Telephone: +91 22 6661 7272 | Email: info.india@blackbox.com

BBOX/SD/SE/2025/16

February 14, 2025

To

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

Sub: Transcript of Earnings Call hosted on February 12, 2025 on Unaudited Financial Results (Consolidated and Standalone) for the quarter/period ended December 31, 2024**.**

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

Dear Sir/Madam,

This is further to our letter dated February 5, 2025 with reference number BBOX/SD/SE/2025/7 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call hosted on February 12, 2025 on Unaudited Financial Results (Consolidated and Standalone) for the quarter/period ended December 31, 2024, is attached hereunder.

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

For **Black Box Limited**

Aditya Goswami
Company Secretary & Compliance Officer

Encl.: A/a

"Black Box Limited
Q3 and 9 Months FY '25 Earnings Conference Call"
February 12, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th February 2025 will prevail."

MANAGEMENT: **MR. SANJEEV VERMA – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – BLACK BOX LIMITED**
MR. DEEPAK BANSAL – EXECUTIVE DIRECTOR AND GLOBAL CHIEF FINANCIAL OFFICER – BLACK BOX LIMITED
MR. PURVESH PAREKH – HEAD OF INVESTOR RELATIONS – BLACK BOX LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 months FY '25 Earnings Conference Call of Black Box Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

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

Sanjeev Verma: Thank you. Good morning, everyone. Welcome to Black Box Limited's Q3 and 9 months FY '25 earnings call. I'm joined by Deepak Bansal, our Executive Director and Global CFO; Purvesh Parekh, Head of Investor Relations; and our advisor, SGA. I trust you have reviewed our results presentation, press release and financial release, all of which are available on the exchanges and our website.

Let me start by providing some context for Black Box's position in the IT industry. Gartner projects global IT spending to reach $5.7 trillion in 2025, with IT infrastructure accounting for $600 billion to $750 billion. Our total addressable market is approximately $120 billion to $150 billion or 15% to 20% of that, presenting a significant opportunity. We are targeting 1.5% to 2% of this market to reach $2 billion in revenue by FY '29.

I'm pleased to report our highest ever quarterly and 9-month PAT in FY '25 alongside strong EBITDA performance, which Deepak will explain later. As we move into fiscal '26, we are focused on expanding our footprint with the top 300 customers and capitalizing on the growing digital infrastructure opportunities.

AI-driven models are accelerating demand, particularly from hyperscalers like Amazon, Meta, Alphabet and Microsoft who are investing over $325 billion in data centers and cloud services this year. We are positioned to benefit from this.

Recently, we secured a major data center order from one of our largest hyperscalers, including 3 large U.S. sites and a INR250 crore order.

Additionally, we have won significant orders across cybersecurity, network integration and airport infrastructure. We are confident that demand for digital infrastructure will remain strong across industries.

While Q3 and 9-month FY '25 revenue growth was impacted by a subdued order book, we remain focused on acquiring high-value customers and optimizing operational efficiencies.

The order pipeline has strengthened with a sequential increase to $465 million, approximately INR3,900 crore as of December 2024. We have secured $80 million in orders so far this quarter and expect strong momentum to continue into quarter 4 and FY '26.

For FY '25, we have revised our revenue guidance to INR5,925 crore to INR6,000 crore due to delayed decision-making and our strategy to exit lower-value customers. 80% of our business comes from top 200 customers, many of whom are Fortune 500 companies. Going deeper with these customers is our priority. Notably, contract cycles have extended due to some delays, but we are confident this will improve as we move forward.

For FY '26, we anticipate revenue growth to INR6,750 crore to INR7,000 crore, driven by an expanding order book and a stronger win rate from large enterprise and high-value opportunities. This momentum should positively impact revenues from Q2 FY '26 onwards.

Despite the lower revenue guidance for FY '25, we are on track to meet our revised EBITDA guidance of INR525 crore to INR535 crore, reflecting a 23% to 25% increase from FY '24. EBITDA margins of 8.9% for FY '25 are above our previous expectation due to improved efficiency and focus on quality of revenue. For FY '26, we expect EBITDA to range from INR605 crore to INR645 crore with a margin between 9% and 9.2%.

We have also revised our FY '25 PAT guidance to INR205 crore to INR210 crore, reflecting an exceptional impact. However, this still represents a 50% growth over FY '24. For FY '26, we expect PAT to grow 30% to 40% with a target of INR265 crore to INR285 crore.

I will now hand over to Deepak to take you through the financial details.

Deepak Bansal: Thank you, Sanjeev. Good morning, everyone. Let's review our financial performance for quarter 3 and 9 months ended for FY '25.

Revenue for quarter 3 stood at INR1,502 crore, slightly above quarter 2's INR1,497 crore, but down from INR1,655 crore in quarter 3 of FY '24. For the 9 months, revenue reached INR4,422 crore compared to INR4,801 crore in the same period last year. Subdued order book and delayed decision-making impacted revenue, but strong order growth in quarter 1 of FY '26 gives us confidence in meeting our FY '26 targets.

On the EBITDA front, we delivered strong growth, quarter 3 EBITDA rose 15% year-on-year to INR134 crore, while for 9 months ended EBITDA grew 25% year-on-year to INR385 crore. EBITDA margins improved significantly, up 190 basis points year-on-year to 8.9% in quarter 3 and 230 basis points to 8.7% for 9 month FY '25, thanks to better efficiency and quality of revenue.

Quarter 3 FY '25 profit after tax reached a record INR56 crore, reflecting a 37% Y-o-Y increase. For 9 months FY '25, PAT grew 49% year-on-year to INR144 crore with PAT margins improving by 120 basis points year-on-year to 3.7% in quarter 3 and 130 basis points to 3.3% for 9 months FY '25.

We continue to generate strong returns on equity and returns on capital employed, along with positive cash flow. Based on our strong order pipeline, we are confident in achieving our FY '26 guidance across all parameters.

That's all from my side. Sanjeev and I are now happy to take your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Deep Shah from B&K Securities.

Deep Shah: Congrats on substantially improving your margins. I think this is in line with what we have been seeing for some time. Sir, so if I were to further emphasize on this, we've been saying that we want to cut the long tail of clients and focus on top 300. But what we've seen this quarter is that sequentially, number of clients in revenue buckets of more than INR5 crore, INR25 crore and INR50 crore, they have declined. So could you help us explain this divergence that we are focusing on top clients, but the number of clients in top brackets has come down?

Sanjeev Verma: Yes, I'll take that. So I think we are looking at point in time. Of course, there are several clients in those buckets, which are renewed periodically, and there are also projects or orders in motion. So as we move forward, we will see those changes. We'll continue to focus on our top 300. There is a timing issue of when those contracts are renewed.

For example, in the coming quarter, we are looking at a very large health care contract to be coming back for several years. So that will change, and it could be possible that in a quarter, we have several of such. So when we take a situation for 9 months or a particular quarter, there could be small adjustments there.

But our go-to-market strategy now with verticals and horizontals that I've said before, we will continue to focus on our top clients and ensure that we are able to increase those various buckets of INR50 crore, INR100 crore, INR200 crore customers going forward.

Deep Shah: So would it be fair to say that this number we should look maybe on a Y-on-Y basis or on a yearly basis? That would be fair?

Sanjeev Verma: That would be fair. Yes.

Deep Shah: Sir, second question is on this order book. So you highlighted that you won about $80 million worth of orders post the end of the quarter. So typically, sir, what part of our revenues flows into -- I mean, there are large orders which become part of order book and then they are executed versus, say, ongoing services. Another way to ask this question would be that what would be the typical duration of this order book, $520 million, $530 million now to convert to revenues?

Sanjeev Verma: So we usually take on an annualized basis for our contract revenues and a total value of projects for our project order booking. An average cycle of a project order booking is about 9 months, some are going to 2 years' time, some 18 months, but an average between 9 and 12 months' time. So a fair view to look at order booking would be on an annualized basis.

So between 60% and 65% of our revenues are covered through the order book at any point of time. We are working to make sure that as we get into larger deals to improve that coverage in any quarter from the current 60% levels to maybe 65%, 70% as we go forward, focus on larger deals. So in summary, we take project order values from an order book perspective when we report and we take annualized contracted value of contracts to report order book.

Deep Shah: Sir, one last question that now we've had severance costs for many quarters. And we are probably seeing some benefits of it in terms of our margins, efficiencies are improving. But what is the idea here that how much leaner you think the organization needs to become? How long will this continue? And what is the end goal here?

How many clients do we want to service? How many employees do we want to keep? I understand we've been reducing employee count. So any idea here would be helpful because this severance cost is substantial, right? It's like INR13 crore this quarter on an EBITDA of INR130 crore.

Sanjeev Verma: So I'll take the later part of the question, and then I request to Deepak with respect to severance costs. With respect to how many clients, our focus, Deepak just said, is to focus on larger clients and larger deals. We have a total basket of close to 1,500-odd clients, and we are benchmarking that we would be wanting to serve or progressively serve clients to a level of the potential for us for $1 million. That's the benchmark. We are not there at this time.

Focusing on top 200, 300 of our customers and then others, which we see at least a baseline because we cannot afford to be everything to everybody. So that's our focus. With respect to -- with scale, we will gain some operational efficiencies as well. So therefore, it's not a linear investment in people as we start to scale. So we'll see our operating margins gradually improve as we start to build scale. With respect to how long do we see the severance costs in the short term, I'll defer to Deepak to respond to.

Deepak Bansal: Yes. So, Deep, what is happening is that like you know that we continue to optimize the efficiencies in the whole ecosystem. And we still think that there is a little bit of scope there to improve and all those things. So it's like a continuous process we are running right now. And we are expecting that for next, let's say, 3 quarters at least, we are expecting the severance cost to continue because it's like -- we think that this is over and now we have nothing to do.

And then again, we put a review process. And again, we see that, okay, these are the 10 people, again, which we can remove or which we can move to India or not required or whatever it is under the severance cost comes in. In this quarter, specifically or, let's say, on the last quarter, there is a lot of people we have removed in Europe.

And because of the Europe thing, the amount of the severance is a little higher as compared to what it happens in U.S. So we are revisiting everything across the world. It will continue for next 3 quarters more so that we continue to optimize our efficiencies and do more in less.

Deep Shah: Deepak, one last question for you, and this is purely bookkeeping. If I look at our guidance and I take midpoint of our guidance for simplicity, the delta in absolute rupees of increase in PAT is actually lower than increase in EBITDA.

I mean this doesn't sound right if we assume that severance cost is going to be there only for next 2 quarters because this year, we had severance costs for the full year, plus we should have some interest cost reductions both because of rates are expected to come down, and we've raised INR100 crore, we will raise another INR300 crore in the next year.

So could you just explain how are these guidances driven? Or is it that you've been extremely conservative to not miss the guidance? If you could explain that, it would be very useful.

Deepak Bansal: Three things here. One is that, that we have assumed the severance cost will continue for 3 quarters in the next fiscal year. That is number one. Number two, what we have assumed is basically, we have not assumed that the interest rates will come down. We have not assumed that.

And also on the growth because we are talking about a growth of close to around INR750 crore to INR1,000 crore type of growth on the current year revenues. So for that, obviously, the working capital will come in. And for that purposes -- because we need to put upfront working capital, so there will be a little bit of interest cost on that securitization, what we will do, the receivable and all those things, that will come in there.

And then a little bit of, let's say, 2% increase in the tax on the profits, which will come. So -- and then we didn't wanted to be expanded more -- wanted to be a little bit conservative in terms of overall numbers. And that's how if you see our EBITDA, the EBITDA is going up by close to around INR80 crore, let's say, at the lower range of the guidance, and the PAT is going up by INR60 crore. So it's a INR20 crore type of the difference, which is there, which comprises of all these things.

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

Garvit Goyal: I have 2, 3 questions. One is on our top line. So over the past 3 years to 4 years, our top line growth has been muted, while profitability has improved primarily due to cost-cutting measures like reductions in employee costs and service charges. Here, I'm having 2 questions. One is what are the primary challenges that are preventing us from accelerating the top line growth like despite our focus is on data centers and go-to-market strategies, we have reduced our revenue guidance?

And additionally, if we see data centers are not a major portion of our revenues. And even there, we are fighting like customer capex delays are happening. So given that the high-quality profit growth is driven by the top line expansion rather than the cost cutting, how do we plan to achieve like sustainable revenue growth of 25% to 30% moving forward? That is one.

Secondly, while we position ourselves as a provider of specialized IT solution company, our PAT margins are very low at 2%, 3% in comparison to even general IT companies that achieve 6% to 7% PAT margin. So is it due to intense competition that is limiting our pricing power? Or are there any other structural factors at play? So can you provide more insights like why our margins are relatively low and what steps we are taking to improve them, sir? So that is the one question, sir. So please, sir.

Sanjeev Verma: So I'll take that. I think yes, our order book and revenues have been muted over the last several years' time. As I had told in my earlier earnings call, I think Black Box historically has been serving a very large bunch of customers over several thousand, and we were trying to be everything to everybody.

And we embarked upon initially to focus on margin growth, margin expansion because 3 years, 4 years back, when we acquired, there was no margin. So our focus was largely on margin expansion, and that's what we did. Over the last couple of years, I think we have pivoted to become a specialized global digital infrastructure player at the back of growth for data centers and AI.

To that extent, we had to change our go-to-market motion to be able to go deeper than wider. We employed and engaged with Boston Consulting to reorganize our go-to-market focus, as you would know. To be able to do that, our entire -- invested heavily in our vertical motions, bringing in a lot of top industry leaders in verticals and horizontals over the last several quarters.

The effect of that investment in verticals and horizontals is starting to take shape as we speak. And as we get into our fiscal '26, we expect the order book momentum to be able to take us to our guidance and growth overall over the next several years' time.

Large projects have certain challenges with respect to timing. And therefore, we had those challenges in this year where our revenues remain muted. We expect our current order book and pipeline, which stands robust of over $2 billion to be able to help us increase our win rate. Our win rate in our large deals has been lower.

with focus now in verticals across technology, financial services, hyperscalers, health care and so on and so forth, we expect our order booking to gain significant momentum starting from quarter 4 onwards getting into the next fiscal year. So we believe our current guidance for the next year, which allows us to grow mid-double digits between 13% and 17%-odd, confident of being able to do that.

Your second question pertaining to our PAT and stuff. So we are not comparable to a regular IT services offshore company. That's not our model. Our model is largely Glocal. We are a local digital infrastructure company. So therefore, we have larger resources onshore than offshore. We, of course, use offshore appropriately to be able to expand our margin to build our service delivery wherever we can, but more importantly, our back office and shared services.

Our guidance pertaining to EBITDA margins is 10%. The industry EBITDA margins for our kind of infrastructure integrated business locally and globally is in the range of 8% to 12%. So we are currently focused on taking our EBITDA margins to be in the range of 10%. And then from there, with scale, work forward to see whether we can improve that further 10%, 11% and 12% going forward.

PAT, of course, is an element of our cost of money, depreciation and other exceptional factors, as Deepak alluded, we have seen over the last year or more than that, the interest rates to be high. As we scale up our business and get into fiscal '26 and fiscal '27, we expect our -- not much of

our cost below the EBITDA line to increase in a linear fashion. So we will see our PAT margin inching up more towards 4%, 5%, 6% over the next 3 years' time.

Deepak, do you want to add something on the drop between EBITDA and PAT?

Deepak Bansal: Yes, 2 things I wanted to add. One is that on the PAT side of it, we are mostly an onshore, onshore company. We are not an offshore company like the other IT service providers from India is. We have 90% of our people on ground. So let's say, if our majority of the business, which is 3/4 of our business comes from America. So we have the people on the ground. We have close to around 2,200 people on ground in United States. So from that perspective, we are not comparable with the Indian IT service providers. We are IT -- digital infrastructure provider. We are not IT service provider.

Garvit Goyal: And sir, you mentioned $2 billion target by FY '29. So from the current levels, if we want to achieve that number, we have to grow at a CAGR of around 30%. But for next year, in FY '26, you are saying given that by the orders that you are expecting in the upcoming quarters, we are guiding for a growth of like 15%, 17% kind of number. So is it like the major expansion in the turnover is going in FY '27 and onwards?

Sanjeev Verma: So I'll take that. So yes, I think our $2 billion aspirational goal by fiscal '29 also includes a decent portion of inorganic that we do not talk about. So we expect organically to be in the range of $1.4 billion, $1.5 billion, and we expect some inorganic stuff as we move forward included in that. We expect our organic motion as we move forward from the current 15%, 17% levels to move to 20s.

And the gap between that organic growth of nearly 20% as we move forward to fiscal '26, '27, '28 and beyond is also to see that we are able to acquire assets that we believe are accretive for our shareholders, and we will talk about them when we get ready to be able to do that.

Garvit Goyal: And just a clarification on the order inflow. Like you mentioned that one of the world's largest hyperscaler has allocated 3 large sites in the U.S. And additional to it, you have mentioned like INR250 crore order from this long-term customer only. So could you clarify whether this INR250 crore order includes those 3 large sites? Or is there any additional order value associated with these specific sites? And if so, what is the incremental order value for these 3 sites?

Sanjeev Verma: Yes. So the current INR250 crore quoted does not include all the new sites. The new sites, the order comes through a lag. It first comes through an allocation, then discussion and the order book. So yes, there will be more orders flowing with those 3 new sites, 2 of them has not seen orders yet. So we expect order in the range of INR200 crore to INR400 crore additionally from this customer for those new sites in the coming quarters.

Garvit Goyal: Just a last question. Based on the order filings this quarter, the total value of incremental orders like in Q3 is around INR400 crore, which seems relatively small compared to our existing top line. So in the last con call and in today's con call as well, you mentioned a strong order pipeline is there and expectations of securing the sizable orders to drive growth in the years ahead.

So however, considering the current order inflow and our stated revenue growth of 13% to 15% for FY '26, there appears to be a disconnect. Like could you provide more clarity on like how the incremental orders are going to be big enough to drive this kind of growth that we are aspiring to?

Sanjeev Verma: So we actually provide overall order book during the earnings call at the end of a quarter. So the overall order book or order backlog that we have provided for is marginally higher than our previous quarter. As we get into the quarter 4, we expect our order book to close even larger compared to what we are showing now.

So we expect our quarter 4 order book to be much higher. So I think it's not a point in time of an order book that we booked in Q3. The overall order book is 10 million more than the previous quarter. As we get into our new fiscal year, we expect to open up with a larger order book compared to that, that will drive growth going forward in fiscal '26.

Also, our current pipeline based on our assessment, has a significant traction to be able to book bill and revenue in the next fiscal year, giving us confidence for the guidance that we have given for a 15%, 17% organic growth in next year.

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

Vivek Choraria: I've got 2 questions, one slightly near term and one long term. I mean, can you just point out and talk to how a change in our go-to-market strategy is impacting our organization? Because we've been talking about a double-digit growth for the past 6-8 quarters, but that hasn't come about. What gives you the confidence that now -- I mean, you've been talking about a delay in orders -- I mean delay in order taking and in the same way, we are talking about a double-digit growth starting from next year?

Are you confident enough to achieve that? Because we've been talking about that for a long time. I mean, do you think you'll start walking the talk from, say, Q1 or Q2 onwards? Because we don't have much runway left for the margin part, right? So I guess that the company needs to start firing on the top line?

Sanjeev Verma: I'll take that, Vivek. So yes, I think, specifically from a renewed go-to-market this thing, we started the initiative early on in fiscal '25 by engaging Boston Consulting. Our top stack for our sales leadership with respect to vertical leaders across financial services, technology, health care, consumer and other sectors were completed in the middle of the last -- this fiscal year, and they are in motion.

We also invested heavily in our horizontal practices to be able to support that, be it in connectivity or data center workplace. We are starting to see those results with respect to pipeline building on large value. Large value orders, engagements are of 2 nature. One, of course, participating in growth, that's your build-out of infrastructure, be it airports or data centers.

Then, of course, displacement-led growth, which you have to get the right to win. A combination of 2 will allow us to do that. Our large deal pipeline end of Q3, getting into Q4 is significantly

larger. Our quality of engagements with our top customers, the top 300, is much better and deeper. I'm personally engaged in many of those conversations as well.

So as I told earlier, we expect our order book to gradually improve from where we left the first 2 quarters. The quarter 3 was slightly better, but not as much. And we expect that to be much better in quarter 4, leading us into fiscal '25 -- sorry, fiscal '26. And our ability now to not only participate and get considered, but our account management, deeper engagement will allow us to increase our win rate.

Our win rate for large deals was much less compared to what we expect it to be. We expect our win rate for large deals in the range of 20%, 25% is fairly low at this time. And that itself will allow us to propel significant order booking uptick, which will then convert to revenues going forward.

So I feel confident with respect to fiscal '26, double-digit growth with the motion that we've had over the last 6, 9 months. Large deals take a little bit of a time to mature, displacement growth requires a bit of a time. And then faster adoption of AI and build-out of data center for what we've seen today also throws us larger opportunities for us to be able to participate in those. We are engaged in those conversations.

So a combination of robust pipeline, increasing our win rates, deeper engagements with respect to our conversations that we're having with our customers, quality of revenues and the combination of that, we feel confident for our growth momentum in fiscal '26 and beyond.

Vivek Choraria: Sanjeev just to clarify, so we're basically guiding for close to 15% to 18% top line growth organically for the next 4 years and then the acquisition runs on top of it. We've been barely able to grow top line. I mean that's quite a tall ask. I mean I hope you guys have your plans in place to deliver because it will be quite a task to deliver, say, 15% growth organically. I mean, as we are seeing in Q4 '25. So when do you think we'll start seeing those numbers on the P&L? I mean, should Q2 be a fair expectation to see a double-digit growth on the top line?

Sanjeev Verma: So I'll give you 2 answers. One, of course, yes, I think considering our muted results, from a growth perspective in this current year, your question is valid. As we told earlier, we've also been working with respect to eliminating some of our nonaccretive long tail, and I address that by the quality of revenues.

So the answer is yes, we expect from starting from Q2 of the next fiscal year to see those double-digit growth to be able to allow us to reach our guidance of overall double-digit growth in the fiscal '26. Our order pipeline getting into quarter 4 looks good. Our order pipeline, our order backlog getting into quarter 1 of fiscal '26 will look better and momentum will continue.

So fiscal '26, quarter 2 onwards for the next several quarters, getting those double-digit -- high double-digit momentum to lead us into our guidance of 15%, 17% organic growth is what we are confident about in fiscal '26.

Vivek Choraria: Sanjeev, just one last qualitative question. How different do you feel our company is now? I mean, with the change in the go-to-market strategy and with the recent top level hires, do you

feel more confident now that we can finally scale? Because I mean, just speak to it qualitatively. I mean, if we were able to participate say a $10 million order, can we now see our company participating in much higher orders of magnitude? Just -- I mean, so if you can just speak in terms of the quality of the bench that we have now and how confident do you feel?

Sanjeev Verma: Yes. I believe I'm very confident with the quality of bench that we have with respect to the leadership. We've also added in the last 2 quarters specifically 20 new sales business development hunters from industry experience that we desired. Some of these have taken time to come on board.

So the qualitatively, the quality of leaders in verticals and horizontals, the quality of engagement that we're having and the size of the deals that we're having is much better. You'll be able to see some of those. For example, we are now engaged with a fairly large deal with the health care that is going to culminate for a long-term contract.

We're also seeing on a modern workplace, our engagements pertaining to AI adoption, and we will be talking about those in the coming quarters as well. So qualitatively, our level of engagement, the quality of engagement that we are having now with our customers, with the team that we have, overall management team, the sales management team and the sales business developers are much better then to provide some confidence.

I'm personally engaged with the mentoring and engaging with some of these top customers and I believe, bullish about the quality of people. We'll continue to add more, hiring more high-quality talent, especially in terms of sales as we get into this. We will be focusing deep dive.

We have picked up our top 100 customers for deep dive account management out of the top 300. And each of our vertical leaders are responsible to own up several of those. So if 10 of those, including myself, own up 5, 10 to mentor and engage, we believe the quality of engagement is getting much better.

The deal size is getting larger. We all have to focus to make sure that we are able to improve our win rates. Our consideration we have been considered, we have to make sure that we improve our win rate to be able to get to that momentum. So I feel confident of what's coming in FY '26.

Moderator: The next question is from the line of Aman Soni from Nvest Analytics Advisory LLP.

Aman Soni: What are the key reasons for the delay in the settling foreign currency trade payables and receivables? And what steps has the company taken to resolve the issue with regulators and counterparties? And what is the expected financial and compliance impact, including potential penalties or risk to cash flow and working capital?

Deepak Bansal: You're talking about which one? You are saying about the note on the FEMA?

Aman Soni: Yes.

Sanjeev Verma: So that is not impacting the day-to-day thing. They are more intercompany transactions. They are not third-party transactions. As per the FEMA regulations, all the intercompany receivables,

payables or any receivable, payable from overseas when you do the transactions from India, need to be closed within the 3 years timeframe.

So these are the, let's say, some of the transactions which were not transacted within the 3 years timeframe. So we are working with some approvals from the Reserve Bank to close those transactions, but those are all intercompany transactions. So there is no impact on the balance sheet or on the financial affairs of the company because of that.

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

Sheersh Jain: I have 2 questions. First being, in the previous fiscal, we were on our way of closing our second $100 million customer. So have we been on an annualized basis, able to make $100 million plus revenue from both those customers in current fiscal?

Sanjeev Verma: So if I understood the question, you said, are we able to get $100 million customer in this fiscal? Is that what you said? I didn't get the question.

Sheersh Jain: I wanted to -- so from both those customers, have we been again able to make $100 million plus revenue in this fiscal as well?

Sanjeev Verma: So yes, we have made $100 million plus revenue from our largest customer and with -- we will make the year hasn't ended yet. And we expect to make that as well with our second largest customer, almost $100 million. The idea for us is to get into more customers in the $100 million bracket as we move forward into fiscal '26.

Sheersh Jain: And sir, how close are we in adding more customers in this $100 million plus bracket?

Sanjeev Verma: So we expect in fiscal '26 to add at least one more customer in the $100 million bracket.

Sheersh Jain: And sir, last question. Earlier, we were very confident that because of our GTM strategy, FY '25 shall be a flat year and FY '26 is where we will reap the benefits of this new strategy. But the updated FY '26 guidance suggests that we are targeting a lower growth in FY '26 despite relatively healthier macro environment, especially in U.S. and there has been strong capex announcement from all the hyperscalers. So I wanted to understand what changed for us? Why are we holding back in FY '26 despite a healthier macro environment?

Sanjeev Verma: So we are taking into account the revenue to be achieved in the fiscal year, the guidance for revenue. We expect our order book momentum to be significantly better and larger with the macro environment, AI adoption and so on and so forth. But we also have to see the timing of our projects and win rate.

So we expect our fiscal '27 to gain larger momentum with respect to the order books that we'll have. So we have to ensure that we are able to convert those order book into revenues, and that requires a certain timing of those orders. As we expect to gain larger order book, larger size from our large customers, the runway to be able to convert that into revenues may not be enough for us to -- and therefore, we are being a little conservative in terms of guidance.

But we believe the fiscal '27 will have much better momentum at the back of order backlog and wins that we'll have in fiscal '26. So that's the reason we want to make sure that we are able to deliver from a revenue standpoint.

Moderator: The last question is from the line of Lakshay Agarwal from GrowthSphere Ventures LLP.

Lakshay Agarwal: So firstly, I just wanted to understand that in our data center segment, like we had earlier also mentioned that 20% of our revenues coming from there, and we want to move towards 25% to 30%. So I just want to understand that what service exactly we provide in the infrastructure network development. Like I do understand that we put fiber and we put the passive infra. But if you could give some more detail on it.

Sanjeev Verma: So we expect our data center revenues in our $2 billion goal to be in the range of about 25%-odd as we get into the next 3, 4 years. So that's our goal. With respect to what we provide, we largely provide the connectivity infrastructure, which is the core of any data centers, which includes structured cabling, passive infrastructure, the fiber to the racks, the wireless infrastructure into the campus, we're largely a networking connectivity provider.

The networking connectivity is about 10% to maximum 15% depending upon the size of a data center build-out. A data center build-out requires in America about $10 million ballpark average per megawatt. So depending upon what we win, it's a 200-megawatt build-out that possibly spend $2 billion, the total opportunity for us in providing connectivity, network infrastructure is about $200 million.

We are not only the sole provider, sometimes we are. So we have a significant opportunity to do that. We can also do more than that. But considering the scale, I think the customers buy differently in a hyperscale environment.

So our larger focus at this time is to be the best in providing connectivity, networking, wireless some other private LTE infrastructure for a data center campus, which is a significant opportunity, which is about 10% of the total spend -- of total capex spend. So that's what we do in the large-scale hyperscale data centers in the U.S.

Lakshay Agarwal: And secondly, like who would be our close competitors in this space? And how does our margin profile look for this segment compared to the same networking solutions which we provide for health care and finance and different other segments?

Sanjeev Verma: So our peer groups in that space in North America includes the likes of Direct Line, IES, which is a public company, E2 Optics and some more, Vision Networks and some more. The margin profile for connectivity compared to other -- when you go larger, the overall margin profile is slightly subdued.

The margin profile for data center infrastructure, networking from a gross level in the range of 20%, 22% whereas if you do a health care, of course, the scale will be much lower in the range of 25%, 26%. But with respect to being accretive to operating income, I think both will be the same because the cost to serve a large client with respect to our sales cost or other overheads is

lower. So it will balance out with respect to our goal of operating margin of 10%. So both of them are equally accretive because larger volumes require a little -- lesser overheads to serve.

Lakshay Agarwal: And lastly, on the client acquisition strategy, like is it the years of experience and the client base which we have, so which will give us the recurring revenue? Or do we also provide some lower pricing from which we are able to add new customers? So what is our exact strategy on this?

Sanjeev Verma: I think you have to be competitive at market pricing, 1% or 2% would not really make a difference. Your right to win is largely a contextual based on your experience, based on the relationship we have, ability to serve globally with many of our customers.

So I believe a combination of long-term relationship, providing relevant technology solutions with knowledgeable and highly skilled people and providing, of course, ability to serve them globally at market cost will allow us to improve our win rate. But largely, it is our relationship and the relevance which will count to be able to win that.

Lakshay Agarwal: So sir, like when you mentioned relationship, I understand that we can get extra business from our existing customers. But to get new customers, what exactly do we offer over there?

Sanjeev Verma: No, I believe when we talk about -- one, first of all, we are focused on our bench of customers. We have very many customers. The total addressable market within those customers for increasing share of wallet is very, very large. Not to say that we will not look for newer customers. Of course, we all want to look for newer customers.

And to that extent, our investments in sales motion, vertical leaders are based on their ability to keep those -- bring those relationships back to us, right? The people have served those customers for a long period of time. So serve your existing customers, increase share of wallet. If we are providing one set of solutions, we can provide others and therefore, increase share of wallet. That's our larger focus to go deeper into an account.

We have many marquee customers. And with respect to hunting or getting newer logos that we must want to win, our investments in newer salespeople, top quality talent will allow us to start those conversations, which will eventually lead into building of relationship and winning those deals.

Lakshay Agarwal: Is it possible if I can squeeze one more question? So I guess I'll just ask one question. I just wanted to understand that how does the pipeline look like in terms of numbers, if you could provide? And what is our conversion rate for the sale?

Sanjeev Verma: So as I said, our current pipeline for getting into Q4 and beyond looks large. We are looking at pipeline in 2 parts, a large value deal pipeline, which is our focus. And that's what has grown over the last several quarters, which will allow us to win some of those as we move forward. Our win rate in smaller deals has been much robust at 35%, 40%.

Our win rate for large deals historically has been lower. So our focus now with verticals that we have brought in horizontal is to increase the win rate that I told earlier to about 20%-odd. So

that's our focus. And if we were able to do that, which we are confident about, we should be able to deliver the organic growth that we're talking about over the next several years.

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

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

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