February 17, 2025

To,

Listing Operation Department
BSE Limited
Phiroze Jeejecbhoy Towers
Dalal Street, Mumbai- 400 001

Scrip Code: **544119**

Listing Compliance Department
The National Stock Exchange of India Limited (NSE)
05th Floor, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai - 400 051

Symbol: **RPTECH**

Sub: Transcript of Analysts/Investors Meet held on Wednesday, 12th February, 2025

Ref.: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/Madam,

Pursuant to Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, enclosed herewith the transcript of the Analysts/Investors Meet held on Wednesday, 12th February, 2025 at 6:00 p.m. (IST) for the Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended December 31, 2024.

The transcript has been uploaded on the website of the Company at www.rptechindia.com/investor

You are requested to kindly take the same on your record.

Thankyou.

Yours faithfully,
For **RASHI PERIPHERALS LIMITED**
(formerly known as Rashi Peripherals Private Limited)

KRISHNA KUMAR CHOUDHARY
Digitally signed by KRISHNA KUMAR CHOUDHARY
Date: 2025.02.17 10:55:17 +05'30'

Krishna Kumar Choudhary
Chairman & Whole-Time Director
DIN: 00215919

Encl.: As above

Rashi Peripherals Limited
Q3 & 9M FY25 Earnings Conference Call
February 12, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and Nine Months FY25 Conference Call of Rashi Peripherals 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 "*" then "0" on your touchtone phone.

I now hand the conference over to Ms. Savli Mangle from Adfactors PR Investor Relations for opening remarks. Thank you, and over to you, ma'am.

Savli Mangle: Thank you Sagar. Good evening everybody and a very warm welcome to you all. Thank you for participating in the Earnings Call of Rashi Peripherals Limited for the 3rd Quarter and Nine Months of Financial Year 2025.

Before we begin, please note that this conference call may contain forward-looking statements about the company, which are based on the belief opinions and the expectations of the company as on date of this call. The statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

On the call today we have Mr. Kapal Pansari – Managing Director, Mr. Rajesh Goenka – Chief Executive Officer and Mr. Himanshu Shah, Chief Financial Officer. The management, will take us through the operational and financial performance for the quarter and nine months gone by, following which we will open the forum for Q&A.

I now request Mr. Kapal Pansari to take us through the company. Thank you, and over to you sir.

Kapal Pansari: Good evening everyone, and welcome to all of you to discuss our operation and financial update for the 3rd Quarter and nine months ended December 31st 2024.

Along with me, I am joined by our CEO – Rajesh Goenka and our CFO – Himanshu Shah. And our Financial Results, Media Release and Investor Presentations are made available on our website, as well as Stock Exchange for you to refer.

The year 2025 is poised to witness a significant acceleration in India's technological landscape, driven by advancement in artificial intelligence, generative AI and automation, these innovations will enable businesses to adopt a comprehensive 360 degree approach to meeting, evolving customer expectation and enhancing value creation. The Government of India, steadfast commitment to digitization in recent years has played a pivotal role in positioning the industry for growth, allowing it to outpace global trends. The union budget 2025 reflects India's growing commitment to domestic electronics manufacturing, aligning with the vision of Make in India and Digital India. The increase in tax free income threshold to 12 lakhs under the new tax regime is a welcome step that will drive higher disposable income, directly influencing demand for consumer electronics, IT peripherals and gaming products, which are the key focus areas of RP Tech.

Additionally, the government support for electronics industry and its effort to rationalize custom duties on critical components will make local manufacturing even more competitive, strengthening India position as a global electronics hub. We also welcome the push for global capability centers in tier two cities, which will accelerate digital adoption and create new opportunities in emerging markets. This initiative supports the Digital India vision, which aims to empower businesses and citizens across the country. The measures to promote domestic production of critical electronic components will ensure a more self-reliant and resilient electronic supply chain in India, fostering growth in the ICT sector and enabling technology to reach every household.

As India continues to grow as a digital powerhouse, the semiconductor industry plays a pivotal role in sustaining these innovations. The government's focus on local manufacturing and investments in R&D will help India emerge as a global hub for semiconductor solutions, driving the future of technologies across industry. While the opportunities are immense, challenges like semiconductor manufacturing and workforce development remains, by addressing these gaps through policies Industry collaboration and up skilling, India can fully harness the potential of embedded solutions and AI technologies paving the way for a connected and inclusive digital society.

In conclusion, the next few years hold great promise for India's digital transformation. As we move forward, the key to success will be embracing innovation, adapting to rapid changes and fostering collaborations across industries. The future is bright, and with the right strategies India can shape it into a global digital leader. I now hand over to Rajesh, our CEO who will discuss operational updates for the quarter.

Rajesh Goenka: Thank you, Kapal. I extend a warm welcome to all the participants in this today's call at 6:00PM in the evening, and we really appreciate your participation. Some of the highlights that I wish to give before I move ahead is, as you all know that the overall global market sentiments currently are not very favorable because of the various global scenarios that are coming in, and that has some impact in the Indian economy also particularly in the metro locations. But despite all these global and some Indian challenges, I would not say slow down Rashi Peripherals, continues to grow so much so that in nine months to nine months, we have current growth of 33% which is much higher than what we had planned. While the growth is sluggish, the prospect for 2025 as Kapal also mentioned is very encouraging, and all the third party reports also indicate a double digit growth in terms of industry in the year 2025 and 2026. We at RP Tech continue to strengthen our DNA, our core, which is our reach, which is our breadth. And as a result, on a Y-o-Y basis, our current reach, or the products that we sell, are now available in 721 towns of India, which is increased from 705 towns. So, we are directly in short selling in 721 towns of India. Even our customer base, our partner base, also continues to increase by similar percentage. So, earlier, we had 9900 customers, currently as we speak we have more than 10,700 customers. And the good thing is that the major customers, in terms of numbers have come from tier three and tier four cities where obviously we see a little bit extra growth.

Another very interesting thing I want to share is a product gap that we had in our solutions. As far as ICT industry is concerned, which was printer we were waiting for years to have printer in our portfolio. Finally, we have now started the formal distribution of HP commercial printers. So, now this almost completes the basket of ICT products for us.

On the customer front, we continue to foray into new verticals, new opportunities, and as I mentioned in last quarter also that we forayed into quick commerce. Quick commerce business is going strength to strength. We have added more and more brands, more than double digit brands, we are now doing in quick commerce, and that business is accelerating. To support this business and our regular business we have also set up an in-house call center, and currently as we speak we are handling and managing more than 500 inbound and outbound calls daily, with more than 96% attendance instantaneously.

Further, we also dealt about the embedded business. So, I again happy to share that our embedded lab continues to flourish, and which is in Bangalore, and we have some very good new design wins which will help us to get business in near future. Rashi Peripherals further continues our commitment to sustainability by supporting e-waste collection drives. I would remind everyone that all the 52 branches and warehouse of Rashi Peripherals in 52 cities of India are also e-waste collection center. So, anyone and everyone can just walk in and give his e-waste and which will be collected. So, with this some highlights, I would now like to hand over to our CFO, Mr. Himanshu Shah, who will walk us through the financial highlights.

Himanshu Shah: Thank you, Rajesh and good evening to all the investors who have joined today's call. I would like to take you through the financial highlights for the 3rd Quarter and nine months of the Financial Year 2025.

I am happy to inform you that on a consolidated basis for nine months FY25 total income grew 33.5% to 1,07,996 million. EBITDA rose 13.2% Y-o-Y to 22,649 million. And PAT surged 62% to

1570 million. On a consolidated basis, the quarter three 2025 looks like total income stood at 28263 million, up by 7.7% Y-o-Y, EBITDA was at 699 million, which grew by 2.3% Y-o-Y and PAT stood at 321 million, up by 29.4% Y-o-Y.

Working capital days was at 54 days as compared to 55 days in nine months FY24 thereby highlighting our operational efficiency.

On an annualized basis ROC and ROE stood at 11.89% and 12.89% respectively for December 31st, 2024. If you look at segment wise segregation on trailing 12 months basis, out of our two segments 60% of our revenue was contributed by PES which is Personal Computing Devices Enterprise and Cloud Solutions, and 40% is contributed by LIT, which is Lifestyle and IT Essentials. Region wise bifurcation when we look at 66% of the revenue was contributed by metro regions, and rest was from non-metro. I am happy to inform you that recently, we also received rating upgrades from CRISIL and our revised rating, like we have entered the AA club and our revised rating from CRISIL stands at AA- stable from CRISIL A+ positive and short term rating to CRISIL A1+ from CRISIL A1.

With this update, we now open the forum for question-and-answers. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Abhishek Kumar from JM Financial Limited. Please go ahead.

Abhishek Kumar: Good evening everyone. Good to speak to you guys, I have two, three questions actually. First question is actually on the whole Gen AI opportunity that is there in front of us, we executed one order in the first half of this year. Just wanted to pick your brain on what do we see going forward, are there more such opportunities in the pipeline, and where do we stand vis-à-vis competition on the Gen AI or data center opportunity. That is my first question, and I will ask after this later.

Management: Okay, so Abhishek, this answer is that Gen AI / data center business opportunity continues to be immense as the deployment and availability of the chips also increases. However, what we can only see that the initial euphoria was that to set up large data centers at one time. Now it seems that there are phases where the installations will start happening, which is a good thing. And the best thing is that the government also has released a tender which they are very about to award for AI usage for not only education institutes but other at a very subsidized cost. So, as a result, the consumption also will get triggered. So, in short, the answer is that yes, it is very positively it's only that we think that it will be in a phased manner. And to answer your question about Rashi Peripherals, so Rashi Peripherals being one of the leader in this segment we are well poised to be, if not the leader but amongst the good ones is what I would say.

Abhishek Kumar: Okay, that's helpful. Any deals which are currently there, in the pipeline around data center, et cetera like the one we executed those large deals, or there is still some time away?

Management: Yes, so that's why I said that there are few businesses, I would not call them as deals, because they are not very large. But there are few of them, they are undergoing in phases. And just as an example, Government of India that I mentioned under the AI Mission, they have announced 18,000 GPU requirements. But you never know when actually the implementation will happen.

Abhishek Kumar: Understood. Second question is, on this quarter the growth for this quarter on a Y-o-Y basis appears a little muted. So, just wanted to understand, was there any spillover of orders from Q3 to Q4 that explains slightly muted growth, or was a general slowdown in demand that we witnessed?

Management: So, if you Abhishek compare from Q3 to Q3 then we have almost 7.7% growth, so which is not very bad. The truth is that, first half of the year definitely the demand and consumption was pretty rapid. But as we move post Diwali, the consumption pattern has been little bit slow, particularly in the metro cities. So, ideally, if we go by the market, then we could not have grown, but Rashi Peripherals being highly penetrated and deeper into tier two, tier three cities, we could get additional business, which resulted in the 7.7% growth on a Q3 to Q3 basis.

Abhishek Kumar: Understood.

Management: And while we speak, I just would like to add, on nine months to nine months basis we continue to have a 33% growth.

Abhishek Kumar: Yes, that is very well appreciated. I was just wondering on the Q3 numbers, but point taken, one question on margins, if we look at two parts to this question. One is other expenditure seems to have gone up, and therefore x of other income, the operating EBITDA margin seems to be less than 1% so what explains that and related question is, what explains sudden spike in other income. Thank you.

Management: So, other expenses have gone up majorly, like major part of it almost more than 70% has gone up because of two reasons. One is the FOREX loss on the big deal which we did, that has been booked under the other expense head, and which has been compensated by the debtor, which is reflecting in other income, so there is a netting of effect in other expenses or other income. Second as the advertisement and sales promotion expenses, which are normally gets reflected or gets netted off with GP so, that is so effectively net, net on PAT basis if we see, percentages may look as you mentioned 1% EBITDA looking like is just a fallout of accounting treatment. Otherwise, the impact is not that much.

Abhishek Kumar: Okay, got it. Great, thank you so much, and all the best.

Management: Thank you Abhishek.

Moderator: Thank you. The next question comes from the line of Vinay Menon from Monarch Capital. Please go ahead.

Vinay Menon: Hi, sir, thank you and thank you for this opportunity. So, a few questions from my side. So, sir FOREX losses which we have booked, can you just quantify that number of what FOREX loss were booked, or is it equal like we have booked. We have about 45 crores of other income, which will obviously include normal other income also. So, if you can just clarify that, that will be easier for us.

Management: So, in 45 crores of other income, the FOREX loss compensated runs into around 28 crores. And 28 crores is the compensated.

Vinay Menon: Okay. And 28 crores in other expense also which is netted off?

Management: So, other is the advertisement and sales promotion, which is another 28 crores which get set up in the GP, in our business model.

Vinay Menon: Okay. So, net, net we had no impact from this transaction, right like we lost nothing?

Management: Yes.

Vinay Menon: And the other part of other expenses which have gone up is because of your increase in advertisement and sales that is what you are saying?

Management: Yes, that’s what. Others are normal, like freight there is an increase of 5% I would say.

Management: From 11 crores to 16 crores freight which is on the basis of pre sales mix, and various factors which geographies get delivered in a particular quarter and all. So, those are normal business expenses and normal course of business.

Vinay Menon: Okay. And can we expect such because this is because of that one large deal. So, for other large deals also could we see a similar kind of impact coming in the future?

Management: The ring fencing of risk associated when we take such large exposures, we cautiously and consciously make sure that those risks are ring fenced, either contractually or in the understanding. So, that's

Vinay Menon: Okay and sir how many enterprise deals did we do this quarter, if we can quantify the enterprise deals, because we had a very strong pipeline till H2, so in this quarter if you can quantify some deals, that would be helpful?

Management: Yes, so in terms of if you see regular business, which we have grown by say about 15% enterprise business, we have grown at about 30%, 35% but it will be very difficult to quantify number of deals and values of deals in this forum.

Vinay Menon: Okay, great, okay that is helpful. And what would be our debt figure for nine months, FY25 I can do gross debt?

Management: So, gross debt is at 1100 crores.

Vinay Menon: Okay, 1100 crores. And we are expecting this to jump up a little bit more and by Q4 as we are chasing below?

Management: More or less the same range I am expecting in short term, till we realize the money is on this big deal and settle those transactions.

Vinay Menon: Okay, thank you so much. I will get back in line sir, all the best. Thank you so much.

Management: Thank you.

Vinay Menon: Thank you. Next question comes from Meloni Mehta from Monarch. Please go ahead.

Meloni Mehta: Yes, thanks for the opportunity. I wanted to understand how is the demand for AI PCs going on, and also how is the replacement cycle playing out. So, any comments on those two things?

Management: Yes, so Meloni AI PC, there is publicity everywhere across however, AI PCs today cost around a Rs.1 lakh, which is little bit on the higher side for a Indian not only consumer, but even for commercial applications. So, therefore the percentage takeoff is slower than expected. However, in the coming quarters, we are expecting more affordable notebooks and desktop particularly, AI notebooks to come in and which will actually increase the share.

Meloni Mehta: Okay. And on the replacement cycle demand?

Management: Yes, on the replacement cycle, what is happening is currently the replacement cycle is very slow, but now COVID time heavy purchases were done now, and the replacement actually starts from third year onwards. Third year onwards, commercial PC starts replacing. Consumers start replacing in the fourth or the fifth year. So, once the COVID, post COVID, three years complete, the replacement will happen. Second is Microsoft also is going for a upgrade, so that also will trigger a lot of refresh. So, the next year, 25-26 we expect to be a surge in the replacement and upgrade market, and that is one of the reasons all the third party reports are indicating a high double digit growth overall in the market.

Meloni Mehta: Okay. Sir, my other question is related to the working capital days, basically on Q-on-Q basis, we see that they have increased from 44 to 54 so, do we have any inventory piled up or can you comment on that?

Management: Inventories are at almost same level. The only increases in the debtors where we have experienced a little slowdown in collections, which over a period of time gets improved. So, we don't see any issues there.

Meloni Mehta: Okay. Thank you.

Moderator: Thank you. The next question comes from Rohit Singh from Finvestors. Please go ahead.

Rohit Singh: Sir, I want to know actually they have not mentioned any future capitalization, a plan any order book, give some highlights or any capitalization as they mentioned only where 52 cities they have branch and 721 cities only they are selling the products and service. Any future plan to expand their business in other cities also?

Himanshu Shah: So, Rohit while on CAPEX plans and all I would answer your question, and then we will hand over to Rajesh Goenka to answer on the expansion plan. So, our business, typically is not a CAPEX heavy business. When we expand the business, it is offices we open and we increase our reach, it's not capital intensive industry, it's more of working capital industry, whereas the only requirement is the working capital.

Rajesh Goenka: Yes, over to that. And to add to what Himanshu said, Rohit as far as business is concerned, in terms of numbers I already mentioned that we already had 10% growth in number of cities and number of customers, and our aspiration is to maintain that double digit growth.

Rohit Singh: Okay, thank you sir.

Moderator: Thank you. The next question comes from the line of Parab Bansal from Blink Investment. Please go ahead.

Parab Bansal: Yes, I wanted to ask one question that is on the operating margins. I can see that the operating margins have shrunk a lot. It is somewhat around 0.8%, so what could be the reason for that?

Management: Operating margin, you are talking about EBITDA, right?

Parab Bansal: Yes.

Management: And which period you are comparing, if I may ask?

Parab Bansal: I am talking about this quarter.

Management: This quarter, if you are comparing with the quarter two, or year-on-year?

Parab Bansal: I am comparing with quarter two.

Management: Quarter two, so quarter two if you see it's a high activity month for us, wherein we get economies of scale. Secondly, in this quarter, there is a forex loss which has come in, which has been compensated by other income. So, you need to see the other income essentially for our kind of business and in our financials, comparison of interest cost mainly on the delayed payments. So, it is very well integrated with the operations only sales. If you see that it is in the range of for quarters on standalone basis it is 2.45% EBITDA which is on this kind of operation and the business we give rise of 2.5% to 2.7% so in the normal range.

Parab Bansal: Yes, I had one last question. What could be the guidance for FY25 closing and for FY26 if you have any, the EBITDA side as well as on the net profit margin?

Management: Long term, in long run we have delivered the EBITDA margins in the range of 2.5, around 2.5 so that's what we hope to maintain.

Parab Bansal: Okay, that’s all. Thank you.

Management: Thank you. Next question comes from the line of Aman from Finvesters. Please go ahead.

Aman: Good evening sir. My two, three question was already answered. My next question is on AI segment, any change in your strategy in distributing or selling of products enabled with AI tools, keeping in view of DeepSeek effect contrary to Nvidia. Please throw some light on it.

Management: Absolutely no. We continue to be gung ho as in the recent past, but at the same time, we don't want to sound over confident, and we are conscious and alert and studying if there is going to be any impact of DeepSeek. But while we speak, there is no change in strategy.

Aman: Okay sir. My follow up question on same, any update on finalization of UI tender of 10,000 GPUs, as you mentioned in previous con-call?

Management: Yes. So, I know what you will also know from newspapers only that the government has already opened the tender comparison is done, L1 is identified, they are going to award the tender. And once the tender is awarded, existing players will start providing that capacity, whatever quantity they need more they will come to distributors like Rashi Peripherals to get more quantity.

Aman: Okay, sir thank you and best of luck for the Q4.

Management: Thank you.

Moderator: Thank you. Next question comes from the line of Vinit Bansal from Pinnacle Securities. Please go ahead.

Vinit Bansal: Hi, thanks for the opportunity to ask the question. I wanted to know more about the order book. So, what is the quantum of the order book right now and how much of that, which is the biggest segment right now in terms of end user from the order book?

Management: Yes, so I want to clarify to our audience here that Rashi Peripherals is a value added leading ICT distribution company. We are a B2B company, we do not do any end customer business directly. We always do through our partner ecosystem. So, that's one clarification Vinit. And second, as far as order book is concerned. So, we as I said earlier that so far we have been able to maintain our double digit growth. So, in terms of order book, order execution, everything we are aspiring to maintain the same thing in the coming quarter as well.

Vinit Bansal: Okay. And my second question is regarding the new embedded lab in Bangalore. So, I just wanted to understand a bit about what do you expect from the lab in few years, what's the plan over there?

Management: So, basically we inaugurated the lab about four, five months back and since then we have been developing various prototypes of various products, and some of the prototypes design has been successful, and then they are approved by various OEMs in the country. And as a result, we have now started supplying those embedded components as well. As we expand into laboratory, we add more manpower, we are enhancing our design capability, solution capability, and more importantly testing capability. So, this also will help us to have more and more design wins. In this business design wins is equal to business. So, the more design wins we have the more business we will have.

Vinit Bansal: Got it and who will be the primary user?

Management: Sorry to interrupt, request you to please return to the question queue for follow up questions, please.

Vinit Bansal: Sure. Thank you.

Moderator: Thank you. Next question comes from the line of Tejas Lakhani from Unify. Please go ahead.

Aejas Lakhani: Yes, hi team. I had couple of queries. Sir, first could you just call out.

Moderator: Sorry to interrupt, Mr. Lakhani you are sounding muffled, if you are using speakerphone, may we request you to use handset.

Aejas Lakhani: Is it better.

Moderator: Much better.

Aejas Lakhani: Thank you, sorry. Hi team thanks for the opportunity. I have a couple of questions. The first one is that Rajesh, Kapal, our understanding was that given the fundraise we were having a strong pool with low enterprise segment exposure, and that should have given us access to grow faster than the industry for many years to come given the fundraise. So, how should I read this result because, if you look at the commentary from the previous quarter as well, we had some enterprise level deals with the education project and the networking products order. So, part of that was sort of executed as called out in the previous quarter. So, there was a spillover effect. So, if I exclude for that this shows an extreme amount of weakness. So, could you call out exactly what is the demand slowdown that you are talking about, and could you split up across channel wise as well?

Rajesh Goenka: Yes, so Aejas what happens is, if you understand, try to understand Indian calendar quarter wise. So, Q1 that is April, May, June, July, August, September, always are high business months in consumer and commercial both, October, November, December is the lowest quarter in the year as far as ICT business is concerned, I am not talking of other business. And then JFM, the business again, starts picking up. So, therefore you will see that our H1 business, we grew pretty fast and thanks to some bigger deals, net result today is that nine months to nine months we are at a 33% growth, which is more than 2x of the industry growth. And our PAT is at 62% growth on a nine months to nine months basis. While saying so, as I said earlier O&D has been little bit, Q3 has been little bit slower than anticipated. January also has been little bit slower than anticipated. Fingers crossed for Feb and March.

Aejas Lakhani: Okay, Rajesh but I don't understand that the seasonality impact with 3Q being slow was the session, was the prelude even in FY24 so, my query is not sort of answered, that I get the feeling that excluding the spillover which was there from the enterprise segment, the revenue growth is very flat, and that is where I am sort of trying to understand, because this would effectively mean there's a significant demand slowdown?

Rajesh Goenka: So, even if I eliminate the project business, still our growth is high double-digit growth. So, that means, while the market is slow down, but there's no significant slowdown. Otherwise high double digit growth without the project business would not have come.

Aejas Lakhani: Okay, got it. The next one sir is, you made an announcement regarding the acquisition. So, could you speak a little bit about the nature of that business, the kind of products that they do, what kind of margins are there in that segment, what did we really see and how is that deal sort of structured, because we bought 70% stake that was disclosed. So, could you just call out a little more color on that business?

Kapal Pansari: So, this discussion is related to our aspiration to add different and new verticals of the IT industry from a perspective of cyber security. While we made the announcement, we are limited in terms of sharing the transaction. It is under execution of the and working of the transaction. The perspective is, that instead of starting from scratch, we acquire smaller and strategic industry partners to enter into new segments of the IT industry. This company is focused on cyber security, and cyber security is one of the fastest growing segment within the ecosystem.

Aejas Lakhani: Got it Kapal, if you could just expand. I understand the thought of build versus buy, but what are we really buying, are we buying relationships with suppliers or are we buying the know how or are we buying, the customer reach. What exactly is it that we sort of see in terms of value add?

Kapal Pansari: It's a culmination of vendor alliance the team. It's a very different team, you need a very different skill set from a pre-sales and sales perspective, clients and the end customer, there is some value at this in the company. However, with our reach, we believe that we will add value to this company from a perspective of expanding their reach on a cyber-security portfolio. So, this is going to be a start what will help us will do is, to accelerate our acquisition of brands for distribution in the field of cyber security, with a base that is available to us in this company.

Aejas Lakhani: Got it. And just a clarification, so the 28 crore FOREX impact which we have received both on the other income as well as on the line expense, if I were to exclude for that and just look at the line item of expenses you are saying, could you call out what is the actual expenses on the advertising and sales promotion front which has got incrementally, it seems like a higher number this quarter?

Management: So, as far as quarter is concerned, the advertisement expenses are in the range of 17 crores as against the earlier quarter, which was much lesser. However, we normally at nine months to nine months. So, again, 17 crores, if you want to compare the quarter it was 4 crores corresponding quarter of previous year that it is 17 crores in this quarter.

Aejas Lakhani: Okay. And could you just call out what exactly is this significant increase on account of Himanshu sir?

Himanshu Shah: Campaigns executed during this quarter, brand campaigns executed during this quarter, which gets recovered from the brand, as a part of COGS. So, the Gross margin gets compensated.

Aejas Lakhani: Got it, and that will happen with a lag effect right. So, in the sub sequel quarters, as you have expensed it depending on the revenue that you will book, you will get a support from the vendor?

Management: Accounting happens based on certain criteria. So, mostly it gets recognized in the same quarter. And spillover is very less, in case where confirmations from brands gets delayed after the reporting period then only it's below. Otherwise, for this impact, it is already there incorporated.

Aejas Lakhani: Okay, sir thank you and all the best.

Management: Thank you.

Moderator: Thank you. Next question comes from the line of Sankaran Narayanan S from iThought PMS. Please go ahead.

Sankaran Narayanan S: Good evening, sir. Thanks for the opportunity. Sir my first question is regarding the enterprise vertical. So, what is your expectations in future, let's say from three to five years down. So, how is your working capital cycle is going to reduce because you told that it should be, we should see a 10% improvement in working capital cycle. So, how does enterprise vertical really helped in managing the inventory or the receivables?

Management: So, enterprise business, as you see that our inventories are in the range of 55 to 60 days. Enterprise business doesn't warrant these many kind of, these many deals for holding the inventory. So, definitely, overall cycle gets optimized when we do more of the enterprise business. Where in the inventory holding cycle is much lesser than what is the average cycle in the normal channel business.

Sankaran Narayanan S: Sir, but at the same time the receivable days should be going forward because, it is having a higher receivables and payable days rather than the current segment?

Management: So, in enterprise deals, or the larger deals we tend to set off the receivable days from the payable deals where in the credit terms are also negotiated in a manner so is to make sure that the ROEs and ROCs doesn't get affected, and we don't end up investing in more into the gap of debtors and creditors.

Sankaran Narayanan S: Sir in that case, you are expecting the ROC level to improve from this level sir?

Management: So, depending upon deal to deal it's, why we are very conscious about ROC and ROE on a transaction level basis. Also, if you compare this with earlier quarters since the capital base has increased so the ROC and ROE to get established at the previous levels. Yes, it will take some time.

Sankaran Narayanan S: Got it sir. Sir my second question is regarding the mobile phone distribution. So, you have stopped the distribution of mobile phones. So, sir my question is, when did you stop this segment and what's the reason behind it?

Management: So, this mobile phone business ended sometime in 2018, 2019 the main reason for this ending was that at that point in time, we realized that mobile phone is a very extensively capital intensive business. The cycles might be higher, but the margins are also lower at the same time, which compensates from an ROC, ROE perspective, but you look at IT industry and the mobile phone industry, smartphones particularly this industry is almost from the size of about 2.5 to 3 lakh crores. If we have to make any significant impact and participation in this industry, you need to participate in a revenue of at least 2000 to 3000 crores. That required about 200 to 300 crores of capital deployment. When we had stopped this, at that time we did not have enough capital to do a smartphone or a mobile phone distribution business, which was stressing our overall debt equity and the margin profile. Post that this going away from the mobile industry, our total available from a debt equity perspective, from a margin perspective, both expansion was possible and that's what has happened after that.

Sankaran Narayanan S: Sir one more thing, does it contribute at a much higher share in the overall revenue during that period?

Management: Yes, mobile phone peak volume was almost 40% share of our total revenue at peak, which is also not very desirable.

Sankaran Narayanan S: So, in 2019 or 18 you are saying that 40% of your revenue comes from mobile phone segment?

Management: Yes, 39% to be precise.

Sankaran Narayanan S: Got it sir. The reason why I am asking is, during that period your working capital days have been in the range of 30 to 40 but the last two years, it have went up significantly higher.

Himanshu Shah: So, mobile phone working capital cycles are almost half as compared to IT. So, yes, when mobile phones were there, it was much lower. But for IT to IT, if you see the working capital cycle what we are operating at as mentioned in our earlier call also, yes we continuously strive to have improvements in that. And we aim to have 10% improvement in 1% to 2% years regime. And yes, at the optimized level we would say with our kind of penetrated infrastructure of distribution we carry.

Kapal Pansari: I would like to add to what Himanshu mentioned in that, you are comparing from last two years prior to that last two years was also during COVID times where the supply was limited and the demand was higher, due to which we had an opportunity, but that is not a sustained level of distribution, working capital cycle, post-COVID that normalization has happened and therefore you see an increase which is not really an increase.

Himanshu Shah: COVID time lower cycle was by design where supplying so the inventory whatever was there was sold off.

Sankaran Narayanan S: Got it sir. And also sir, I could see from your DRHP that six global brands have left from your partnership in FY22, so if you could throw some light why the brands or OEMs are not willing to distribute products through Rashi Peripherals?

Management: No, since these are all very small, insignificant products that we may have bought for repair or something. From distribution perspective, only one mobile brand is what we separated otherwise, there are no cases at all. In fact, we take pride that all the brands that get associated with Rashi Peripherals last 25 years, ASUS, Logitech, they all continue to work with us, even today.

Management: One or two India businesses.

Management: Only Pixel was there which closed off, otherwise there is nothing.

Sankaran Narayanan S: Got it sir. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen in order to ensure that the management is able to address questions from all the participants in the conference, please restrict to your questions to two each per participant. If you have any follow up questions, you may rejoin the queue. The next question comes from Tejas Khandelwal from Prudent Equity. Please go ahead.

Tejas Khandelwal: How much other expense can we expect in the next quarter, if we keep aside the impact of the foreign exchange fluctuation?

Management: Voice is not clear, we couldn't get your question can you please repeat?

Tejas Khandelwal: Sir, I wanted to know, how much other expense can we expect in the next quarter, if we keep aside the impact of foreign exchange fluctuation?

Management: How much?

Tejas Khandelwal: Other expense.

Management: Okay.

Tejas Khandelwal: So, I wanted to know the expected other expense in the quarter four, if we keep aside the foreign exchange fluctuation?

Management: Quarter four projection on other expenses line item per se, it's difficult to throw a number because it comprises a lot of variables which gets involved and gets booked under other expenses. So, frankly speaking, like the major components or the regular components, to be more specific, in the other expense head remains in the same range, and we don't see any increase because those are of a fixed nature, like communication expenses, electricity charges, rentals, which are more or less defined. But advertisements and FOREX and all these things which have dependency on external factors, those only contribute to the deviations which happens under the set.

Tejas Khandelwal: Okay, sir understood. And sir I have another question on orders. So, as you said, we can expect orders from the data center players who have submitted based in the recent tender. So, apart from those orders, are there any orders in the pipeline for the company?

Management: Yes, there are few in the pipeline and at various levels of discussions.

Tejas Khandelwal: Okay, thank you.

Moderator: Thank you. The next question comes from the line of Vinay Menon from Monarch Capital. Please go ahead.

Vinay Menon: Just few questions from my side, one is on the PSLIT vertical, if you can just expand on what products saw some slow down so we could get some more clarity on that?

Management: So, basically, in broad understanding, LIT is more components and peripherals, and PES is more personal devices like laptop, desktops, workstations. Overall, what we see is that LIT continues to be at the same breath, the slowdown is particularly into the consumer laptop segments, but commercial laptop segment also continues to be on the positive side.

Vinay Menon: Okay. So, consumer laptops is where we saw some slow down. Okay, that helps.

Management: Yes.

Vinay Menon: Okay. And sir in terms of ROE, ROC, we have always kind of put a target of 15%.

Management: Your voice is cracking.

Vinay Menon: I said that as a company we have always kind of envision to reach that +15% ROE, ROC. So, can we see this happening by FY26, or will it take a bit more time to reach there?

Management: So, I would like to take this question and answer that last 10 years average has been delivered between 17% to 20% ROE, and with this capital raise, which we expect to deploy in the business, and generating the new business is something the bouncing back of ROE depends on the pace at which we will be able to generate business commensurate to the capital raise. So, defining 2026 as a milestone to achieve those 15% or 18% is a matter how fast growth comes and what kind of the growth comes, what kind of margin profile it brings and what segment it happens so there are various factors. Yes, we strive to reach to those levels ASAP.

Vinay Menon: Okay, that helps. And sir as we won a large deal with Q1 so are we still bidding for those deals, and is there any pipeline where we can say, expect any kind of large deals over the next six months, and things like that which was close to completion or something else you can update on that, that will be great.

Management: So, as I explained earlier at the start of the call, those large deals have relatively dried out. But then small, small deals consecutively are there in the pipeline, and Rashi Peripherals is in contention for the same.

Vinay Menon: Okay, great. Over the embedded side sir let me, obviously, we are working on a very small base. But have we saw.

Management: Your voice is cracking again.

Vinay Menon: So, on the embedded business, we saw some good deal wins in the first half. So, did we see any of that momentum continue in Q3?

Management: Absolutely, that is what I mentioned, that we have got some good design wins. And design wins is equal to business. So, yes, especially our laboratory in Bangalore is helping us to get some good design wins.

Vinay Menon: Okay, and on the enterprises side sir last question is that, we worked a Yotta deal, which was about 1500 crores, and first half approximately about 2000 crores, is what we were doing. So, Q3 has that number, can you give me what that number growth to, that would help?

Management: So, Q3 to Q3 as I mentioned the number growth is 7.7% in terms of top line and PAT growth is 29% Q3 to Q3.

Vinay Menon: For the enterprise division, not for the overall just for the enterprise division if you can help me with enterprise deals?

Management: That data is not ready yet.

Management: P&L is not drawn for enterprise separately.

Vinay Menon: Okay.

Management: The answer is simply on those.

Vinay Menon: Okay, no problem. Thank you so much for your time.

Moderator: Thank you. Next question comes from Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, thank you for the opportunity, sir I wanted to understand that embedded lab business.

Moderator: Sorry to interrupt, Madhur sir you are sounding muffled. May we request you to use the handset please?

Madhur Rathi: Is my audio better right now?

Management: Yes.

Madhur Rathi: Sir I wanted to understand this embedded lab business, and what kind of financials or economics can we see in this segment, and how is like, so is it like we bid for a particular product, or we cater to new product for OEM, and then we get manufactured it like a contract licensing, or something like that. So, I wanted to understand regarding this.

Management: So, basically in the embedded business, basically we have authorized distribution of chips from various suppliers, which includes Intel, Nvidia, Elmos, Micron, Western Digital, so on and so forth. So, with their products basically the chips we design certain solutions because, nowadays everything is automated. Maybe I can give you a random example that in a normal car today, they have more than 25, 30 chips and we are one of the potential suppliers for that. So, we work with those manufacturers or say, automobiles, robotics, education to develop solutions, and once the solutions are done, tested, then there is a gestation period of three months or six months as an experiment once that is proven, then it goes for mass production.

Madhur Rathi: Okay, so we are like a service provider, so we are like a consulting company to these manufacturers, and we help them design applications for the chips, whatever authorization we have. So, this business would be very attractive in terms of margin, it seems. So, what kind of margin would we expect in this business on a steady state. And sir how big would be this opportunity on overall basis?

Management: Yes. So, one you are perfectly on spot on that it is like a consultancy business. But this is not pure consultancy it is buy and sell also. So, we sell products and solutions both, and we are also into a design phase. In India the current market size of this is estimated to be about a billion dollars. So, you can understand the potential opportunity in India.

Madhur Rathi: Got it. And sir how big would this be of our current revenue, or a very small portion currently?

Management: Currently, we are a startup so it's pretty small, but with the progress that we are having, once we break the ice substantially, there will be multiple times growth.

Madhur Rathi: Okay, got it. Sir just a final question from my side. Sir based on the design, that we have seen and based on your optimistic guidance that we have seen on the segment, sir can this segment become 5% of our revenue, 5% to 10% of our revenue over the next three to five years?

Management: I said that currently the market size is a billion dollars, which is billion dollar means about 8500 crore market is existing today and which is growing rapidly. So, I hope that itself gives the answer.

Madhur Rathi: Okay, got it. Sir thank you so much, and all the best.

Moderator: Thank you. Next question comes from Vineet Bansal from Pinnacle Securities. Please go ahead.

Vineet Bansal: Thanks. Well, I had questions about the embedded labs which got answered. I have one more question. So, Mr. Rajesh actually mentioned in the last con-call that the debt sort of normalizes at the end of the year. So, I just wanted to find out, what can we expect this year in terms of debt, and how much of that can normalize?

Himanshu Shah So, debt as I said, it's working capital which is required in this kind of business and it gets fulfilled by a combination of debt and equity. Of course, the collection phase which has gone little slow, and because of this the working level cycle is seen a little increased. We hope to get it normalized in coming months. Depending upon the collection trend and all, the debt level can only be predicted. So, we see little correction, but it is more or less in the same range.

Vineet Bansal: Okay. Thanks, all the best.

Management: Thank you.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question for today, I now hand the conference over to Mr. Kapal Pansari for closing comments.

Kapal Pansari: Hello everyone. Thank you for joining this call for our results on quarter three FY24-25 and on nine months year to date numbers. I would only like to highlight that quarter three numbers, because of seasonality, is among the lowest in the year. And therefore, if viewed from quarter two to quarter three, quarter-over-quarter will definitely look subdued. However, on the competitive basis of quarter three of last year FY23-24 versus 24-25 we are extremely confident that we will continue to maintain the pace and continue to grow in the market and for the organization. Overall, maintaining our numbers of a double digit CAGR growth that we have maintained over the past few years. Thank you so much, and please keep giving us your confidence and your support like always.

Management: Thank you so much.

Moderator: Thank you. On behalf of Rashi Peripherals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.