talk about the general trend and demand scenario for the NVIDIA GPUs and our product in India, that would be helpful, if you want to add some highlights over there, sir?

Sanjay Lodha: Yes. So basically, I already mentioned in my -- basically in my talk that how basically AI segment has grown by 160%, if you see year-on-year actually. And currently, you are seeing the strategic order wins also. So definitely, AI growth is completely going very, very strong all over the world actually, and we are very well positioned since we design and manufacture our products on the latest architecture of NVIDIA actually another -- basically on the complete GPU infrastructure -- GPU base system.

So we have the latest product. And so that's the reason we are getting traction. And definitely, we see as more and more workloads are completely diverting and using -- making use of AI, I think we have better potential there also, that will also keep on fueling the demand. The other area which I feel is that the government spending is really going up and up because government understands that India can become the AI factory.

They want to replicate the same thing, which basically -- which happened in the India became the software power of the world. They want to make India to become the AI factory of the world. So personally, I feel for coming few years, definitely AI is the segment which will be growing.

But having said that, the other two segments, which basically our business is not completely dependent on AI, please keep that in mind.

The other two segments are very strong. It's still -- more than 70% business still comes out with the other two segments, that is HPC and the Private Cloud, and both the segments are growing. If you have been observing our results for the past few years, past few quarters and years actually, you will see that it has been constantly growing.

And it has -- though, we're a company growing at a 35% CAGR, but still, basically, both these segments are constantly around 35% each of -- 35% each, actually making it to be 70% of the total revenue. So we personally feel that the two other segments will be growing and AI will grow in a better way.

Akshay: Okay, sir. Okay. And a small follow-up on that would be that today, India -- Indian government, Narendra Modiji, has inaugurated RBI fund of -- INR1 lakh crores of RBI fund for research and innovation. And in that, they are focusing mainly on AI, electronic, semiconductors. This will also affect positively to our companies as well as the general AI trend or complete capacity in India as well, right?

Sanjay Lodha: Lot of -- all -- the government is really instrumental on that because basically AI is the biggest employment generator because the government feels so and definitely, they want to basically create more employment. So AI is definitely -- government is focusing on AI.

Moderator: The next question is on the line of CA, Garvit Goyal from Nvest Analytics Advisory, LLP.

CA Garvit Goyal: Sir, my question is on the order book side. Apart from this strategic order, our organic order book has grown significantly as compared to the previous quarter. So can you put some color on that? Like is it any specific deal that we signed in this organic order book as well, though there is a big jump as compared to the previous quarter?

Sanjay Lodha: So basically, as you know that -- as far as I remember, you have been a constant attendee of my conference calls, and I really want to thank you for that. So you will definitely remember it that basically, I always say that my order book doesn't give you a clear in -- my organic order book doesn't give you a clear indication of how my business is performing.

Because my order cycle basically lasts from -- normal order cycle is 12 to 16 weeks is basically the execution cycle. So it can keep on growing, it can -- basically, it can reduce or something of that nature. What you should focus is on the pipeline. I have a pipeline of around INR4,000 crores, which is -- it doesn't include any strategic orders and the strategic pipeline.

So INR4,000 crores is the most important number, which you should -- we should remember. So there is -- basically, our gestation period for orders is around 6 months to 18 months. So we personally see that keeps on fueling our revenue and the order book. So -- and you have seen that, that constantly, we are growing at the -- what we have told you 30% to 35%. So that gives me -- this number gives me the confidence that my organic business will keep on growing at the same rate.

- CA Garvit Goyal:** Got it. Got it. And sir, secondly, on these specific deals, so you mentioned like we will be reporting to the exchange as and when we get these deals. But can you put some color on that? Like currently, are we into negotiation with anybody to get into kind of specific deals that are currently on?
- Sanjay Lodha:** Basically, because as I mentioned to you, strategic orders are large orders. There is an immense potential. You are fully aware how government is spending and how basically what kind of funds are being generated and all those things are there. You see today all the major GSIs, all the major global system integrators like TCS, Infosys, everybody is changing their complete strategy to AI services. So everybody is trying to develop more and more, use more and more AI.
- So the business is coming from all sides actually. And we personally feel that basically strategic orders will be coming in but we don't want to really announce in advance. As soon as the deals are there, they become visible, we will keep on announcing them.
- CA Garvit Goyal:** And what kind of margins do we have in these kind of specific orders, sir?
- Sanjay Lodha:** Let Ankit answer that.
- Ankit Singhal:** So Garvit, so look, these are very large orders, which are -- obviously, these are different from our regular business orders. However, we are keeping and maintaining very healthy and sustainable margins. They can be like 150 to 200 basis points lower at PBT level.
- Sanjay Lodha:** That's the max.
- Ankit Singhal:** Yes, which is again very healthy.
- Moderator:** The next question is from the line of Anand B from Ksema Wealth Private Limited.
- Anand B:** Congratulations on a good set of numbers. The first question is since the two orders have -- strategic orders have come, previously, you've given revenue guidance of 35% to 40% year-on-year and EBITDA margin of 14% and PAT margin guide is of 10% to 10.5%, so after these orders have come, do you have any revised guidance for FY '26?
- Ankit Singhal:** So there is no revision in the guidance. We are maintaining 35% to 40% growth for the regular business and strategic orders are being informed separately. And for the EBITDA, the guidance remains same, 13% to 14% as we will be transitioning to large scalable orders.
- Anand B:** Okay. But the realization of these orders will come by FY '27?
- Ankit Singhal:** Yes, they will be executed by FY '27, correct.
- Sanjay Lodha:** Some portion around 1/3 of these orders we expect to be executed in FY '26 because the total order is somewhere around INR2,100 crores approximately. So our expectation is INR2,10. crores -- out of INR2,100 crores, 1/3 should get executed this financial year and balance should get executed in the next financial year. But please keep in mind that basically, since these are all based on the latest technology and basically so delivery and other challenges, supply challenges can make things move from a month or two up and down.

- Anand B:** Okay. The last question I have is in the presentation, you have mentioned the breakup for -- in terms of industry vertical. That is higher education, IT, ITES, space and defense. Can you just provide for that for this quarter?
- Sanjay Lodha:** Yes, that will be remaining almost all same, but basically, quarter-on-quarter basis, you cannot really judge it because basically, we don't monitor it quarter-on-quarter basis. Basically, that's primarily on a year-on-year basis that you see, it will remain almost on the similar lines.
- Anand B:** Okay. Because in the previous quarter presentation, you have mentioned breakup...
- Sanjeev Sancheti:** So I'll tell you the reason why we were giving this particular sheet earlier is because of the requirement of the ICDR regulation. This is not something which is very critical for tracking. It's more important to track segment-wise revenue which we are giving. And hence, we are not going to report this quarter-on-quarter because this is not something which we really feel is relevant and it will amount to unnecessary and irrelevant data. On an annual basis we are happy to discuss this.
- Moderator:** The next question is from the line of Prateek Singh from DAM Capital.
- Prateek Singh:** Just wanted to get a sense about this INR21 billion or INR2,100-odd crores order. So just to get it right, we would be providing servers and not cloud, right? Or would it be cloud also to government PSUs and departments who can then take it up at \$3 per hour or \$2.5 per hour something like that?
- Sanjay Lodha:** It's a complete end-to-end solution, which we provide.
- Prateek Singh:** Okay. So we would be providing cloud services as well on top of...
- Management:** No, no. So we do not give annuity services. We sell the product and the solution and we get paid for it. It's a capex purchase for the buyer and we do not do any annuity business.
- Sanjay Lodha:** Thanks for clarifying.
- Prateek Singh:** Understood. And sir, so in terms of NVIDIA, what we keep hearing that there is a very -- maybe not now, but there used to be a long queue in terms of getting the latest chips. How has this changed over the past 2, 3 quarters? And how are we confident of getting those chips? Have you placed orders for those chips and some of them are already enroute to us?
- Sanjay Lodha:** So basically, as you know that we have a very strategic relationship with NVIDIA. We have an OEM partnership with NVIDIA, okay, which is basically there with very limited people in the world, actually, more -- less than 10 people have that. So we have a very, very strategic OEM partnership with them, wherein basically we design and develop products based on the latest chipsets. So we have sufficient allocations.
- And we get -- basically, in this part of the region of the -- not only India, in whole of this region, actually, we are the only company having that kind of a relationship with them. We are investing heavily into R&D and all that. So basically, we get due priorities from NVIDIA and our supplies are quite basically much more streamlined even the days when GPUs were under acute shortage,

even those days also, our supply lines are very much intact, which basically if you see past results, you will see that.

So we are very confident that we'll be securing and we'll be getting the chips and everything, not only from NVIDIA, from others also on time. But definitely, you are aware that how basically the compute demand is growing all over the world. Basically, everybody is trying to build compute facility -- capacity because basically, the AI demand is soaring and is definitely requiring more and more compute. Definitely, we see a good opportunity there and we are forecasting accordingly.

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

Viany Menon: So yes, a few questions. Congratulations first on the AI mission. So any sort of evolution timelines, if you can mentioned that H2, I think executing starts. But just to get an idea on like is it going to take 1.5 years for these two orders, to permit 1 year, anything like that?

Sanjay Lodha: So at this point -- thank you for your question. Actually, at this point of time, as I mentioned, basically 1/3 of the orders we are targeting to ship in financial year '26 and balance will spill over to financial year '27.

Viany Menon: Okay. Okay. That helps us. And you mentioned in your presentation something about exploring foreign markets and 4 markets you mentioned. Anything -- any plan there? And if you can explain what the roadmap would be there?

Sanjay Lodha: Yes. So basically, if you really see, at this point of time, our exports is somewhere around 5% of our total turnover. I have not tracked it particularly for this quarter, but still the team would have definitely tracked it. So basically, we still would like to guide somewhere around 5 to -- around basically this quarter, it was pretty low. But basically, overall, we are guiding annually around 5% to 6% of our revenue from exports which was almost 0 two years back.

So we are slowly building upon it because you see that compute demand locally is so heavy and so high, we want to first basically cater to that and accordingly move ahead with that, but we are slowly and steadily building our international exposure as well.

Sanjeev Sancheti: May I just clarify on this point, sorry, Sanjeev here. Just so the expectation is clear. See this 5% to 6% is on our organic business. Now this large order which we have got is obviously a domestic order. Hence, for these next 2 financial years, at least the overall percentage, if you look at the total top line of the company, this may be lower than 5%. I hope I've been able to explain what I wanted to say.

Viany Menon: Yes, that helps. So basically, these are pure exports, and you have mentioned that you're planning to set up something also so that you can do the servicing and other things. So like are we -- these are pure exports from our factory in Faridabad or are we setting up some offices there to kind of get local demand abroad also?

Sanjay Lodha:

So basically, as regards -- at this point of time, we are just -- we have not decided on setting up offices outside. But definitely, we are setting up our service network first because that is more important because manufacturing primarily happens in India only.

As and when we need salespeople and all that also, we maybe think about setting our offices. But as you know, our customers are large enterprises. We are not into SMB because you see around 50% of our business comes from government, around 50% of business comes from enterprise.

This particular quarter, around 60% of business came from enterprise and 40% business came from government. So this keeps on shifting. But if you see over on year-on-year, it will remain around 50%, 50%.

And basically, so the large enterprises are there. So we may need to set up some kind of basically service network that is more important for us. But slowly and steadily as more business development as we need more people, we can think about it.

Vianey Menon:

Okay. And just one last thing, sir. You see a lot of news about Google and opening, coming and setting up data centers here. So are we planning to kind of tie up with any of these because these are all partners to NVIDIA. So I'm sure NVIDIA could kind of help us get an entry with these kind of large enterprises also. So any plans on that?

Sanjay Lodha:

Yes. Actually, still these things are far off. Actually, still these are greenfield projects at this point of time. But we think that's very well argument and the fact that how the -- basically, the compute demand is growing in the country today that hyperscalers are also coming to India and trying to set up. So definitely, that is happening. But as and when the time comes, we will offer them the right opportunity.

Moderator:

The next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah:

Congrats again on great execution and large strategic orders. Sir, the first question is, if I look at the government AI mission, as of now, the approval is for INR10,000 crores, and we got two deals worth INR1,000 crores bids. So addressable market in INR10,000 crores was closer to around 40% to 50%. So that means INR4,500 to INR5,000 crores, so is it fair to assume we already won a wallet share of 45%, 50% and more strategic deals may come outside the government AI.

Management:

Let me answer your question. First of all, I just want to clarify that the INR100,000, which you're talking about, that is basically the fund allocation, which is happening at the government's end. Whereas the orders what we are talking about is basically for setting up the complete infra, okay? So what happens in this case, so the amount which government is going to allocate that is going to be paid against the GPU resources, fine?

So the amount cannot be related in this fashion, but I can certainly tell you that we are targeting more strategic orders also as and when the opportunity comes. And we are -- as we answered initially also, that we are definitely working on that front. So as and when this opportunity comes,

we'll keep notifying -- keep informing the market. So this is in process, and we are extensively working on that front.

Sandeep Shah:

Okay. Okay. So then, sir, if you can clarify -- you said in the second statement, INR10,000 crores is the government-related budgets, so I didn't understand clearly?

Management:

I'll explain that again. So basically, as you know, India AI Mission has got 7 pillars, which we have shared with you earlier also. So one of the pillar is basically for building up the in-house infra. Second pillar is basically for creating GPU resources and rendering GPU services to the end customer. So largely, the requirements which we are going to address is going to be related to these two pillars.

Rest of the pillars are like financing the start-ups, building the other type of ecosystem, which can mushroom the AI ecosystem in the country. So first two pillars are basically the main pillars. So when you talk about INR10,000 crores, the INR10,000 crores is going to take care of first two pillars as such. And that's the reason I said that when you talk about the order which we have taken, which is of INR2,100 crores, will that basically fill the complete wallet share of ours? So the answer is no.

We have got many more opportunities, which are going to be related to India AI Mission. And as and when the opportunity will be built by us, we'll try to basically build more strategic orders as well. So I hope this answers your question.

Sandeep Shah:

Yes, yes. I understand. And just wanted to understand, you have already mentioned that this strategic order execution may not require incremental capex, but do you believe it may require some incremental employee spends or doesn't require because business runs on operating leverage rather than direct correlation with the employee and other expenses?

Sanjay Lodha:

Sandeep, so you'll have to understand one thing. Because the -- why are we getting these strategic orders? We are getting strategic orders because of our R&D strength, okay? So R&D strength is very important because basically, we are working on the latest chipsets and basically, we are providing the state of art, the best kind of the solutions, which are available around the globe. So we are not basically lagging behind with anybody.

We are trying to give one of the best optimized solution actually, working on the latest chipset, so R&D strength is helping us so as to build that. As regards to the second question on the capex side, definitely, we will not be needing capex because basically, we have already mentioned that.

And because we are -- as you know that we are not primarily a capacity-driven organization, we are a capability-driven organization. So as soon as we started working on Blackwell chipset, we immediately upgraded our lines and all that, so that basically we can do that. So our lines are fully sufficient for us to do it.

And as regards employment is concerned, again, basically, ours is not that kind of basically a very low-end kind of work. Primarily most of the work is being done by engineers and all. So our strength -- when we went IPO, it was around 240 people. Today, we are nearing around 600 people. So basically, it's an ongoing effort which is going on and people are being added.

So we are almost at double the size in almost all 2.5 years approximately. So people addition is definitely happening. More and more technical people are joining us. So all that basically gives us -- makes us confident that we can do this without having any much -- many more changes.

Other thing which I would like to point out as regards to manufacturing capabilities also, we have developed a new plant, as I mentioned to you. The new areas and new integration units are being added almost all basically every time. So basically, we have those kind of abilities. So hence, we don't need any kind capex.

Sandeep Shah:

Yes. This is helpful. And just last thing in this quarter, if we look at Private Cloud and HCI has been almost flattish, both on Q-on-Q and Y-o-Y. I do agree one can't see just 1 quarter. But how do you see the demand for the Private Cloud, both from the private enterprise and the government enterprise?

Sanjay Lodha:

Definitely, it is growing actually. If you really see, basically, we have grown. If you really see, overall, the growth has been there. Basically, again, on a quarter-on-quarter basis, you cannot really judge our kind of business, okay? Because basically, we are not into retail and something of that nature or SMB and all.

If you see H1, H2 kind of thing, you can see the growth. So definitely, growth is there, but AI has been growing much more actually. So I personally feel the way that you may be having also the information how the data center market in the country is growing at this point of time. So definitely, there is a phenomenal scope and basically for that to grow.

Hence, basically, once we say that we'll be growing our organic order book at around 35 -- not order book, the organic business will be growing at a rate of 35% CAGR. So that is being fueled by these two segments and still around more than 70% of business comes out of these two segments. And they have been constantly fueling our growth for many years. And for future also, we are very sure that these two still remain our main pillars.

Moderator:

The next question is from the line of Vibhor Singhal from Nuvama.

Vibhor Singhal:

Sir, just two questions from my side. One is these strategic orders of around INR2,000 crores that we have won, as you mentioned that you might not require any incremental capex on these. But given that these are government orders, which typically would have a 3- to 4-month minimum receivable days cycle, do you think we would need some additional funding on our balance sheet to basically support the working capital that might be required for this? And if yes, are we looking at basically some ways of arranging for that?

Hirdey Vikram:

So first of all, there is a correction. So the orders which we have taken is not directly from the government. So basically, we are serving the India AI Mission, but we are serving it through some of the empanelled organizations. So then our receivable or our payment subsidy is very well structured in this case.

In fact, we wanted to highlight that part as well during the question so good that you asked this question. So I think Ankit can emphasize more on that part, if he can throw some light on that

part. So -- but yes, I mean, answering your first question, so it is not -- we are not directly giving it to the government.

Vibhor Singhal: Got it. But in terms of working capital requirements, will this need any additional funding?

Sanjeev Sancheti: Yes, Ankit can answer that.

Ankit Singhal: Sure. So look, the large strategic orders are commercially very well defined. First of all, I let you know that we are receiving sufficient advance to have the cash accrual for these particular execution. And these are also LC-band transactions. So we are -- we have secured the LC bank limits to do the smooth execution of these projects.

Sanjay Lodha: So credit risk is almost all 0 actually. The entire deal is completely secure. We have advances from the customer and the balance we have LCs. So the credit risk is almost all 0 actually and very well planned to be executed. We may need some short-term LC kind of limits from the banks, which basically has already been secured. So we don't feel there are any financial challenges as such.

Vibhor Singhal: Right. But in the interim, as this project starts execution, we might see a bit of, let's say, increase in our credit that the -- line of credit that we take from the banks. But that, of course, as you mentioned, will get basically cleared off once the payment starts off in terms of projects?

Sanjeev Sancheti: Yes, yes. So it is the transitionary. It will be transitionary and very short term.

Vibhor Singhal: Very short term. Got it, sir. That's great to hear. So just on my second question, just trying to understand the business. This year, if I look at the overall top line growth, it was around 20% on a Y-o-Y basis. If I look at the segmental numbers also on a Y-on-Y basis, these were, let's say, in the AI enterprise business was around 20%.

So the power business, does it have kind of a seasonality in which Q3, Q4 tend to be quite strong, as would happen because I think most enterprises and let's say, institutions rush to basically complete their billing in the month of March? Is that the case in our business that Q1, Q2, we tend to be -- H1 tends to be a bit lower and H2 tends to be much higher?

Sanjay Lodha: If you see historical data, it will prove that, that basically our H1 is almost -- H2 is always much better than our H1. But having said that, I'd like to tell you, even we had a very strong H1 this year. We grew by around 50% because basically, problem is that, that you'll have to understand that, that you cannot do a comparison of our business basically on a quarter-on-quarter basis. We are not into retail and something of that -- FMCG or something of that nature.

Basically, it is dependent on some large -- basically a lot of large and high-end compute we sell and the customers are all enterprise customers or high-end government customers. So definitely, if you see H1, H2 data for last few years, you'll definitely see that, that our H2 is always much more stronger than H1, and even though the H1 was very strong this time.

Vibhor Singhal: Right. So you mean to say that despite the fact that we have 51%...

Sanjeev Sancheti: I would like -- let me explain this. You would appreciate that quarter-on-quarter is bifurcate by one thin line of the last day of the month, right? 30th June, if you are billing something, it comes into the Q1 and if that billing spills over to first of July, then it may come to Q2. So this Q1, Q2 for our kind of business is very, very difficult for you to track. Q1, we grew at 100%.

Now if somebody is expecting that they want to go Q2, Q3, Q4 at 100%, we are not even guiding that. So this -- so you need to look at a YTD basis, and I answered this question umpteen times. And we will answer the same thing that please look at it at YTD basis. You look at our guidance where we have always guided 35% to 40% on an annual basis, and we have performed better than that. And this movement from Q1 to Q2, it could be different the next time.

It's just that one day, it matters. And we -- our orders are so large that we cannot not fill something which requires billing on the last day of the month and move it to the next day to prove them this quarter-on-quarter. We can't do that.

Vibhor Singhal: No, obviously, I think nobody would want you to do that any which way. I think the business looks in good shape without that as well. Perfect. Got that idea very well. Just one last kind of a bookkeeping but -- just a last bookkeeping question from my side. I mean a very trivial one. So this entire strategic orders that we have got, we would be booking the revenue whenever it starts doing in the AI enterprise segment? Or would we be carving out a separate segment for these orders?

Sanjay Lodha: This will be -- basically most of it will get booked into the AI segment actually.

Vibhor Singhal: AI segment only. Got it. Got it, sir.

Sanjay Lodha: It will always be reported separately. Our basically organic and strategic will be reported separately.

Moderator: The next question is on the line of Mr. Srinivasu K from TIA.

Srinivasu K: My first question is about, there is a huge competition across compute vendors across the world like NVIDIA, AMD and Intel. And there is a high chance that GPU prices will be falling down. So what is your pricing book to handle this? Do you pass through most of this pricing decline or retain the same set to protect your 14% to 15% EBITDA margins?

Sanjay Lodha: So basically, we are not box pushers actually. If you see our trajectory very clearly, you will see that basically, we build our systems. We have our own software stack and basically -- so basically, it's not primarily a system sale or a box sale. So basically, we are not impacted by such kind of things. But basically, we are already -- if you see our technology provider side, NVIDIA, Intel and AMD, all the three are there.

So basically, whatever technology comes from whichever vendor and whichever gains traction, we are equally equipped to handle it. But as regards to your question on the practically on the margin side of it, the margin is for our -- basically the kind of efficient systems, which we build. We try to create a differentiator for us.

The kind of unique situation which we want to do and plus the software stack we have, the services stack we have. So that definitely helps us to retain our margin constantly because if you see around 10% PAT, we have been maintaining continuously.

And the competition is normally is all on lower single-digit kind of margin. So that differentiates us from them. But coming back still my temptation to answer you will be there that still NVIDIA has been the market leader by several times actually vis-à-vis as regards their GPUs are concerned, over with NVIDIA -- over with AMD and Intel.

And though definitely, both the other companies are also promising and they are also trying their level best. But at this point of time, the market situation for at least some more time, it feels like that GPU will be dominated by NVIDIA.

Moderator: The next question is from the line of Mr. Anuj Khasab from A3 Capital.

Anuj Khasab: Congratulations Mr. Lodha for the good set of numbers. I just want to know from your side, can you paint a 3 to 5 year picture for as a company, as a stakeholder in the company?

Sanjay Lodha: Thanks for your question, actually. So basically, if you really see the funnel, if you really see how the business is growing, that can be seen from the funnel. So basically, the funnel is somewhere around, we are sitting at a funnel of around INR4,000 crores plus funnel actually. And as I've been mentioning, the conversion ratio is around 60%. And that basically -- that keeps on adding every day.

And the normal time for conversion is between basically 6 months to 18 months for us. So basically, that gives me the confidence that I will keep my growth at, at least 30% to 35% for -- at least for three years to come. So that exactly would be my guidance. Actually, as regards the organic situation is concerned, definitely, on the -- basically on the strategic side, I would not like to guide because that's something basically as it comes, we report.

Anuj Khasab: And sir, I don't do this. Sir, as you mentioned that the funnel right now is INR4,000 crores plus. And sir, how sustainable that funnel itself is growing like 6% to 8%? What is your assumption with regard to it?

Sanjay Lodha: Yes. So basically, again, the funnel doesn't include any of the strategic actually. The strategic funnel is not included in the funnel. It is basically our organic funnel, which is there. So basically, it keeps on -- because since the order sizes and the technology refresh and all those things keep on coming, at times it grows by 15%, at times it grows by 6%, so -- but basically, constantly,

I'm very sure that, that will keep me -- at times, I have seen it growing even by 30% because basically, there is a large order in the pipeline immediately it keeps on growing. So that gives me the confidence that it will keep my growth momentum on.

Anuj Khasab: I may be wrong sir, you said the funnel itself is there, we cannot -- you are absolutely right, we cannot estimate how the funnel will grow, like data is a new line. If like Netweb is supplying refinery parts for the oil refinery, am I right sir, like if you were to build a case basis for that?

- Sanjay Lodha:** I didn't get you, please come again, sir.
- Anuj Khasab:** Sir, I was making a hypothesis, like in the oil boom when oil was growing, data is new oil, data is growing by leaps and bounds, the same way like -- from like 1970s, we used to compare. We are also in the same position only right now?
- Sanjay Lodha:** Yes. So basically, I'll tell you, you have to see the business in a different way, actually. The three segments, which generates 90% of that business. You see the supercomputing we are doing for 20-plus years. If you see none of the business, we have started just yesterday. So supercomputing, we're doing for 20-plus years and it has been constantly growing for us.
- And you see how the supercomputing adoption has increased. Basically, various domains, various areas, all kind of automobiles, research and development, even consumer companies for R&D, they are also using it. So supercomputing is growing. Data center boom, I don't need to even explain on this call, how India is currently experiencing the data center boom, so Private Cloud and HCI will keep on growing for that.
- You can very well understand gone are the days of bare metal kind of things. So basically, everything will be done on the -- basically on the everything -- as the data center grows, the Private Cloud market will grow. And AI, again, is a growth momentum.
- So all the three areas, which we are there, they are all growing actually. And we don't want to basically primarily over -- kind of overcommit or something of that nature. But still, I personally keep that the growth momentum given the tailwinds and all that, it definitely gives me -- very confident that I'll keep on growing at 30% to 35%.
- Anuj Khasab:** And sir, last one, sir, if I may push in. As a Board, like do we have discussed or do we even have this on table like as a company if we want to enter into data centers or like some other lever we want to attach to our company, just as a discussion?
- Sanjay Lodha:** No, sir. Basically, we have discussed it phenomenally. But personally, our business model is different. We don't want to get into setting up data centers or providing cloud services directly because basically, all our customers try to do it. So our forte is primarily R&D.
- We try to do R&D completely on the hardware, designing our hardware completely in India and manufacturing it completely. Then basically the software ecosystem, software stack. So basically, the -- we have almost all 0 or very negligible dependency on third-party. Host of products are designed and manufactured by us. So the focus is more on that. But at this point of time, we don't have any plans to set up data centers or getting into cloud services.
- Anuj Khasab:** Okay. Just one question, sir. Sir, as a company leader, to whom in Indian market, to whom you see yourself as an -- which company do you see your competition with?
- Sanjay Lodha:** That is a very difficult question for us. At points, basically, I really -- we have a very unique solution actually, a unique product. And like personally in the Indian market...
- Anuj Khasab:** I wanted to get out of -- out of your -- horse's mouth is like you are the one in the industry, right?

- Sanjay Lodha:** I don't -- I will not like to say that. Basically, some few companies getting together because primarily ours is hardware software kind of combination. Hardware and software companies can come together and try to basically -- try to build and give a solution. I don't say that I have a monopolistic situation or something of that nature. But definitely, we have an advantage.
- The way we have designed and we have kept our focus, please understand that we never got into volume manufacturing. We never got into box selling. So that has actually kept us basically the uniqueness in the company very much intact.
- Anuj Khasab:** I remember last time also you mentioned that we deal customer to customers like whatever FOQs you get from them, you deal accordingly with them like university different study case you throw different study case.
- Sanjay Lodha:** Thank you.
- Moderator:** The next question is from the line of Bharat Gulate from Dalal & Broacha.
- Bharat Gulate:** Sir, I wanted to understand a little deeper on the -- on your Private Cloud segment. So that's almost contributed to 34% this quarter, but our margins are still at around 15%. Now what I understand is that Private Cloud is a high-margin business. So what kind of offerings do we exactly provide in our Private Cloud business?
- Management:** So first of all, what you might be comparing us with that we provide the complete private cloud stack, but we don't render cloud services. That is one. Second is that the stack you want to understand, what does it comprise of? So first of all, it is comprising of the complete hardware, the middleware and the cloud stack, which we integrate with the end customer utilities. That is how we build the complete Private Cloud.
- So we have got two solutions available. One is called Skylus and second is Skylus.ai, which is also related to AI, but we are also using as part of our Private Cloud solutions as well. So that is how we offer our solution and how do we compete is that the traditional way of doing private cloud design.
- So we basically do not need any commercial virtualization software in order to deliver this solution. So that is how we basically provide a unified start comparing with -- as compared to the other options which are available in the market, wherein you have to have the hardware separately purchased, network separately purchased, have to have the virtualization commercial software available. So that all is not needed in our case.
- Bharat Gulate:** So sir, it would be right to understand that we don't provide any software as such when we talk about private cloud, it's more the infrastructure that we are setting up on-prem for our customers? Would that be the right understanding?
- Management:** No, no. First of all, as I explained, I explained you three layers, hardware, middleware and the cloud stack. So cloud stack and middleware are basically software only.

- Bharat Gulate:** So if we are providing them the cloud stack, then wouldn't that work out to higher margins in our case?
- Sanjay Lodha:** Please understand that we are not selling the cloud stack separately because normally, basically, if I sell only the cloud stack, then the cloud stack can have higher margins, but we are selling the compute solution, and we see selling the compute solution, hardware and software all together, definitely, the kind of margins we are commanding are very comfortable margins. And particularly, all this is being sold and basically to the enterprise customers.
- So the kind of margins which we are commanding, like basically, if you take my competition, they will take a hardware like they will take a Dell machine, and they will take a hypervisor separately from a software company try to bundle it and then try to sell it. Whereas in my case, it's completely end to end. So I hope that makes you understand very clearly.
- Bharat Gulate:** Right. Okay, sir. Sir, and would it be possible to give what verticals are our customers and for our Private Cloud system? I mean, not specific customer names, but what verticals and what segments do they operate in?
- Management:** Presentation covers all that.
- Sanjay Lodha:** Our presentation, if you really see that, that has got the details. If you see that in detail, it is mentioned there. Because basically, our customers are ITES companies, enterprise companies, different, different -- a wide variety of customers use our cloud solutions actually.
- Moderator:** The next question is from the line of Miloni Mehta from Monarch Capital.
- Miloni Mehta:** Sir, I just wanted to understand what is the margin profile on these AI Mission orders? And how do we compare it with your existing HPC and enterprise business segments?
- Hirdey Vikram:** So we already answered.
- Sanjay Lodha:** Yes.
- Miloni Mehta:** Okay. Can you just maybe give a margin range for AI Mission orders?
- Ankit Singhal:** So as a policy, we do not disclose order-wise margin analysis. So from the margin perspective, these large orders will be different from regular that's what we have told. And still, the margins are -- will be on the lower side, like 150 to 200 basis points at PBT level. That is what we can guide.
- Sanjay Lodha:** So margins, you can say, is slightly lower. But basically, we are guiding at this point of time on the strategic orders. It is -- as Ankit mentioned to you, it will be 150 to 200 basis points lower. Otherwise, basically have strong margins.
- Management:** So -- so but other than margin, I think there are other factors which have to be looked at, that these are all risk-free transactions and all. The way we have made a very robust payment such. So all these factors are also required to be looked at.

- Ankit Singhal:** And keeping the size and the scale of these engagements, we feel that these are the top-notch quality margins that we have maintained.
- Miloni Mehta:** Okay. Got it. And secondly, specifically on Skylus.ai, can you share some insights on what kind of market traction or adoption trends that we are seeing?
- Management:** So Skylus.ai is definitely helping us to create a lot of traction in the market. The reason being the way we have designed this solution, this has basically completely revolutionized the AI space because we are providing the complete hardware along with the layer of AI stack which helps customer to get the user onboarding done and GPU abstraction done.
- So there are many such features which customers were looking for, for many years. And we were working on that front for the last 4, 5 years, and that has resulted into Skylus.ai. So from that perspective, I think the kind of growth you are seeing in our case, in the AI domain, that is basically definitely contributed by the latest architecture of our systems as well as the software stack like Skylus.ai.
- Miloni Mehta:** Okay. Got it. So that's it from my end. Rest of my questions are already answered.
- Moderator:** The next question is from the line of Sumeet Jain from CLSA.
- Sumeet Jain:** So firstly, I wanted to check around your R&D cost. I mean, do you disclose your R&D cost as a percentage of sales? And in terms of number of patents being filed this year compared to last year, given you have mentioned that a lot of your solutions are pure tech led with a lot of software and hardware design? So just limps of R&D costs and patent filings?
- Sanjay Lodha:** So basically, as with our R&D costs, we have been mentioning it time and again that we spend around 3% of our turnover primarily into the R&D, and that is a practice because basically a lot of R&D happens in our company. That is one. And the second is as regards to patents, we have been regularly filing patents and we have been getting approvals also.
- So though we started late, we started filing patents around 3, 4 years back. And basically, but we have some -- I think some number of patents, I don't remember the number actually, but that might be mentioned on our website. So basically, but we are very, very prompt in getting -- registering our patents and designs and all that. So all that is constantly being done.
- Ankit Singhal:** Also, I would like to add that we do not capitalize any R&D costs. So primarily, it's been the people cost, software required for the R&D, a lot of testing equipment goes. All these are expensed off in our P&L, we do not capitalize it.
- Sumeet Jain:** Got it. That's helpful. Secondly, I wanted to check around your market share in the 3, 4 segments you highlighted in your investor deck, and you have also given the overall market sizing in each one of them. And it seems like your market share is in single digits in each of those categories. Since we don't get any overall market share data or anything in any of these categories, can you briefly flag, I mean, are you gaining market share, losing market share or it's largely stable?

Sanjay Lodha:

So basically, because you have to understand that we are basically not a box seller, okay? And we are primarily -- we are not into SMB and those kind of areas. So just coming specifically to like supercomputing. So HPC, the total market would be around what we feel is somewhere around INR4,000 crores. Currently, the market which we are addressing is somewhere INR1,000 crores.

Out of that, we are doing around INR400 crores to INR500 crores approximately. So basically, addressable market for us is around INR1,000 crores because the other market is primarily ISV driven. And basically, that market is not targetable for us. It will take me a long time to explain you those details over this call. So out of that, so I personally feel around 30% to 35% of the market share has been governed by us, okay?

And coming to the second segment, that is Private Cloud. So Private Cloud, you know that we are primarily focusing only to large enterprises. We are not selling into the small and medium enterprises. And you know how the data center business is growing. It's very difficult to clearly capture the kind of market size actually because the data center market is growing like anything.

And basically, data center market is growing into different areas. So basically, SMB would be some portion of it. But basically because the large enterprises are concerned, we have gained traction with a lot of users and large enterprises. So basically, there, we have a good market share and plus 35% kind of growth which we are seeing constantly. So definitely, in the segment we are working upon, we are doing quite well.

Again, coming to AI. Now AI basically, the total market size determination has been an issue, actually, really speaking, because by the time we start determining the market size, the market share becomes double or triple actually.

But basically, if you really see the kind of strategic deals which we are trying to get in, and we are trying to get into the enterprise segment of it. So definitely, we are very, very comfortably placed. And basically, our order book, our strategic wins, our R&D expense can all justify all that. So that's exactly in short, I would like to answer you.

Sumeet Jain:

No, that's very helpful. And maybe my next question is around your order book. I mean it seems it will be -- it's pretty lumpy. And obviously, now you have got the Indian government order. So it's even more lumpy. But can you just flag going forward, let's say, over a 3- to 5-year period, do you expect your order book to remain lumpy? Or do you expect a very high level of repeat order growth...

Sanjay Lodha:

I contradict you, my order book -- basically, my business is not lumpy at all actually. You need to really see and observe my business for at least 3 to 4 years. And you will find that, it is not lumpy at all. And I have always been telling you that my order book is not the real -- basically will not give you the visibility of my business. Last quarter, the order book was quite low, but still the business happened.

So basically, what is happening is that -- and why that is happening actually? Because basically, the order cycle is somewhere around 8 weeks to 16 weeks for me, okay? So basically, the order cycle, the order execution cycle is very fast.

So basically, you have to see the funnel actually, the INR4,000 crores worth of funnel, which I have the organic funnel, which we have, that gives me constant revenue and basically around 60% kind of conversion rate. So that gives me robust revenue, and that gives you me the confidence of the growth of 30% to 35%.

If you see constantly, we have been growing at these rates actually and order books basically have never been saying that you can gauge my business based on the order book actually, really speaking. So and -- I personally feel that business is not lumpy at all. I contradict that.

Sanjeev Sancheti:

In fact, I would like to also add here, very pertinent that if my business was lumpy, then I wouldn't have a 75% plus repeat customer. So I think probably a few quarters once we start tracking then you will get to understand it's not lumpy. We do not chase annuity revenue. We do not chase repeat revenue. We target refresh cycles. And hence, when the refresh happens, the present order will always be much larger than the previous order.

Sumeet Jain:

And what is typically this refresh cycle timeline like it is 2 to 4 years?

Sanjay Lodha:

I will answer that. Basically, if you see the -- all this -- we work with all the major technology providers like Intel, AMD, NVIDIA and all. So their refresh cycle is somewhere around 12 to 18 months. And what we have seen with our customers is basically approximately between 3 to 5 years. So some more -- if you see, I think 70% is 3 years and some of it is 5 years.

Sumeet Jain:

Got it. Got it. And lastly, I want to check the operating leverage in your business. I mean, we have seen EBITDA margins being largely in that 14% band for now 3 to 4 years despite the revenue growth being very strong. So any comments around operating leverage in your business?

Ankit Singhal:

So overall, what we can guide is the operating margin which will obviously inclusive of the leverage and if it's going to come, so the margins are expected to be between the range of 13% to 14%, including all the operational leverage that we will be getting.

Moderator:

Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for the closing comments.

Sanjay Lodha:

Thank you for your patience and basically putting your questions, definitely. Thank you so much.

Hirdey Vikram:

Thanks a lot.

Moderator:

On behalf of IIFL Capital Services Limited, thank you for joining us. You may now disconnect your lines.