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BBOX/SD/SE/2024/89

November 14, 2024

To

Corporate Relationship Department **Bombay Stock Exchange Limited** P.J. Towers, Dalal Street, Fort, Mumbai 400001	**Corporate Relationship Department** **National Stock Exchange Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400051

Sub: Transcript of Earnings Call hosted on November 11, 2024 on Unaudited Financial Results (Consolidated and Standalone) for the quarter/half-year ended September 30, 2024**.**

Ref.: Scrip code: BSE: 500463/NSE: BBOX

Dear Sir/Madam,

This is further to our letter dated November 6, 2024 with reference number BBOX/SD/SE/2024/81 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call hosted on November 11, 2024 on Unaudited Financial Results (Consolidated and Standalone) for the quarter/half-year ended September 30, 2024, is attached hereunder.

This is for your information, record and necessary dissemination to all the stakeholders.

For **Black Box Limited**

ADITYA GOSWAMI
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Date: 2024.11.14 09:57:40 +05'30'

Aditya Goswami
Company Secretary & Compliance Officer

Encl.: A/a

"Black Box Limited Q2 & H1 FY25 Earnings Conference Call"

November 11, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th November 2024 will prevail."

MANAGEMENT: **MR. SANJEEV VERMA – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – BLACK BOX LIMITED**

MR. DEEPAK BANSAL – EXECUTIVE DIRECTOR AND GLOBAL CHIEF FINANCIAL OFFICER – BLACK BOX LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 & H1 FY '25 Earnings Conference Call of Black Box Limited.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be on 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Verma, Whole-Time Director of Black Box Limited. Thank you, and over to you, sir.

Sanjeev Verma: Good morning, everyone. I hope you all are well and safe. On behalf of Black Box Limited, I would like to welcome everyone to our Q2 and H1 '25 Earnings Call.

I am joined today by Deepak Bansal – Executive Director and Global CFO, and our Investor Relations Advisors, SGA.

We have uploaded our results presentation and trust you have had a chance to review it. We are pleased to connect with you once again.

Let me begin with a brief "Overview" of our Company, followed by a "Review of our Business and Financial Performance."

Black Box is a trusted global leader in digital infrastructure delivering cutting-edge technology solutions and expert consulting services across (+35) countries.

The Company specializes in connectivity, data centers, modern workplace, enterprise networking and cybersecurity. We help businesses drive success by seamlessly integrating people, ideas and technology to solve complex challenges.

Coming to the "Quarterly Highlights":

We are happy to report that the Company posted a strong 60% Y-on-Y jump in profit after tax of 51 crores and a 34% jump in EBITDA to INR 135 crore. Our focus on improving overall profitability continues as the business focuses on cost optimization and improvement in price realization.

To bolster operating performance and profitability further, we have renewed our go-to-market business model and sharpened our long-term business strategy to propel opportunities in the digital infrastructure space with growing demand from technological advancements the world is experiencing which will exacerbate as AI permeates further.

For example, the CAPEX spend by the largest cloud providers and hyperscalers is expected to significantly increase over the next few years, leading to hyper expansion in data center and networking capacities. Consequently, we have also increased our focus in the data center infrastructure space with our existing and new hyperscale customers and other co-location operators.

During the quarter gone by, the Company's revenue grew 5% sequentially. Continuing hold-up in decision-making led to delayed project execution impacting revenue growth. However, we continue with our strategic focus on acquiring high-value customers. Our improved productivity and pricing efficiency are yielding better operating performance, leading to strong profitability.

Our order pipeline continues to be robust with our backlog at US$455 million as of September 2024. We expect the project backlog to grow in the future as we are taking various initiatives to grow our revenues, including India, where we see growth in digital infrastructure spend driven by data center build-outs.

In this regard, we have renewed our go-to-market operating model with the adoption of industry vertical and technology horizontal approach designed to enhance customer centricity and provide deeper engagement with innovative, cutting-edge technology solutions across diverse industries.

We plan to focus on 300 of our top clients. We have invested significantly in augmenting go-to-market leadership talent and high-quality sales teams, including business development managers. We expect to see results in the form of a growing order book by early fiscal 2026..

Black Box currently serves many Fortune 500 customers across the world. By reorganizing our operating model into industry-focused verticals, we will better serve with deep-domain knowledge, provide very contextual technology solutions. The model will foster trusted partnership with customers and provide industry specialized solutions. By reorganizing our operating model into industry-focused verticals, Black Box will serve growth sectors such as financial services, technology, healthcare, consumer and public sector, including commercial and industrial.

Black Box has built transformational technology capabilities that will drive customer success and enable them to succeed in the marketplace. The horizontal technology practice areas in connectivity infrastructure, data center solutions, modern workplace, enterprise network and cybersecurity deliver innovative solutions contextual to the industry verticals. This metric structure will ensure that the Company continues to offer relevant solutions to the specific needs of each sector. This reorganization drives growth by deepening customer engagement.

As a trusted partner, Black Box offers industry sector specific knowledge and insights gained through years of multi-site service for a diversified set of clients. This expertise brings significant value and differentiation to our customers.

Our service delivery is strengthened through standardized, repeatable, safety-first methodology that provides consistency, best-in-class service quality at speed and optimized cost. Black Box is proud of differentiating in the market with well-trained, certified talent with extensive experience across infrastructure technologies. The global delivery model enables Black Box to provide seamless services across boundaries and in 35 countries, which will augment our revenue growth.

Further, the Company has also established an ESG roadmap, which emphasizes sustainable practices across our operations with a steadfast commitment to positively impacting the environment and society while maintaining the highest standards of governance. With a shared commitment to value creation and business excellence, we are building a sustainable future at Black Box.

Just to “Summarize”:

The digital landscape is constantly changing and every change is an opportunity. The demand for digital infrastructure is increasing and Black Box is well positioned to lead this advancement, being constantly relevant to changing dynamics and innovating new possibilities in infrastructure, networks, data centers, cyber security, we take pride in being the backbone of technology infrastructure that future enterprises can trust and rely on. As we continue to expand rapidly, we are committed to empowering and accelerating our customers' business growth.

That concludes my remarks. I now hand over the call to Deepak to review the financial highlights.

Deepak Bansal: Thank you, Sanjeev, for the detailed overview. Good morning, everybody.

I will now discuss our “Financial Performance” for Quarter 2 and the First Half FY '25:

Revenue for Quarter 2 FY '25 stood at INR 1,497 crores compared to INR 1,574 crores in Quarter 2 of FY '24. For the first half of FY '25, revenue stood at INR 2,921 crores compared to INR 3,146 crores in H1 FY '24.

Hold-up in decision making led to delayed project execution has impacted the revenue. The renewed GTM strategy that Sanjeev spoke will drive our revenue growth in the coming quarters.

The Company has demonstrated notable financial strength, reporting strong quarterly and half-yearly EBITDA and profit after tax. EBITDA for the quarter increased to INR 135 crore reflecting a growth of 35% Y-O-Y and 18% quarter-on-quarter.

For H1 of FY '25, EBITDA grew by 31% Y-O-Y and stood at INR 250 crore. EBITDA margins for Q2 FY '25 improved substantially by 260 basis points Y-o-Y to 9%, whereas for first half FY '25, EBITDA margins improved by 250 bps Y-o-Y and stood at 8.6%. The operating margins continue to improve on account of our consistent efforts on productivity enhancement and better price realization.

Profit after tax for Q2 FY '25 surged by 60% year-on-year and 38% quarter-on-quarter and stood at INR 51 crore. For H1 FY '25, PAT increased to INR 88 crores reflecting a growth of 58% Y-o-Y. PAT margins improved by 140 bps Y-o-Y and stood at 3.4% in Quarter 2 of FY '25, whereas H1 FY '25 PAT margins stood at 3% reflecting a growth of 120 bps Y-o-Y.

Strong operating performance has resulted in better profitability. Our commitment to enhance financial performance through operating leverage is beginning to yield positive results as evidenced in our profitability. As we organize our go-to-market strategy, we anticipate increase in our order book resulting in higher revenue and thereby better profitability and improved cash flows.

We have secured equity funding of INR 386 crore in the form of issuance of preferential warrants to existing promoters, marquee investors and KMPs. This will strengthen our balance sheet and help us make accelerated investments to propel growth across the key growth areas.

That's all from my side. I will now request Sanjeev to join me for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivek, who is an individual investor. Please go ahead.

Vivek: I just had a few questions. On the India business front, are we planning something to increase the growth rates? I mean, there is a lot of momentum here in the data center space. So, do we have any plans to somehow grow the business because we are at a very small base?

And my second question is, have we sort of set the building blocks in place for growth to accelerate from now on? I mean, we have done good work on the margin fund. So, do we expect growth to start kicking in from FY '26? And are we still confident because we have given a very ambitious target of maybe 2 billion by FY '28, are you still confident and are we on track for that?

Sanjeev Verma: Thanks, Vivek, for the question. Sanjeev here. The first and foremost, the answer to your first question is yes. I think we believe India is a huge story. I think not too many countries, if any, have a growth rate of 6%-7%, if not more than that, sustainable work for the next several years. And we are seeing the need for enhanced digital infrastructure as much as in India and including build out of the data centers and stuff.

So, we are increasing our footprint, adding our talent in India as much. We believe India is definitely a growth story and should be part and parcel of our growth plan. I have spent substantial time in India. I am trying again shortly about a week's time to assess. We are currently also speaking to some of our marquee global customers who are also expanding into India to land with them as their partner for India as well.

So, the answer is yes. The domestic market looks strong. We have a presence there for a long period of time. We have a Center of Excellence in Bangalore. We have a huge presence all across the market. So, we are definitely bullish now to investing on our talent and our go-to-market motion as much as we are doing in North America to see that we are able to capture the India growth story and bring our growth momentum in India, which will overall drive our growth in Black Box.

For your second question with respect to our plans for over the next several years' time, the answer is yes. I think as you are aware, we have been talking about for some time with respect to improving our margins and profitability, which we have been very focused on. Earlier on this year, I think with the management team, I think we have decided to change our go-to-market motion.

We have very many customers that we serve, very, very marquee customers, hyperscalers, which we serve including the likes of Meta and Microsoft, which have massive spend, and we decided to change our go-to-market with vertical-specific solutions, horizontal solutions that we have. We have invested heavily, so we believe that I think our go-to-market strategy with deeper engagements will yield results. Our focus is on top 300 customers which have the mighty spend in IT, which continues to grow with significant advancement in AI in infrastructure.

So, the answer is yes, we are focused on a 2 billion goal over the next 3, 4 years' time, and we are making our adjustments, investments and changes in our go-to-market motion to be able to drive that kind of growth that we have.

Moderator: Thank you very much. The next question is from the line of Saurabh Sadhwani from Sahasrar Capital. Please go ahead.

Saurabh Sadhwani: Given our quarterly margin of 9%, should we think that this is the long-term optimum margin, or is there a further scope of expansion?

Sanjeev Verma: I will take that. I think our expected goal or a projected goal for margin, operating margin is a 10% sustainable margin, and so we definitely expect to improve and become better, as Deepak said, with growth in revenues, with continued focus on disciplined growth and maintaining operating efficiencies, we expect our margin to start to track to 10% and beyond from here.

Moderator: Thank you very much. The next question is from the line of Shirish Jain, who is an individual investor. Please go ahead.

Shirish Jain: My question is for Sanjeev. Sanjeev, with the launch of significantly more efficient GPUs, which are driving rapid AI innovation, how do you see the data center market both in U.S. and India to evolve? And as hyperscalers push forward the big data centers, we are talking about gigawatt scale data centers now, so what specific opportunities do you see for Black Box to capture this new leg of growth? And how can we organically grow in this landscape?

Sanjeev Verma: That's a very good question. So, with respect to adoption or drive towards GPU, largely it's based on high computational power to put it simply, to again drive end user experience. With the amount of data being harnessed now, I think we have another five, six years to go before all the data that we have, all that we did over the last several hundred years, will be harnessed and therefore our all information will need to be computed faster and therefore the need for GPU.

So, when you start having a GPU, of course it makes your computational fast, your data center very dense and the need for a high-speed network becomes extremely important, right? So, therefore, we see the digital infrastructure will have two plays now, one of called repurposing the old infrastructure from Brownfield perspective to support high computational power and AI and of course build out of a new infrastructure, new data centers AI led to drive the amount of user experience that we are talking about, autonomous cars, we are talking about drones and so on and so forth.

So, either way, we believe the capacity for the data center to compute and of course we need a pathway for the data to travel faster, both will be required. And Black Box is positioned rightly at the center from our portfolio perspective to build the corrective infrastructure, to provide the enterprise networking for data center clients and end user clients, right? So, we see this opportunity as for us as helping to propel that build out of infrastructure.

So, clearly, adoption of AI, GPU implementation will drive more data, need for more speed, and therefore need for better user experience and all this requires for the digital highway, which Black Box builds to be more important and critical because if you do not have that infrastructure, the experience won't be good. So, that's the first part.

The second part, of course, you talked about is build out of gig scale. The answer is yes, I think it's progression. AI requires 10x more computing power inside a rack. An average rack used to be between 5 and 10 kilowatts. We are talking about putting an AI GPU that requires 50, 60 kilowatts. So, that's 10 times more. So, therefore, the power requires is 10x more. And those kinds of scales ills are getting built, which will have high-density, high-speed network, robust computational power, more importantly storage and so on and so forth.

So, we are fully capable. We are working with customers in that space. I talked about earlier like Meta and Microsoft and others who are hyperscalers who are talking about Gig scale in the US. I am sure they will come over at India and other markets. It's only a matter of time and we have the experience and expertise working with many of these customers in the last several years' time. So, we are partnering with them to address that scale.

Of course, the challenge of power remains. They will require a lot of power. The challenge of cooling remains. And of course, the challenge of supply chain remains because you have to build the power plant. All of this also needs to be done in an environmentally friendly manner, right?

So, I think from that perspective, so, there is a plan. The U.S. alone requires about 10,000 megawatts over the next several years' time. India today is about 800-900 megawatts going to 1,300-1,400 and then planning about 3,000 megawatts next several years' time.

So, this build-out is going to continue. This is just the beginning. And I think we are focusing on addressing that. And earlier on, if you look at our focus on go-to-market change, it's precisely at the back of getting deeper with our customers so that we can partner, learn and implement together. And I see it as a humongous opportunity for us over the next several years.

Shirish Jain: Thank you for the very detailed answer. My second question is regarding our ambitious target of FY '27 with $2 billion in revenue and 10% EBITDA margin. So, our current revenue run rate is still under $1 billion. So, how confident are you of achieving the FY '27 targets?

Sanjeev Verma: So, we remain positive and confident. I think we realized earlier on, I think that our go-to-market structure wasn't designed to be able to bring in hyper-growth and therefore we invested in high quality talent, reorganize our go-to-market with vertical focus and horizontal focus. So, we are still in the process. We are investing heavily.

We also realized that we should be, we cannot be everything to everybody. So, therefore we decided to focus on our top 300 customers, which includes many of these large spenders in CAPEX, be it a high-tech semiconductor industry or hyperscaler industry or large financial institutions. So, that's the focus.

So, with our focus metrics focus on go-to-market with verticalized approach and some of the hyper-growth areas of data center, networking, some of the markets like India, where we now want to focus on, we were not very focused on the last several years. But I think the, with 1.4 billion people, highly digital economy in India, we believe it's a massive opportunity for us.

So, combination of our geographical presence, a combination of our ability to serve some of the largest customers with massive technology spend and our combination of our investment in high quality talent, business development focus on top 300, I think we remain positive and bullish with respect to our aspirational goals. We have some work to do here.

As I told in earlier call, we are seeing our pipelines improve with large deals. We expect starting fiscal '26, the first quarter that those will turn into large order books and from there we will take it forward to drive further growth in revenues and continue to be disciplined and maintain our march towards 10% operating margin and more.

Shirish Jain: Also just to add, this 2 billion target is in 4 years, which is by, let's say, '28-'29. So, not '27.

Sanjeev Verma: Yes, so I think our larger focus remains organic and I think that also is baked with some inorganic process, but I told before many times we are not emotional about economics. So, if you find something accretive, that will allow us to drive faster towards the growth. We will do that, but I think the larger organization, our investments are focused towards organic growth, and I expect the positive momentum pipeline to turn into order books as we start to go forward for the next several quarters.

Shirish Jain: Just one last question to Deepak on bookkeeping. So, other expenses as a percentage of revenue fell significantly in this quarter compared to 9% in Q1. This quarter it was 5.5%. So, what drove this decline? And is it sustainable?

Deepak Bansal: So, sorry, which are the expenses you are talking about?

Shirish Jain: Other expenses as a percentage of revenue?

Deepak Bansal: Other expenses as a percentage to revenue has gone down primarily little bit because of the revenue because if you see in Q1, the other expenses were 320 crores and in Q2, it is 319 crores. So, it is like the other expenses remain in the same level in terms of most of them as a fixed cost, but as a percentage of revenue, they are looking down because the revenue is up from 1,423 crores to 1,497 crores.

Shirish Jain: Just the other expenses part as I am talking about the P&L that you have released. I will take this question offline.

Moderator: Thank you very much. The next question is from the line of Naman Baradia from RV Investments. Please go ahead.

Naman Baradia: So, I had two, three sets of question. First, how will you use the proceeds of the QIP? Can we continue all the questions or one by one?

Sanjeev Verma: You ask all the questions, and we will take one by one.

Naman Baradia: So, how will you proceed, how will you use all the proceeds of the QIP? And if there is any plan to be met that's been coming here? and the third question is any more acquisition planned in line or something like that?

Deepak Bansal: You can take the first one, and I'll answer the last one.

Sanjeev Verma: Sorry, I missed the first question. You told about the QIP proceeds, is it?

Naman Baradia: Yes, how will you use all the proceeds from the QIP?

Sanjeev Verma: So, number one, we have done the equity raise through the preferred warrants issued on a preferential basis. It is not a QIP. It is through the warrants issued on preferential basis of 386 crores. So, the fund raise is primarily a growth capital and it will be like we have told earlier also that the investment is into the expansion of data center build capabilities, go-to-market expansion, which you would have already seen today that which we have announced in terms of key leadership hiring and expanding the sales and business development efforts both in North America and emerging markets.

And then some of the investments is into advancement into the network infrastructure, including connectivity and networking, and also in the innovation delivery, where the efforts are aimed at new digital infrastructure solution into cloud computing, cybersecurity, artificial intelligence, etc.

Naman Baradia: So, the next question is, there is any plan to be net debt free in the coming year?

Sanjeev Verma: No, I just said earlier, I think, so we remain, you know, we are always in the lookout of accretive. As I said, a larger part of our focus is organic. I think our investments in people and talent are for organic growth. We see a large organic opportunity over the next several years' time. So, there will be something. So, there is nothing in the pipeline to talk about, but there will be something. We have been an acquisitive Company. Blackbox came through an acquisition So, if something comes around the way that makes sense, we will consider, but our focus remains on organic growth.

Naman Baradia: And what you said about the net debt free status? Are you seeing any net debt free status in next coming years?

Sanjeev Verma: I didn't get that question properly.

Naman Baradia: So, is there any chance that you will be net debt free in coming years?

Sanjeev Verma: So, you are saying net debt status?

Naman Baradia: Yes, net debt free.

Sanjeev Verma: So, currently, if you see, our net debt is close to around 130 crores of debt, 130-140 crores of net debt. So, obviously, the idea is to have improved cash flow from the business and as and when the cash flow comes in, obviously we will continue to reduce and will come in a position of a reduction in the net debt and come into a net cash type of position. But the idea is to continue to invest in the growth, invest in terms of how to augment the growth and investment in the new resources, sales and connectivity and all the other things.

Moderator: Thank you very much. The next question is from the line of Shravan, who is an individual investor. Please go ahead.

Shravan: Congratulations on your profitability increase. My question is regarding the tax implications that may come on. Can you explain what is your take on the tax implications from the U.S. as there are so many talks about the tax on the services or whatever it is coming from outside to the U.S.?

Sanjeev Verma: So, these tariffs which are being spoken about from the outside goods, we still need to get the clarity on that, but most of our products are the pass-through products we take from OEMs. And if there is any price increase or anything, obviously it will be a pass-through, but we are not expecting much impact on our portfolio what we are into because our most of the revenues comes from services.

And then whatever products comes from outside, if there is a tariff limit, obviously it will be overall impact, which we yet to see, because nobody has any idea that what type of tariffs or whatever it is because right now elections are just over. The new political regime will start only after January. So, we need to still continue to wait and watch.

Shravan: And so we are still optimistic on our 8% to 10% margins.

Sanjeev Verma: Yes.

Moderator: Thank you very much. The next question is from the line of Sagnik Karmakar from Pune E Stock Broking . Please go ahead.

Sagnik Karmakar: I wanted to ask a question about the existing customers for the data center part in India. I mean, how much of the customer base for India data centers in your portfolio as of now?

Sanjeev Verma: So, as of now, we have a very limited customer base in our data center portfolio at this time. Most of them are older providers of small scale. The large scale build out of data center for hyperscalers directly has not even begun. And I told earlier on, they can be evaluating and conversation with some of the multinational providers who we serve in Europe and U.S. to partner them in India.

The expectation for the data center build out over the next several years in India is large as closer to 3,000 megawatts, if not more. Now it is a small figure compared to the global number, but fairly large figure in terms of India. An average spend of a data center in India is close to 50 crore to 60 crore for a megawatt of spend, which drives a fairly large number.

So, we are currently looking at opportunities to partner and invest and hire data center specific teams as well to address that. So, we have a very small portfolio now, but that gives us a very large potential with our experience and expertise to serve some of the largest customers in North America as a very valid player. And currently we are in the process of evaluating and investing into that so that we can harness and grow that business in fiscal '26 and beyond.

Moderator: Thank you very much. The next question is from the line of Vatsal Shah from Anantaya Financial Services. Please go ahead.

Vatsal Shah: So, I just wanted to know and gain clarity on the revenue split between the data center business and the IT Services business. Could you just explain the difference between the split of value between the both as well as the margin split of both the services?

Sanjeev Verma: So, I think our data center led businesses at this time that includes portfolio for networking and connectivity is in the region of about 20% of our revenues. Our IT Services business remains a larger part. We expect growth in the data center revenues to be disproportionately higher as we move forward and as we start to participate in more build-outs of data center infrastructure, both in North America and in India and elsewhere. It currently stands at about 20% of our revenues.

With respect to gross margin, our data center margin stacks at combined an upward of about 20 odd percent in that range and our gross margin for our services business is more towards a higher end of the 20s, about 27%, 28% to 29%.

Vatsal Shah: So, by, say, end of FY '27 or FY '28 over the next 2-3 years, what is the revenue mix you target for data center business and IT Services business?

Sanjeev Verma: So, we have three portfolios of business products, which is 12% to 15% of our business, our technology products and the rest are IT Services business, which includes our data center services. Data center services is also an IT Services business, just that we happen to serve the data center industry. If you look at data center as a focused one, we expect our contribution over the next 3-4 years' time for data center to be in the range of 25% to 30% as we move forward from the current 20% levels.

Vatsal Shah: So, do you see, particularly at the growth, the maximum growth is in that particular data center services business, right? Is that correct?

Sanjeev Verma: At least for the next few years' time, the growth is in the data center build out infrastructure. When we say data center infrastructure includes quite a few things. It includes physical connectivity, putting fibers and the passive infrastructure. It includes building the networking, which we also do for large enterprises, right?

So, it just so happens that a data center is more focused on one location, unlike a bank that we serve 4,000 branches and provides the same service, but in this particular case, it's high volume in a more concentrated way. So, we do see the growth curve for the data center specifically solutions to be higher than our other elements of our business.

From a profitability standpoint, we believe it will still remain as accretive for us to go to our 10% margin growth and beyond, because the cost to serve a large volume as a percentage of OPEX will fall down. So, from a sales perspective, you do a larger volume, the sales cost is much lower, right? So, although the margins are slightly subdued compared to a regular IT Services where we are close to 28% to 29% vis-à-vis 20% or more of data center, the cost to serve will amortize that so that our net impact on EBITDA remains positive as we go forward.

Vatsal Shah: And last question is, could you just give some more clarity on why is the Company not paying appropriate tax amounts? I mean, this year, if you see the figure is hardly 3 crores. So, could you help me gain more clarity on that front, please?

Sanjeev Verma: Yes, so, like you would have seen in our presentation, also, our 75% of our revenues comes from U.S., and some 9%-odd revenues comes from various countries in Europe, and then there is other mix of the countries, including Australia, New Zealand, and all those things. So, we have a huge revenue mix. And we have the carry forward net operating losses from the past in the United States.

When we acquired Black Box in 2019, obviously, we have the those NOLs. It is called as net operating losses. They are the carry forward net operating losses. So, because of that, our tax liabilities continue to be low. We continue to review that thing with our tax consultants on a regular basis and, and obviously create that. And it also depends on our mix of the revenue from geographies, that how it will go and all those things.

So, we expect that our tax continues to be in that range, or maybe a little bit higher range, but not to the extreme range, like between 5% and 10% of our of our profit before tax, it should be there for at least next three years between 2 to 3years' timeframe till the time we continue to consume that.

Vatsal Shah: So, are the previous financial statements of the losses and everything which Black Box had incurred available on the website?

Sanjeev Verma: No, they are not. They are not. But if you see our Annual Report, there are details of some of the things which are there as a carry forward losses in detail in the tax note in our annual report in the consolidated financial statements.

Vatsal Shah: So, I just wanted to understand when we are supposed to finish booking our losses, previous losses in the consolidated financial statement. That's it.

Sanjeev Verma: That's what I told that that we expect that in next two, our tax rate, lower tax rate will continue to be there for next two to three years' timeframe.

Moderator: Thank you very much. The next question is from the line of Saurabh Sadhwani from Sahasrar Capital. Please go ahead.

Saurabh Sadhwani: Deepak ji, just one question that until when should we expect the severance cost to continue?

Deepak Bansal: So, the severance cost, again, it is a feature where we continue to because while we are investing in our go-to-market structure, we are continuing to work revisiting our delivery model and our solution architects wherever pre-sales people are there, and we continue to move some of the work to India in our Bangalore Center of Excellence. And that is why this is more like a continuous process. We think that that it will be over, but then we find some other inefficiencies and we continue to improve that.

So, till the time that work is there, we will have the severance cost in our bag which is more like a restructuring and the severance cost. So, I will expect that in next, let's say, two to three quarters' time, which is by March quarter or quarter 1 of June, it will be there still, but it will stabilize or it will reduce now. It will not go up from the levels what we have seen now.

Moderator: Thank you very much. The next question is from the line of Shirish Jain, who is an individual investor. Please go ahead.

Shirish Jain: I have two more questions. A press release says that hold-up in decision-making leading to delayed project execution and impacted revenue. Now with hyperscalers again ramping up their CAPEX, do you anticipate a shift towards faster decision-making? And additionally, are there any measures to accelerate project deliveries to offset the execution delays that we have seen in the past? How long do you see the delayed project execution to continue to impact us?

Sanjeev Verma: So, I think two parts to the question. One, of course, yes, there has been a delay in general from a perspective of the environment with high interest rates in some cases. In some cases, of course, with respect to supply chain, more specific to the data center infrastructure where they plan well in advance, but it is dependent on very many other aspects to build a data center, which includes the power infrastructure that needs being provided by power utility companies, supplied with respect to other cooling equipment and so on and so forth.

There is a lot of infrastructure required to come together. So, therefore, it has to work in tandem. So, there was a bit of a delay even if we have an order to execute, and sometimes our work follows certain work to be completed from a construction standpoint so that we are able to make ourselves available on a site, and therefore our engineers can work.

We expect with the interest rate regime, which is softening, which has softened over the last several quarters now, and with the economy moving in a positive direction in North America, and the need for more better user experience and AI coming faster than we expected, the hyperscalers, the large co-location providers intend to increase their CAPEX spend as we have seen in the news reports. Consequently, the supply chain ecosystem, be it the power companies, be it other companies are also aware, and they have been working on that.

So, we expect, although this will remain over this next couple of quarters, but as you move forward, this is not a quarter game. This is a long game. It will go to several years. You cannot build a 10,000 megawatt of infrastructure in one year or two years' time. Similarly, in India, it will take several years' time.

So, the ecosystem is coming together to help. We are part of the ecosystem, right? And we expect, as we get into fiscal '26, to be better than fiscal '25 from a speed of execution perspective. So, larger spend of capital, better supply chain, better resource utilization. We are talking today about modular data centers because they are building data centers in a space that you do not have the infrastructure, no resources. So, you have to mobilize the resources in the middle of nowhere, as you know, especially in the U.S.

So, we are looking towards prefab. We are looking towards using our staging facilities and those conversations are maturing now. So, therefore, speed to execution, speed to delivery, breaking the cultural barrier of a construction of a data center, which includes brick and mortar and technology that can now be done in a modular way offsite. I was recently in Washington, D.C. speaking on a modular data center. So, those adoptions are coming through. They are maturing.

So, to answer your question in summary, we expect the CAPEX to grow as you move forward. We also expect some of the adoption of methods that has not been utilized to be done so that we are able to better use our skills and resources, not only onsite, but now offsite. And the readiness of the ecosystem of supply chain, because they have been projected that this is going to grow, to be better. All of this putting together will help the execution faster from fiscal '26 and beyond for the next several years.

Shirish Jain: And the delayed in project execution, is it only in the data center verticals or do you see this impacting other verticals of the business as well?

Sanjeev Verma: No, in general, if you look at from a customer perspective, data center had a unique challenges as I talked about of various kinds, right? You need connectivity, you need fiber, network, power, and so on and so forth, which is one part, right? And therefore, and then of course, passive spend. Otherwise, in general, of course, we had a bit of uncertainty, interest rates will come down or not come down and it came down slightly late. So, regular enterprises were also challenged to allocate or execute things faster. There is always uncertainty, specifically in the largest market in the world when there is an election, which we all know. So, that was also one of the reasons we expect a little bit of a holdup. We expect post March, April, when this change and whatever the new government comes in, at least people will have a clarity and therefore the speed will improve from where it is.

Shirish Jain: Just one last question on the GTM strategy. So, could you provide an update on the new GTM strategy, which is focused on top 300 clients? Like what has been the changes occurred to the customer base of 2,000? How many customers had been let go who are not contributing to, you know, positively and when should we expect to see this shift contributing to the top line growth?

Sanjeev Verma: So, I think, we had at the beginning of the transformation closer to 2,000 customers when made an assessment of where we are this time. And I think as we speak now, in summary, we have an active 1,500, so close to 500-600, we believe, are not accretive. We are a global Company working across various countries. We have a global center of excellence.

So, if you have a customer who doesn't see value and there are very many local customers, we bought Black Box from an acquisition. So, there are very many customers and local, and when we didn't see much growth with them going forward or a contextual right to win because our global presence or our deep skills are not required from that perspective. So, that has shrunk by 400-500.

Coming back to your earlier question with respect to our GTM. So, we have invested in vertical leaders, five key verticals that we have. We have uploaded that into our investor presentation, which you can go through, hired vertical leaders from top companies, top technology companies in the world. So, those hasn't completed.

From a solution standpoint, five key solutions that cut across, enterprise and our vertical sector of data center, banking and finance and healthcare and so on and so forth, connectivity, network infrastructure, data center, cybersecurity, and modern workplace. So, we have hired five leaders to run that very tall thought leaders to done that.

And then, of course, we are talking about fitting a whale. We need to have whale hunters. So, therefore we are investing in talent that can deal at scale, right? So, we have had very many sales business developers who have worked on larger deal sizes. And so those has also been done as we speak.

It takes a little bit time to mature. This has happened over the last six months in the last two quarters since we engaged with Boston Consulting to help us to organize and we have done that. We expect the pipeline to grow rapidly over the next six months' time. So, in fiscal '26, I believe we want to enter and start off with a robust pipeline converting into order books. Over the next two quarters out, I think it will start to yield a focus and results from our top 300 as much as it will also help us to further deep dive into the balance and see what we need to move up into our focus customers and work with them.

We are seeing the results. The amount of bidding or size of the bidding that we have now been participating or being considered has improved, and I will be able to talk about that, as I said, over the next two quarters when we get in as you see the results showing in the pipeline and order book going forward.

Moderator: The next question is from the line of Shravan, who is an individual investor. Please go ahead.

Shravan: So, sorry, I think that it's the same question in the last few quarters, we were telling that we were pivoting from the small customers, and we are focusing on high profitability customers and we are trying to consolidate. I think, can you add to that a few or is it something we finalized or till we will do in this financial year or continue in the next financial year?

Sanjeev Verma: No, I just thought before I think the process for doing that started earlier on in this fiscal year, and I think from IT Services standpoint, customers were 2,000 or more. We are down to 1,500 or less with our identification of 300 top customers across various industry verticals being complete. Our hiring of vertical leaders who will own up each of those vertical segments is complete. Our hiring of solution leaders who will drive data center connectivity networking cyber is complete.

With respect to our focus on reallocating those high-end customers to our sales managers and bringing in new sales and business development leaders who are high-value sales personnel is work in progress. We have invested in that, and we will continue to invest over the next couple of quarters. So, we are also now engaging with our top customers with our portfolio of solutions both locally in America and globally, we have seen now being considered in larger deals. These are work in progress.

We are seeing the result of that in our pipeline. And as I told in my earlier commentary, we expect those pipelines and where we are considered to increase our win rate and start to be accretive for us as we start our fiscal '26.

Moderator: Thank you very much. The next question is from the line of Kunal Gandhi from Yashwi Securities. Please go ahead.

Kunal Gandhi: My first question is from the margin front. So, in the current quarter we did a margin of 9%, which is an all-time high, and we have also guided for FY '25 to do around 8% to 8.1% for the entire financial year. So, going forward, do we expect a decline in the margin for the next two quarters?

And my second question would be on the warrant side. So, we know that there is an exercising period within which these warrants will be issued. So, are the entire proceeds in? And if they are in, are we also looking at them for inorganic growth opportunities?

Sanjeev Verma: So, I will take the first question, and I will defer the second one to Deepak, who is our CFO. From the first question perspective, yes, we have had the year at, sorry, the quarter at 9%. The answer is no. So, we do not expect to fall back on a margin. We expect to continue to push and continue to be disciplined with both our operating costs and our price realization and better sales motion.

So, we will be continuing to focus on that and see that we are able to get through our EBITDA guidance for this year, remains the same and go through the PAT guidance, the answer is no. So, we will continue to focus on margin and see that we are able to maintain that so that we are able to get to the year as to what we have projected from that perspective. Deepak, on the proceeds side and the warrants side.

Deepak Bansal: On the proceeds from warrants, we have received 25% of the money, which is 97 crores now. And we are right now working on utilization of the same, and then the balance amount obviously we will receive in the remaining 18 months period, which is the timeline to receive the remaining amount. We continue to, like what Sanjeev told earlier also, is that we continue to identify and look for the acquisitions in the market and we have the pipeline of them and all those things. But yes, we will continue to see that and as and when I think we have something concrete there, obviously we will have the announcement done on the same.

Kunal Gandhi: So, this 75% of the proceeds that are left to be coming in, we can consider them to be utilized for inorganic growth opportunities, correct?

Deepak Bansal: Yes.

Kunal Gandhi: That answers my question.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to Mr. Sanjeev Verma for closing comments.

Sanjeev Verma: I would like to thank everyone for joining the call. I hope you have been able to address all your queries. For any further information, kindly get in touch with Strategic Growth Advisors, our Investor Relations advisors, or with Purvesh Parekh, who is our Head of Investor Relations. Thank you.

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