Netweb TECHNOLOGIES

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To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: **543945**	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai- 400051 Scrip Code: **NETWEB**

SUB: TRANSCRIPT OF Q2 FY25 POST RESULTS EARNING CALL

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Post results earning call for Q2 FY25 held on Monday, 21st October, 2024.

Kindly take the same on your records.

Thanking You,
Yours faithfully
For **Netweb Technologies India Limited**

Lohit Chhabra
Digitally signed by Lohit Chhabra
Date: 2024.10.26 20:54:59 +05'30'

Lohit Chhabra
Company Secretary & Compliance Officer
M.No A36610

"Netweb Technologies India Limited

Q2 FY '25 Earnings Conference Call"

October 21, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Netweb Technologies Q2 FY '25 Earnings Conference Call hosted by IIFL Securities 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hardik Rawat from IIFL Securities Limited. Thank you and over to you, sir.

Hardik Rawat: Good afternoon, everyone. On behalf of IIFL Securities, I welcome everyone to Netweb Technologies 2Q FY '25 Earnings Call. We have the pleasure of having with us the Senior Management Team of Netweb Technologies led by CMD, Mr. Sanjay Lodha, CFO and Chief Human Resource Officer, Mr. Prawal Jain, Whole Time Director, Mr. Navin Lodha, Chief Sales and Marketing Officer, Mr. Hirdey Vikram, and Head of Uirtus Advisors, the IR advising firm to Netweb Technologies, Mr. Sanjeev Sancheti.

Without further delay, I'd like to hand over the floor now to Mr. Sanjeev Sancheti. Over to you, sir.

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

Sanjay Lodha: Thank you, Hardik and Sanjeev. Good afternoon and a very warm welcome to all of you to the Netweb Technologies Q2 Financial Year '25 Earnings Webinar. I will take you through the business and operational highlights of this quarter gone by while our CFO, Mr. Prawal Jain, will share the financial metrics. We are delighted to report that we have had a strong quarter-and-a-half year as our operating revenue for H1 grew by 96% year-on-year, crossing INR4,000 million, while H1 Financial Year '25 PAT doubled year-on-year to INR412 million.

As you must be aware, earlier this year in May, we had commissioned India's flagship state-of-the-art end-to-end high-end computing, server, storage and switch manufacturing facility, marking a significant milestone in the Make in India initiative. This new facility has enhanced our manufacturing capabilities for cutting-edge computing system, encompassing the entire production process, including PCB design, manufacturing, and SMT for high-end servers, storage, switches, demonstrating advanced manufacturing skills.

In August, we further expanded our offerings by launching eight models of advanced server systems powered by latest AMD Genoa processors, continuing our commitment to the cutting-edge technology.

India is rapidly emerging as a key player in AI adoption, with businesses increasingly leveraging AI to fuel innovation and streamline operations. In this rapidly evolving technological landscape, AI is driving transformation across various sectors in India, including healthcare, research and education, agriculture, sustainability, urban mobility, financial services, manufacturing, and retail. With India's AI research ecosystem, thriving, and through government initiative and industry partnership, the potential for innovation and growth is immense.

Netweb is well-posed to harness these opportunities. Our strategic focus on the three pillars, HPC, Private Cloud and AI, keeps us at the forefront of technological evolution. AI has rapidly become a pivotal contributor to our revenue, growing its share to 15% in H1 financial year '25, with a remarkable 193% year-on-year increase. Fuelled by innovation, this strong growth highlights AI's role as a cornerstone of our business strategy and our future growth.

And this week, we'll be participating in the India AI Summit, where NVIDIA, our technology partner, and its ecosystem of customer partners will showcase transformative AI innovations. This event features over 50 sessions and live demos on generative AI, large language models, supercomputing, robotics, and more.

Our business pipeline and order book remains strong. We are pleased to report that we have started receiving export orders, and this aligns with our growth strategy to enter the overseas market. Continuous improvements in our capabilities, along with expansion of our operations and product range, position us well for ongoing growth while maintaining our technological leadership.

I would like to hand over the call to Prawal to provide you financial, to update some financial numbers. Thank you.

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

Our operating income increased by 73.2% year-on-year on a quarterly basis, reaching INR2,511 million in Q2 financial year '25, and increased by 95.5% over the half year, recording INR4,004 million in H1 financial year '25.

Our operating EBITDA for Q2 financial year '25 increased by 85.7% year-on-year, reaching INR357 million, while for H1 financial year '25, it increased by 100.6% year-on-year, reaching INR559.1 million. The operating EBITDA margins for Q2 financial year '25 was 14.2%, and for H1 financial year '25, it stood at 14%. Profit after tax for Q2 financial year '25 grew by 69.8% year-on-year, reaching INR257 million.

For H1 financial year '25, PAT increased by 103.4%, reaching INR412 million. PAT margins stood at 10.2% in Q2 financial year '25 and 10.1% in H1 financial year '25. Return on equity for Q2 financial year '25 was 18.7%, while return on capital employed during the same period was 25.2%.

Net debt for the quarter was at INR664 negative million in Q2 financial year '25 as compared to negative INR330 million in Q1 financial year '25. Kindly note that this net debt calculation excludes unutilised proceeds from the IPO. Cash conversion cycle for Q2 financial year '25 improved to 100 days as compared to 129 days in Q1 financial year '25.

We continue to prioritise our strategic objectives and growth pillars, with a strong focus on our long-term goal of sustainable growth and profitability. With a strong quarterly and half yearly performance, backed by a healthy order book and business pipeline, we remain confident in delivering substantial revenue and profit growth for the financial year.

With this, now I hand over the call to Hardik Rawat. Thank you.

Hardik Rawat: Thank you. We can now proceed to the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash from Stallion Assets. Please go ahead, sir.

Yash: Congratulations for the excellent set of numbers. Sir, I just wanted to understand that for the last four quarters, our pipeline has not substantially increased. It's been ranging about from INR3,200 crores to INR3,700 crores. So I just wanted to get your view on what will be the growth in pipeline for the next two years.

Sanjay Lodha: Actually, the pipeline basically has been increasing plus basically pipeline is a very, very gradual and a kind of a thing which is on daily basis it is improving and it basically it's been getting consumed and roll over is happening. You will also have to consider we are a company which is growing at a rate of 35% to 40% CAGR. Okay, so basically pipeline is getting converted into orders, into L1s and all those kinds of areas.

So we are seeing a healthy growth in the pipeline. And basically that pipeline gives me a very robust confidence that basically that will keep me growing for at least for the next two to three years. So I think and as I mentioned to you, a pipeline time is somewhere around -- closer pipeline time is that ranges around 6 months to 18 months actually and hit rate is somewhere around 60% approximately. So I think there is a healthy growth in the pipeline and that will keep on growing.

Yash: Right. Because, you know, sorry to just pester a little bit more on this. So based on the pipeline, at least I can assume that whatever revenues you want in H1, basically in H2 it will be about like, you know, two third of it. So basically one third revenue in H1 and two third revenues in H2. Would my understanding be right?

Sanjay Lodha: Actually, our business cannot be judged on quarter-to-quarter basis. Whatever we have been guiding approximately around 35% growth, we will be maintaining that actually, year-on-year, basically, which we have been guided, we like to maintain that.

Moderator: The next question is from the line of Rohit from Nvest Analytics Advisory LLP. Please go ahead, sir.

Rohit: Congrats for a good set of numbers. Just one question on the order book, like what is the expected order intake for the company in the second half of FY'25 that is anticipated to contribute to revenue in FY'26?

Sanjay Lodha: Can you come up with your question again? Your voice basically at the end got…

Rohit: I'm asking on the kind of order intake you people are expecting in second half, sir.

Sanjay Lodha: Yes, so basically the order, which I mentioned to you, I maintained the same line that it will be remaining, our current order book is somewhere around INR360 crores. But basically, our kind of a company cannot be basically judged on the tune of the order book, because our order book lasts from 12 to 16 weeks or at the most 20 weeks actually. So basically, the orders get built up and they are executed.

So basically, the pipeline gives us the confidence that it will go on. So I will still maintain the same thing. The growth, which I have mentioned to you, 30%-35% growth, we will be definitely maintaining that and the order book and everything will be in that tune.

Moderator: The next question is from the line of Akshay from CD Integrated Services Limited. Please go ahead, sir.

Akshay: Sir, I just want to ask that in our management commentary, we have said that we are getting the export orders and we will focus firstly on Europe and Middle East market. So can you put some light on margin frontend as to what will be the difference between pricing over there versus in India?

Sanjay Lodha: Actually, as I mentioned to you, we have been mentioning that we will slowly be growing our business and we will be starting exporting. So it has just started actually at this point of time. And that is in line with the same situation as I mentioned to you Middle East and European markets, the same way we are trying to do it.

And the margins profile will be almost or very similar because basically all our customers are enterprise customers. They can be marginally slightly more margin from the export orders. But primarily overall, if you see it will remain almost all similar, because basically the customers are enterprise customers and plus we want to penetrate deeper and to increase their confidence. So definitely margins you can take it margin should be almost all on the similar lines.

Akshay: Okay. And second question is that we have earlier said that we were facing the challenges before the IPO in getting the good talent. So now we have after the IPO, our reach has been increased and we have got the good talent. So on the current employee base and all the things, can we say that over the next 5 to 10 years, we will healthily grow in this type of this employee number?

Prawal Jain: Can you repeat your question again? We are not able to understand as your voice is not very clear. Can you just repeat it and be a little slow in asking?

Akshay: Yes. So, sir, I was mentioning about our current employee base. So whatever we have currently our talent right now, can we grow for the next 5 to 10 years at a very healthy growth rate on our current employee base or we will face a challenge in terms of getting the talent, good talent from the market?

Prawal Jain: No. Our current employee base is around 421. Currently, after going public, we are not facing any talent crunch. And for the next two, three years, we will continue growing in the same way we are growing and there will be no talent crunch.

Sanjay Lodha: And actually, we are getting a lot of good talent now. When we went for an IPO, we were around 240 people. You can say we are basically more than almost double of the numbers what we were actually. We are on 421, as Prawalji mentioned. So, we are getting very good talent. And so that's the reason we are also employing only good talent now. We are also basically a bit choosy in hiring people. So, there is no lack of talent. We are getting talent. We are getting a lot of traction around it. And that's very healthy for the company.

Akshay: Okay, sir. Thank you for answering my questions.

Moderator: Thank you very much. The next question is on the line of Abhishek Bhandari from Nomura. Please go ahead, sir.

Abhishek Bhandari: Thank you for the opportunity, sir. I have two questions. First is, if you could explain the big jump in the revenues from other enterprises in this quarter. The other businesses seem to be quite stable in the proportion, but other enterprises had a big jump.

Sanjay Lodha: Thank you for your question. So, as we have mentioned that quarter to quarter things are different, actually, because our business cannot be judged in terms of quarter, because these are all enterprise-grade customers which we deal with. So, like last quarter, we had the government was slightly higher, but this quarter, we are seeing a lot of traction on the enterprise side from the other enterprise segment. So, some new segments were added this year, this quarter. So, I think that's the reason you are seeing that.

Prawal Jain: Entertainment and media was a new segment which was added during this quarter. So, you are seeing a jump in other enterprise revenue for this Q1. So, it will be better if a whole year segment division is seen. Quarter to quarter, it might give you an abbreviation.

Abhishek Bhandari: No problem, sir. Thank you for that answer. And does it also coincide with your private cloud and HCI vertical from this?

Sanjay Lodha: Yes, true. So, that's the reason private cloud and HCI is also on the higher side.

Abhishek Bhandari: The second thing is on this government's proposed ordering for this AI mission in India. If you could update what the status, the new government has come in, are you seeing any movement on that?

Sanjay Lodha: I think I will let Hirdey answer that.

Hirdey Vikram: Thanks for your question. So, yes, I mean in India the AI mission is progressing already. As you can see that their first trench in the form of RFP is already out, and that is also going to get closed very soon. And afterwards, it is expected that they'll be rolling out the major RFP as well. So, this is completely on track as we had expected, and we are completely geared up to participate.

So, we have our strategy intact, which will help us to ultimately be competent and take part in the RFP. I hope you got to know that we have introduced our two generation of systems, which will be ultimately very effective in taking part in India AI mission. So, one is that we have introduced our ARM architecture-based GPU systems along with NVIDIA, and we became one of the best OEMs in the world to introduce domestically manufactured grace architecture, which is also the ARM architecture-based GPU system. That is one.

And second is that we have introduced AMD-based systems also, wherein we are having a complete range of GPU systems based on AMD architecture. So, with these two advancements, we are very well-placed to compete in this India AI mission, and what they demand and what they require for the OEMs to offer, is something which is available with us now.

And the best part is that not just limited to hardware, we have the complete cloud stack on top of it, and the complete middleware stack also, which is available. So, helping us to offer the complete AI sovereign cloud offering. So, yes, we are completely in line, and government's progress is also something exactly what we had expected from them.

Abhishek Bhandari: Got it. Thank you, sir. And my last question is could you talk about your long-term targets in terms of your cash conversion cycle? That would be helpful.

Prawal Jain: So, look, cash conversion cycle, seeing the growth we are undergoing, will be in the range of 100 days only for us. So, at a point, or you can say in at 31st March, it improves a bit, but if you will see quarter on quarter, it will be in the range of 90 to 100 days. Largely, it is in that range only. So, I don't foresee any much improvement in this working capital cycle days.

Sanjay Lodha: Because the kind of industry we belong to, I think that's the kind of cycle which we expect, because the customers also, basically all enterprise get customers, the kind of payment cycle we have with them that matches with that.

Abhishek Bhandari: Got it. So, maybe if I can ask a follow on, is there any difference in the profile of cash conversion cycles across your different client types? Intuitively, customers from government should be a longer working capital?

Sanjay Lodha: It's just the reverse. Government is better than the enterprise.

Prawal Jain: We have a credit period of around 90 days from both government and non-government enterprise customers. As far as our observation is that, government enterprises are more prompt in paying us.

Sanjeev Sancheti: So, really speaking, both the enterprise and the government, the private and the government sectors are more or less the same. The underlying credit terms are 90 days. So, by and large, you see 90 to 110 days is the range which is your cash conversion cycle, because the inventory and the payables played out, so if you look at our cash flow cycle, the inventory turnover day and the payable day are almost the same. The inventory is technically funded by the payables, and what you see in cash conversion cycle is basically the debtors, which will be between 90 to 110 days, even as you go forward. That's the nature of the business.

Abhishek Bhandari: Perfect. Thank you and all the best. Thank you.

Moderator: Thank you very much. The next question is from the line of Hardik Rawat. Please go ahead, sir.

Hardik Rawat: Thanks for the opportunity and congratulations on another set of strong results. Starting with revenue, we've seen very strong growth in the HCI segment. Have these private cloud installations coincided with improved execution for the entertainment and media clientele? So largely private cloud is what was executed for the new set of clients under the other enterprises category?

Sanjay Lodha: Yes, if you see, there has been a growth all around actually, but private cloud has really gone up. And if you see my total revenue split between government and enterprise is also higher. This time enterprise is higher than the government.

So basically that has happened. Media entertainment, there was one customer, one or two customers, which basically you saw that segment growth. But otherwise, you know, that data center boom is happening.

In India, what is happening is that at current point of time, the data center is really in a huge demand. So, definitely data center in turn goes back and falls back upon the private cloud and HCI only. So, definitely that is indicative in our figures and that is shown there.

Hardik Rawat: So what was the share of government in the overall revenue this quarter?

Sanjay Lodha: I think 40%, if I'm not wrong. 40-60. 40-60.

Sanjeev Sancheti: 40 was government, 60 was private enterprise.

Sanjay Lodha: Yes.

Hardik Rawat: 40-60 in 2QFY-25.

Sanjeev Sancheti: Yes.

Hardik Rawat: Okay. Can you tell us about some major projects that you'll be executing, especially in your HPC segment, in the next two quarters? I'm assuming that this ISRO project is probably going to be executed sometime in the second half.

Sanjay Lodha: Yes. Actually, it's expected. It's expected to be done that. But basically, we will not like to go into specific orders actually, Hardik. I really appreciate it.

Hardik Rawat: All right, no worries. Another thing was with regards to the export orders that you mentioned, could you shed some light on the geographies and the specific segments in which we are starting to receive some traction in terms of ordering?

Sanjay Lodha: Yes. So, private cloud and HCI is one of the segments on which we are receiving this traction. And AI also, it is going as per the target only, primarily targeted towards the Middle East and European countries.

Hardik Rawat: And any status update on the development of 5G ORAN solutions?

Sanjay Lodha: Yes. So that is in the development actually. That is still in the development. Basically, the private 5G part, I think it will take some more time, still with our R&D team. Our R&D team has become very strong now. We have R&D team of around 100 people, around 74 people we have in the software R&D, around 22 people in the hardware R&D.

So, that used to be 53 while we went for IPO. But now, it's around 100 people, very strong R&D team. And plus, basically, we are working on several things. And 5G ORAN is also one of the things on which we are working at this point of time.

Hardik Rawat: Okay. With regards to the EBITDA margins, we expected that with the operationalization of the new facility, EBITDA margins should have been lower, but they were very strong at 14.2%. So, just wanted to understand, firstly, what are the utilization levels at our new SMT facility? And secondly, is the higher EBITDA margins a result of, you know, better mix of the AI and enterprise vertical?

Prawal Jain: Yes. Hardik, we don't measure ourselves on the capacity utilization. This we have been repeating every quarter. Rather, we judge ourselves on the capabilities. So your question on capacity utilization, it is difficult to answer right now.

Sanjay Lodha: But if you want to understand whether the new plant is fully functional or not, the new plant is fully functional and fully rolling out.

Prawal Jain: Coming on the EBITDA margins, definitely, the AI segment has a little bit improved margins as compared to other two segments. So you are seeing, therefore, the EBITDA margins on a higher side this quarter.

Sanjeev Sancheti: Also, Hardik, one thing you should appreciate that there are orders, some of the orders, which are large orders. So, it is not necessary that every time you will see the same margin. We will be in that range of around 14%, around 14%, because some orders may come at a higher margin, some may come at a little lower margin. So it's not a magic thing that, it will be stuck at a point. But around 14, 14 plus, that's the range which will be the indicative margins. Yes.

Hardik Rawat: So 14 to 14.5% is the range where the EBITDA margins for FY '25 should lie?

Management: Yes.

Hardik Rawat: Thank you for answering the questions, I'll get back in the queue.

Moderator: Thank you very much. The next question is from the line of Chirag Khasgiwala from Neo Asset Management. Please go ahead, sir.

Chirag Khasgiwala: So, I just wanted to know that if I, when I go to your cash flow statement, your operating cash flow has gone negative to INR80 crores in this quarter. So could this situation be sustainable because it looks like you're getting good profits and growth, but you're actually burning cash and not able to generate cash?

Prawal Jain: Your voice is a little bit feeble, but I have understood your question. So you will see that cash actually before working capital changes our cash from operations are on the positive side. The only factor that is resulting in our networking cash flow operations to a negative is the increasing debtor. So this is the problem of our growth. So as our operations will continue to grow at the same pace, so this negative cash flow you will see will be there.

Sanjeev Sancheti: So let me explain. So the cash conversion cycle, the way it is working, fortunately we are growing at a very rapid pace. So if you look at the Y-o-Y growth of 70%, even the Q-on-Q growth is very, very, very, very strong.

This is not a business, which is a cash and carry business, right? This is a business, which will always have a 90 to 100 days debtor. Now, when you're growing so far as your previous quarter revenue, the entire of it is outstanding.

That's why you're seeing this. But what is more important to understand is the quality of assets, the quality of debtors, the quality of inventory, those are top class, absolutely no, impairment in these assets. So they will get converted as the growth smoothens, you will start seeing the cash flow getting into the business very, very strongly. This is the typical cycle when the growth is high, you are getting reinvested into your next quarter growth. That's the reason you're seeing this.

Chirag Khasgiwala: Okay. And secondly, if you see recently, it was the promoter's take sale that happened. So, what was the rationale for that? And do you expect any more take sales to come through?

Sanjeev Sancheti: So I think there was no planned, promoter's stake dilution. We had some very good investors who were looking at the larger positioning. And, of course, we have just given about 3.6%. We do not foresee any further dilution, both either primary or secondary [inaudible 0:31:50] in the near future. And secondary also, we do not foresee any dilution in the near future. Yes.

Chirag Khasgiwala: Lastly, sir, how much contribution can you expect from AI business going forward? Could 15% be the peak level or it could go even higher?

Sanjeev Sancheti: No, it is not the peak, but for FY '25 our guidance is 15% peak. It will go further and go forward in the next 2 years, 3 years.

Chirag Khasgiwala: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Samarth Pachigarh from Krijuna Research and Analytics. Please go ahead, sir.

Samarth Pachigarh: Thank you for the opportunity. I just have a question that this time we had a 2% revenue share from the cluster management software that we offer to our clients. So, does management see to scale it up?

Sanjay Lodha: Software and services basically primarily is not a focused business for us. We are not a services company at all. But basically, what happens is that we offer only very, very specialized kind of services. So, basically that is there. So, that segment will remain around that 2% to 3% only. We are not a software or a services-focused company. That is basically, we only provide it like basically particularly for oil and gas or for some specified kind of geological research or some specific kind of BFSI clouds or something of that nature.

So those services are limited to that. So, this segment will remain in the same range what it is at this point of time. Our three pillars will be supercomputing, private cloud and AI. These will be the three pillars of our business as it might be evident to you from the presentation also.

Samarth Pachigarh: Okay. Yes. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead, sir.

Sandeep Shah: Yes. Thanks for the opportunity and congrats on a strong quarter. Just on the government AI mission, the press articles imply that the turnover threshold is now being lowered and many companies are eligible in terms of bidding. So, are you worried this may lead to many competition and this may dilute the margins and are we in a major RFP stage, we will participate or in the initial phase of smaller RFPs we will also participate?

Management: So, Sandeep, thanks for the question. Actually, if you have read it, so this is basically for the RFP part only which is only for the empanelment for services and ultimately this criteria is applicable only for the bidders. We are not intending to bid directly and we'll be partnering with the bidders who will be CSPs who will be interested to participate in this. So, as such this criteria does not apply to us.

In fact, this is only helping us to reach out to more CSPs and this is ultimately going to help us grow our business in a bigger way. So I would say this is a welcome move. And as regards the next trench is concerned there is also underway. As I mentioned that the RFP for the bigger part is also on the way. And as expected, I mean, government is progressing quite well on that front also. So, I mean, this is exactly in line. I don't see any challenge with that.

Sandeep Shah: Okay. So, Hriday, just to follow up in terms of deal pipeline, does this would be forming our part of the deal pipeline starting FY '26 or it may start from Q3, Q4 of this financial year itself?

Management: So, we have not factored in this part into our pipeline as yet. So, we may start adding up to our existing pipeline maybe by next fiscal year. So, that is what you can expect from us.

Sandeep Shah: Okay. And in terms of the pipeline, is there any mega order like an ISRO order in the pipeline or there are combination of medium to smaller size of pipeline?

Sanjeev Sancheti: Pipeline we cannot reveal customer-wise. You'll appreciate, Sandeep, this will be...

Sandeep Shah: No, I'm not asking customer-wise. I'm asking on average size. Is there any mega deals in the pipeline?

Sanjay Lodha: It's all kind of orders, Sandeepji. Basically, it's all kind of orders. Pipeline, basically, pipeline is a very - you can understand that it's a INR3,700 crores pipeline. So, it is basically a mix of all kind of things actually. But Hriday very categorically mentioned that AI mission is still not part of the pipeline. So, basically we also just don't add the pipeline actually. Somebody asked in the question earlier that basically why our pipeline is not growing.

So, we only add up - add into the pipeline when it gets qualified. Once basically the first level of discussions are happening, once basically we feel that it is almost all ready to go, then only we add them into the pipeline. We just don't add things from the pipeline.

Sandeep Shah: Okay. And just a clarification in observation of the four quarters which we reported for FY '24, the order book has a seasonal strength in Q3, Q4 versus Q1, Q2. So, does that seasonality may be true even in FY '25 where H2 order book could be better than H1 order book?

Sanjay Lodha: Sandeep, I'll still maintain that I will grow at the same rate of 35%. And I assure you, this is the sixth conference call I'm having after listing. We have shown you growth all along. So, please have confidence in us. We have shown you growth. We will show you growth in future also.

Sandeep Shah: Okay. And last question, Prawalji, for you considering the PLI which we may apply in the second half, there would be a margin tailwind either in Q3 and Q4 to that extent?

Prawal Jain: The quarter in which PLI will come, there might be slight improvement. But overall, for the whole year the margin profile will be in the same range. For that quarter, slight increase will be there.

Sandeep Shah: Okay. Thank you and all the best.

Sanjeev Sancheti: So to the extent of the PLI it is obviously the PLI is not going to marginally change the margin you know that, Sandeep.

Sandeep Shah: What, Sanjeev sir, can you repeat?

Sanjeev Sancheti: PLI will impact the margin as much as it comes. No, it will not be disproportionate.

Sanjay Lodha: And we don't factor in the margin in advance as you know already.

Sandeep Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Mihir Vyas from 9 Rays EquiResearch. Please go ahead.

Mihir Vyas: Hi, sir. Thanks for the opportunity. I just had one question on the data center side of the business. Can you help me understand how this side of the business shall grow in future since there is a lot of traction in the field of data centers? And since we have now started exporting also, is there any some constructive talks on that area or any revenue potential or this revenue share of this sector can grow, segment can grow sorry?

Hirdey Vikram: Hi, thanks for the question. So definitely answering your question that whether we see the progress in the data center space or not, you have already been seeing that we have mentioned about three large pillars in our case. One is supercomputing business. Second is private cloud and HCI. So definitely private cloud and HCI is something which is targeting towards data center vertical of the market. And as you can see, the kind of momentum country is already seeing towards data center vertical.

So that definitely gives enough confidence that there is no slowdown anytime seeing shortly in the coming time. So, obviously, we have got full roadmap for the data center market and we already have decent product line to cater to this market. So we have got the product line, we have got the market in front of us. So we will not leave any stone unturned to tap into this market more heavily. I hope I answered your question.

Moderator: Yes. Thank you very much. The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Sort of harp on the guidance again, because I remember in the Q1 call, I think we had said that H1 is about one third in terms of revenue and H2 is about two-thirds revenue. Now obviously, if H2 is that heavy, then broadly your revenue should be -- which is not more than your guidance of 35%. I'm just sort of, just for my understanding, just for more clarity, do you sort of now hold that that H2 is basically in terms of percentage wise it would be lesser, like maybe it's like 60-40?

Sanjeev Sancheti: So I just want to clarify that we shouldn't be trying to cherry pick guidance. Our hard guidance is on the growth of revenue, which we are underwriting to 35%. We have always outperformed that, we would endeavour to outperform that. If possible, yes, one-third, two-third is the standard thing. But sometimes, if a quarter is very strong, a little bit of overflow happens, et cetera that is normal. So I mean, probably 40-60 here and there.

Yes, but we cannot, one-third, two-third is a general trend which is seen. In this year, if you see, the first half has been particularly good, especially in the second quarter. So it will have a reverse negative spill over impact possibly in the coming quarters. Yes, but we are committed to a 35% minimum kind of a growth as we have committed and by and large, it will be around that end, but it can be plus and minus 5%-7% in terms of the split between H1 and H2.

Moderator: The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Congratulations on good set of numbers once again. I have a couple of questions actually, just wanted to know a bit more about your company and this sector. So first of all, how big is the size of opportunity in your type of business?

Sanjeev Sancheti: I think most of the people here on the call are well aware, we can do a separate call, because this will be a very long…

Onkar Ghugardare: Okay, I'll ask more specific question -- specifically about the results then. So my question is regarding what kind of return on equity and return on capital employed you are targeting since you will be growing faster?

Sanjeev Sancheti: Return on capital employment. Our guidance is on the broad margin range and the top line. I think the rest a little bit of analytical, you guys will also have to do. You've seen our ROEs have been pretty strong. We have been in the range of ROEs 18% plus, if you look at it, if you look at a full year, ROE has been very strong. So I'm sure that as long as we continue to grow at the pace that we have guided, and in the range of the margin that we have guided, I don't think ROE and ROCE should be a concern.

Onkar Ghugardare: Next question is on the AI mission, which you talked about. How big it could be according to you and how the PLI could be?

Hirdey Vikram: So basically, India AI mission anyways, this is something which is known to the entire world now, because the government has already announced about it. It's not about just we saying about it. So India AI mission as such is basically a project, which is sizing around more than $1 billion kind of budget they have allocated. And that is also targeted to be spent within a span of three to five years.

And there can be an acceleration to spend that money by government. So this is the size of opportunity. And as we have already explained that we are well poised and well placed for this opportunity. So we are targeting by our newly introduced product line for this. So yes, this is the situation.

Onkar Ghugardare: You mentioned $1 billion, right?

Hirdey Vikram: Yes, it is already been said that more than $1 billion is something what has been allocated by the government as of now. And they have a plan to spend the same over a period of three to five years.

Onkar Ghugardare: Can you talk more about how and who could be your competitors in getting the orders from the government? How many competitors are there?

Sanjay Lodha: This is a very, very different kind of a question, actually, really speaking, because there are a lot of dynamics to it. And this is a government policy question. So not like to basically discuss that on a call.

Onkar Ghugardare: Yes, but just if you can give a sense, like, how many competitors are there? And what kind of competitors you have?

Sanjay Lodha: The RFP has not yet come. Okay, the government is -- still the designing structure is going on, wherein basically, the Nvidia is a leader in the computing side. There are other players also, there are there is a new AI chip, which is being developed almost every day. Today, basically, today, there is a company called Cerebrus, they are also trying to come up. They unfortunately, unfortunately -- if Cerebrus comes with a product, they can also be a basically, they can also come into competition.

So that's the situation actually, whereas, basically, we are aligned with most of these partners, we are there. But whoever, whoever the competition will be, they will be all MNC competition, we don't target, we don't foresee any domestic competition as such. I hope I'm able to answer your question.

Onkar Ghugardare: Yes, just a clarification on that. When can we hear this from the government, as per your knowledge?

Sanjay Lodha: Yes, so basically, the government is very actively working on this, there is AI summit, which is happening starting from this week only. So basically, I think government is in a rush. And the first part of it as Sandeep answered, Sandeep asked us a question, actually, the first part on the services part, the RFP is already rolled out. And basically, the new RFP, the preparation is going on we are -- I as far as I personally feel is that it should be out by Q2 next year.

Moderator: The next question is from the line of Mansimer Singh, who is an Individual Investor.

Mansimer Singh: First of all, Sanjay sir, really congratulations for a wonderful result. As you guided in earlier converse, you are in line with the revenue guidance. I just wanted to know regarding our pipeline, where we are in the order book, we have mentioned INR369 crores of order book and INR331 crores of L1. So L1 will be getting the projects as in when the company the bids will be getting. Can you tell me like what percentage of this L1 and order book will be consumed in H2 in the next two quarters?

Sanjay Lodha: Basically, as regards to order book is concerned, I can tell you order book should be completely consumed in H2. No doubt about that. As regards L1 is concerned, I can tell you it should be around maybe 50% to 60% should get consumed without any problem. But these are all dynamic things. Every day the order book keeps on adding. Every day the L1, L2 -- L1 condition also keeps on adding.

Mansimer Singh: And one more question regarding our -- we have launched our Make in India, Tyrone, AMD servers and HCI. So can you tell me like what will be the share of our data centres, which includes a segment of HCI and cloud by like 2, 3 years with respect to our revenue?

Sanjay Lodha: Because basically what happens is that we don't target everything actually, we target only the enterprise customers. Because as I've been telling you again and again, we don't target the SMB and the small and small market, which are again using a lot of HCI. But primarily our target is large enterprise customers.

And we feel we will definitely have a good footprint in that. And as you are seeing this quarter also the growth, the maximum growth came into the private cloud and HCI. So definitely that will keep on going. And our partnership with AMD is only making us stronger, because basically this latest chipset, we have a complete stack of basically, because the AMD processors are again basically outperforming in some kind of situation.

So we are able to leverage that. And with Make in India expertise, the kind of things which we are generating, that is making our product range more stronger. So our penetration will increase further.

Mansimer Singh: And one last question respect to, we have received the order of JNU HPC Cluster, right? So, sir, can you tell me like, by when this project will be completed?

Sanjay Lodha: JNU HPC Cluster, I did not declare anywhere.

Mansimer Singh: It is there. And I think it was there in the Twitter. I've seen this.

Sanjay Lodha: That is basically I don't answer Twitter questions actually, please, because I cannot speak about specific orders. We have NDA's with customers and all that. So I'm sorry about that.

Mansimer Singh: Okay, no issues. Thank you, sir.

Moderator: Thank you very much. Next question is from the line of Dhruv Aggarwal from Niveshaay. Please go ahead, sir.

Dhruv Aggarwal: Yes, congratulations on the very good set of numbers. Sir, I have two questions. Firstly, on the $1 billion PLI scheme that you have said, sir, you don't see any domestic competition on that side. But you said like you have, you may see the competition from NVIDIA. And furthermore, you said some name, sir, but it was not properly audible. So can you just fill it out, sir?

Sanjay Lodha: Basically, you are completely confused. I'm sorry to say that. We never mentioned there is $1 billion PLI. First thing is that, sir. Okay, basically, what Hirdey mentioned is basically AI mission total outlay. If you see the cabinet note, which has been present to the parliament that says that that basically $1 billion is the total AI mission outlay. Actually, it's not a PLI. First thing is that.

And NVIDIA is a partner to us. NVIDIA is not a competition. I never mentioned NVIDIA as a competition. Actually, I have what I wanted to mention is that that basically, once you're asking about the question, then there are the newer technologies which are coming up, there may be many newer technologies which are coming up. So they may come and basically the distribution and things can get distributed that way. So that was my point. But NVIDIA is a leader and I and I have no doubt for future years NVIDIA will remain the leader.

Dhruv Aggarwal: And the second question would be in terms of GPU that you are kind of there in the business. So in terms of quality, how good we are in comparison to NVIDIA or something like that?

Sanjay Lodha: So we are using NVIDIA, we are not in comparison with NVIDIA. Again, I'm again, we are partners with NVIDIA. If you see the Press Release, even the NVIDIA top senior people have mentioned that Netweb is the OEM partner for them, which they have mentioned, it's very clear.

So we are not a competition to NVIDIA at all. And as far as quality is concerned, we are a certified partner and OEM partner for NVIDIA. So NVIDIA does all the qualifications, then only qualify the partner to that level. So and you see all the we are selling it, our market is we are our 15% of revenue is coming from AI systems. That itself says that we also got an award from NVIDIA for the being the largest partner last year. So basically, I think that speaks about it. So quality and all is not a concern for us.

Dhruv Aggarwal: Okay. Thank you so much. And sorry for misunderstanding that.

Sanjay Lodha: No problem. Thank you.

Moderator: Thank you very much. The next question is from the line of Saket Bihany, who is an Individual Investor. Please go ahead, sir.

Saket Bihany: Good afternoon. Congrats, Sanjeev sir and Prawal sir for an excellent set of numbers. So sir, my first question is considering the significant expansion of your employee base from 250 to 400 since the IPO. So how confident is management in sustaining this growth rate without encountering talent acquisition challenges or skill gaps?

Sanjeev Sancheti: So talent acquisition, I think we've already answered that post the IPO, we have no depth of attracting talent. We have been able to hire the people we are wanting to hire and will continue to do so. As far as growth is concerned, we have very clearly guided that we grow around 35% over the next 3 to 4 years. We stand by the guidance. Unless we change the guidance, it continues to be the same.

Saket Bihany: And sir, another thing related to employment, sir, has incremental employment since the IPO led to higher than expected labor cost by any chance?

Sanjay Lodha: Expenses have gone up, the revenue has gone up, the expenses have gone up and it is expected to go up actually. And plus basically you need to pay good people if you want to hire them. But basically that is completely, you see where our margin percentage has not dropped, that is the same actually. So we are able to, the company can afford it and company can definitely have better talent. We also wish to pay our people more, so that basically they remain with the industry standards.

Sanjeev Sancheti: And be able to retain the best talent. And also we have to make our organization future ready. So we will obviously keep hiring best talent.

Saket Bihany: That was my question. Best of luck for future.

Sanjeev Sancheti: Thank you.

Moderator: Thank you very much. The next question is from the line of Hasmukh Devji Vishariya from Tata Mutual Funds. Please go ahead, sir.

Hasmukh Vishariya: Yes, hi. Thanks for the opportunity and congratulations on consistent delivery. I just had one basic clarification in terms of AI mission, right? So you talked about, you will be a partner to any of the, let's say global OEMs and not directly, let's say, subscribe to the RFPs. Did I hear that right? And if yes, then what's the reason behind this?

Hirdey Vikram: I'll clarify it to you again. So basically what we said that the first part of it, which has come out, that is about, which is just a small portion of the entire, the opportunity. This has come out in the form of empanelment for services. Okay, for empanelment of services, they are inviting CSPs to get themselves empanelled.

And for this part, I said that we will be supporting the CSPs by providing them our solution at the back end. So that's how our participation is, in fact, not needed. In fact, I would say that more the participation, more will be the opportunity for us to work along with the CSPs and giving them the entire solution.

Sanjay Lodha: And the reason for doing that, the Government did it, because the AI mission, the 10,000 GPUs which they have to procure, that is taking time. So basically that's the reason they wanted to have this standby kind of a thing, wherein the startups and they can be offered services immediately. So this is pure services play. And that's the reason we are supporting the CSPs. And so that supposes the CSPs will bid for it and they will take it directly. And this is only a very, very small part of it.

Hirdey Vikram: And then just to add one more point, you mentioned that we are partnering with global OEMs. No, we what we said that we being the OEM ourselves, we are using some of the platforms of, like NVIDIA and AMD and all. But ultimately, we produce our own systems. We are partnering with the CSPs for this smaller portion of the opportunity wherein CSPs are getting empanelled for, rendering services to the end customers going to be provided by the Government of India. So ultimately, we will be the one who will be producing systems and giving the entire solution to the CSPs.

Hasmukh Vishariya: Got it. Thanks for clarifying.

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

Sanjay Lodha: Thanks for your time. I really appreciate everybody's time on this. And thank you for your questions. And thank you so much.

Moderator: On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.