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To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: 543945	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai- 400051 Scrip Code: NETWEB
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SUB: TRANSCRIPT OF Q4 FY26 POST RESULTS EARNING CALL

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Post results earnings call for Q4 FY26 held on Monday, 04th May 2026 at 3.30 PM.

Kindly take the same on your records.

Thanking You,

Yours faithfully

For **Netweb Technologies India Limited**

Lohit Chhabra

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“Netweb Technologies India Limited
Q4 FY '26 Earnings Conference Call”

May 04, 2026



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

MODERATOR: **MS. SEEMA NAYAK – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Netweb Technologies Limited Q4 FY '26 Earnings Conference Call hosted by ICICI Securities. 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 a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Seema Nayak from ICICI Securities. Thank you, and over to you, ma'am.

Seema Nayak: Thank you. Good afternoon, everyone. On behalf of ICICI Securities, I welcome everyone to Netweb Technologies Q4 FY '26 Earnings Call. We have the pleasure of having with us the senior management team of Netweb Technologies, led by CMD, Mr. Sanjay Lodha; Whole-Time Director, Mr. Navin Lodha; CFO, Mr. Ankit Kumar Singhal; Chief Sales and Marketing Officer, Mr. Hirdey Vikram; Chief Strategy Officer, Mukul Kedia; and Head of Uirtus Advisors, the IR Advisor to Netweb Technologies, Mr. Sanjeev Sancheti. So, without further delay, I'd like to hand over the floor to Mr. Sanjeev Sancheti. Over to you, sir.

Sanjeev Sancheti: Thank you, Seema. 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 Harbor statement in the earnings call presentation. I request each one of you to go through the presentation thoroughly 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, Seema and Sanjeev. Good afternoon, and warm welcome to all of you to Netweb Technologies Q4 Financial Year '26 Earnings Call. We are pleased to announce that Netweb Technologies delivered a landmark year with the revenue from operations reaching INR21,836 million in financial year '26, reflecting a strong year-on-year growth of 90%. This record annual performance underscores the strength of our business model and accelerating demand for high-end computing systems in India.

For Q4 financial year '26, revenue from operations stood at INR7,737 million, growing at 86.6% year-on-year, demonstrating strong execution momentum as we closed the year on a high note. PAT for the quarter stood at INR706 million, representing 65.7% year-on-year growth with a PAT margin of 9%. For the full year, PAT stood at INR2,058 million, up by 80.9% year-on-year with a PAT margin of 9.3%.

These results reflect not just top line momentum, but disciplined margin sustained across our businesses. The defining highlight of financial year '26 has been the performance of our AI segment, which grew by 459.6% year-on-year. This growth was a result of years of focused in-house R&D, enabling us to design and manufacture some of the world's most powerful latest generation AI systems, combined with disciplined planning and execution of large strategically significant national scale orders.

AI systems contributed 43.4% of our total operating revenue in financial year '26, a transformational shift from a revenue mix that firmly positions our Netweb's -- our total

operating revenue positions Netweb at the center of AI infrastructure build-out. The other two core segments, HPC and Private Cloud continues to exhibit robust demand, reinforcing the breadth and resilience of our technology portfolio.

The performance is a direct reflection of Netweb's unwavering commitment to in-house design and manufacture of next-gen high-end computing system. This fully aligns with global phenomenon of sovereign compute infra needs, which is very well addressed by Netweb and country's Make in India vision. We take immense pride in creating significant impact in strengthening India's emergence as a credible global hub for high-technology manufacturing, which will benefit the nation for decades to come.

Beyond our own performance, we believe India stands at a threshold of generational opportunity in artificial intelligence. With the world's largest pool of digital users, a fast maturing data ecosystem, a major boost to indigenous foundation models and decisive policy momentum through India AI Mission supported by Make in India, the country is poised to emerge as one of the most prominent AI economies of the world.

Central to this vision is government's clear focus on sovereign AI infrastructure, ensuring that the compute, data and models powering India's digital future is built, owned and operated within the country. The build-out of indigenous AI compute is no longer aspirational. It is a strategic national imperative tied directly to economic competitiveness, data security and technological self-reliance.

As India's only full-stack domestic provider for high-end computing systems, Netweb is uniquely positioned to power this transition. Our strategy remains firmly anchored on our 3 growth pillars: HPC, Private Cloud and AI systems, supported by our established technology leadership in the high-end computing system space for large order pipeline.

As we step into financial year '27 from a position of strength with a firm order book of around INR2,100 crores and an L1 inclusive order book of INR2,400 crores, day one of financial year '27, we already have on our books more than what we had billed for all of last year. We see a long runway of growth ahead. We remain committed to investing in R&D, manufacturing depth and talent to ensure India's AI ambition are built on strong foundations and that Netweb continues to create durable long-term value for all our stakeholders.

I now request Ankit to take through the financials. Thank you.

Ankit Kumar Singhal:

Thank you, Mr. Lodha. Good afternoon, ladies and gentlemen, and thank you for joining our earnings call. Before we open the floor for Q&A, I will provide a brief overview of the financial performance for the quarter and the year gone by. I trust by that now you have had the opportunity to review our earnings presentation and press release.

While our CMD has already discussed the macro-outlook, I will elaborate on the financial performance, providing a more detailed analysis. First, on the quarterly numbers. Our operating income for Q4 FY '26 stood at INR7,737 million, showcasing a growth of 86.6% Y-o-Y. Our adjusted operating EBITDA for Q4 FY '26 stood at INR1,018 million, showcasing a growth of

71.8% Y-o-Y. Adjusted EBITDA includes the impact of mark-to-market losses on certain payables against which corresponding hedging gains were recorded.

As per accounting standard, MTM losses are recognized within expenses, while related hedging gains are classified under other income. To better reflect the operating performance, hedging gains of INR52.4 million have been added back to EBITDA to the extent they offset the MTM losses on the same underlying payables. Our operating EBITDA for Q4 FY '26 stood at INR966 million, showcasing a growth of 63% Y-o-Y. Profit after tax for Q4 FY '26 stood at INR706 million, showcasing a growth of 65.7% Y-o-Y with a margin of 9%.

Now moving on to the annual numbers. Operating income for the full year FY '26 stood at INR21,836 million, showcasing a growth of 90% Y-o-Y. Adjusted operating EBITDA for FY '26 stood at INR2,901 million, showcasing a growth of 82.4% Y-o-Y. Operating EBITDA for the full year FY '26 stood at INR2,848 million, showcasing a growth of 79.1% Y-o-Y. Profit after tax for the full year FY '26 stood at INR2,058 million, showcasing a growth of 80.9% Y-o-Y with a margin of 9.3%.

Now I would like to throw some light on key balance sheet ratios. Return on equity stood at a healthy 32.9%, while return on capital employed for the same period was 37.5%. The gross fixed asset turnover ratio stood at 33.2x as on 31st March 2026. Our cash conversion cycle as at March 2026 stood at 84 days. Receivable days improved from 114 days in December 2025 to 86 days in March 2026, reflecting stronger collections.

Inventory days increased from 60 days in December 2025 to 86 days in March 2026, primarily on account of buildup of raw material stock both to support the execution of large strategic orders and to secure adequate inventory of key inputs in light of surging global demand of AI compute infrastructure.

Our balance sheet strength is reflected by us being a zero-net-debt company. The company had net free cash of INR833 million as on 31st March 2026. The net cash generated from operating activities was INR1,715 million for the financial year 2026. The Board has recommended a dividend of INR3 per share, subject to shareholders' approval.

Our strategic road map and growth priorities remains on track, supported by huge demand for high-end computing solution, a healthy order book and a solid pipeline, we are positioned to deliver consistent revenue and profitability in the upcoming fiscal year. Looking ahead, we remain confident of sustaining strong momentum and are guiding a growth -- revenue growth of 35% to 40% over the next couple of years. With this, I'll now hand over the call to Seema.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Renu Baid from IIFL Securities.

Renu Baid:

Congratulations for the good performance. So, the first question is, while we had alluded to the fact that sequentially execution will be broadly flattish, can you throw inputs in terms of despite significantly higher share of organic growth coming in from the base business, our gross margins technically have not improved. The EBITDA margin sequentially was broadly at 12.5%. So,

what has constrained the margin expansion despite a significant jump up in base business revenues this quarter?

Sanjeev Sancheti: So Renu, just a couple of things. One that it is not that the strategic orders have been lagging behind. It's just that they spilled over to the next quarter, okay? So, we are on track on that. And we entered the new financial with a very strong order book of about INR2,100 crores plus about INR350 crores of the L1.

So, we entered with INR2,400 crores, which is more than the last year's revenue. As far as the margins are concerned, I think you need to see the margin adjusted of the forex loss and gain. So actually, we've done better than the last quarter, and that is reflective of how the margin is perceived to be, and it is within the guidance.

Renu Baid: Sure. Because I was looking at the gross margin level, which sequentially does not show improvement there. Understand. That's point number one. And point number two, how are we looking at the pipeline of order flows, both for the base business? Also on the strategic business, we haven't heard of any meaningful large order wins for L1 in the last couple of quarters. So how is the order pipeline from the private service providers as well as from the direct government orders for the AI infrastructure here?

Sanjay Lodha: Renu Ji, actually, if you really see what I said in my commentary very, very clearly, basically, the way the business is looking to me is really fabulous, actually, really speaking. I'm showing an order book of around basically INR2,100 crores. But if I add the L1, it is INR2,400 crores, which is more than the order -- more than my revenue -- current year's revenue.

I think that itself is a very, very solid thing if you really see at the beginning of the year, we are entering a year with a very, very too heavy and too robust order book already, okay? So whatever has to be added will be added. And plus -- so as to basically organic business is growing, that means that our run rate and our other business is growing.

The company is not dependent on strategic orders, as I have always been telling you that primarily the company is running primarily on its own organic way and it's growing in its organic way. The strategic orders we are announcing as and when it is coming. We have a lot of discussions.

You are aware about the kind of AI demand, which is happening not only in India, but across the world, okay? And basically -- and it seems like it will go on for at least the next 18 to 24 months. So we have a huge basically pipeline wherein basically a lot of opportunities are there. And I think there is -- there will be no dearth of orders actually, really speaking.

Renu Baid: Got it. So basically, extra strategic orders of almost INR16 billion, INR16.5 billion, the base order book today is about INR5 billion. And including the L1 orders, it should add up close to INR900 crores or INR9 billion, if I am right in terms of numbers. Does that broadly fall in place?

Sanjeev Sancheti: Order book -- so I think the total order book, if you look today is INR2,100 crores plus about INR300 crores. So INR2,400 plus INR100 crores is the order book, including L1. And to that,

you add INR4,400 crores of pipeline. So that will stack up to, let's say, about how much -- INR6,500 crores. So that's the total, including pipeline and order book.

Renu Baid: Sure. No, I was just referring to the base orders, excluding strategic. So strategic orders in the backlog is about close to INR16 billion, INR16.5 billion. And if I knock that off from the INR64 billion order book, including L1, then today, we have close to INR800...

Sanjay Lodha: Yes, you are right. Yes, you are rightly saying that.

Renu Baid: Got it. So base business should be on track for 30% to 35% CAGR growth that we have been suggesting?

Sanjay Lodha: Yes. Basically, I think seeing the order book yourself will get that conviction.

Renu Baid: Right. And on the operating margins, do we think the cost headwinds in the current environment, we have been fully able to pass through? And EBITDA margins of 13%, 13.5%, are they sustainable going forward for '27, '28? And what would be your headline guidance for fiscal '27 on revenue, EBITDA margins and capex?

Sanjay Lodha: So basically, it will remain almost all the same. I will let Ankit answer it.

Ankit Kumar Singhal: Yes. So -- Renu, so on the operating EBITDA margins, we are guiding 13% to 14%. If you understand that there is a high top line growth, and we are still sustaining the EBITDA margin. So that primarily gives the validation and the resilience in the margins we are maintaining. So in this way, all -- if you see with this growth, the leverage is already embedded in the margins. So that's why we are guiding this 13% to 14% range for the next couple of years. And on the revenue growth, we are guiding 35% to 40% growth.

Renu Baid: And capex for fiscal '27, what are the plans there?

Ankit Kumar Singhal: So, with the current capex, we are able to sustain the growth. There is no capex expansion. No significant capex is expected in this financial year '27. So, there will be the routine capex that will be coming across.

Renu Baid: Okay. So, we can expect the INR20 crores, INR25 crores of base spending will continue?

Sanjeev Sancheti: Yes, more or less.

Moderator: Next question is from the line of Seema Nayak from ICICI Securities.

Seema Nayak: Congrats on good organic growth. So how will the timeline for execution of the remaining strategic order wins pan out? That's my first question. And second question is regarding data center growth, which has slowed down. So can you share the reason behind it? Are we seeing increased competition there? And what will be the target cash conversion cycle for FY '27? Yes, these are my questions.

Ankit Kumar Singhal: Strategic order time line.

Sanjay Lodha: So basically -- strategic orders time line, basically, it's -- definitely, as we have mentioned it, I think it is expected it to be done quarter-by-quarter. And we expect that -- within the next 3 quarters, I think we expect it to be done, okay, as regards to the strategic order is concerned. The next question was...

Ankit Kumar Singhal: Next question was the data center de-growth.

Sanjay Lodha: Yes. Basically, I think you need to see it, ma'am, actually very clearly. There are 3 pillars of growth actually, which we have. Basically, just don't go by the name. The first is the HPC, that is supercomputing. That's already growing, and that has been always been around 30% of our business. But since this year, AI became 43% of our business, still it's 24% of our business. So it's not -- it's not stagnating. It's growing.

But basically, since AI is growing much faster actually. Actually, the data center in our case is the Private Cloud and HCI. Please understand that. Basically -- so these are the 3 pillars. First is HPC, second is Private Cloud and third is AI. And Private Cloud is the data center business, which used to be around 30%, 35% of the business that is showing us 24% because, again, because of the AI, AI was 15%, it has become 43%, so that's the reason you're seeing that number.

But in reality, it is growing at a good momentum, definitely not growing as good as AI, but definitely, it's growing at a good momentum. The data center, which you are saying there is no de-growth. The data center servers, which you are saying, that's not a focus area for us because we are not in the box selling, it was only some marginal 5% of the business, and it's around that. So we don't even track it. Our business, if you see totality, more than 95% comes from these 3 segments, HPC, Private Cloud and AI systems.

Ankit Kumar Singhal: Third question was the cash conversion cycle. Yes. So -- Seema, so our cash conversion cycle typically operates from 90 to 110 days. Now this is something which cannot be projected for next year at least, but we would like to say that the range will remain like that. There will be some increase in the inventory days projected for this year also. So -- but we will stay within the range of 90 to 110. That's what we feel.

Moderator: Next question is from the line of Harinder Singh from Blackstone.

Harinder Singh: Sir, my question is basically on the India AI demand. So India is somewhere around 1 gigawatt, 1.5 gigawatt current. And by 2030, the country plan is to go up to 9 gigawatt. So first question is the way the industry -- as a country, we are going to grow from 1.5 gigawatt to 9 gigawatt, do you see your industry growth in line with the current country expectation?

And second question is a lot of hyperscalers like Amazon, Microsoft, they are going very aggressive in the country, and they are building up more than 1 gigawatt capacity in Hyderabad, Mumbai. So like I saw Yotta as your one of the customer. Are you focused on hyperscalers? Or like do you have any growth plans going into directly hyperscalers rather than the colocation providers? So...

Sanjay Lodha:

Basically, first thing is that India AI Mission is based on many pillars. Actually, there are 5 or 7 pillars out there, actually, really speaking. And government, you know that Prime Minister's focus is very, very clearly on the -- basically, India has to become a leading country for providing AI solutions actually.

So, the government has been very clearly focusing upon it, has been working very hard and have been trying to bring AI on the forefront for the country so that India makes an impact to the world on the AI space actually. And so that is going on very well in track. Government's current spending budget, they are even ready to expand that also if they're able to do it. So it's really -- the budget is not the main criteria there.

The criteria is how fast they are able to spend the money and how fast they are able to get in the new infrastructure. So there are 2 parts of it, as we have been telling you -- telling every time that one is basically government is trying to basically rent out GPUs from various new cloud providers like Yotta and others. And basically, another is that government is trying to set up their own infra.

So setting up their own infra is taking time, but definitely, that process has also started. But in the meantime, basically, they are trying to take it in the RFP model, they are trying to take GPUs from various kind of new cloud providers. So that is going on, on track, and that's happening very clearly and the government's own demand is also there. So as regards to your -- particularly on the side of what is the kind of spend that is happening is basically it's a large amount.

They were talking about 10,000 GPUs, which became 25,000 GPUs. Now they are even ready to go up to 100,000 GPUs also. So government's focus is very clear. Very clearly, they want to create AI infrastructure in the country. So all the AI start-ups and all the people who want to work on AI, they don't feel the pinch of it and the GPUs are made available to them so that they can really do their work.

If you got a chance, you might have even seen the success of India AI Summit, the kind of traction it got, the kind of people who are attending it, it was only targeted at 100,000 people, but more than 700,000 people really attended it. So we kind of -- basically, the Prime Minister himself was there for 3 days. So you can very well understand the kind of focus and attention they are trying to give it. As regards your question basically primarily that are we targeting hyperscalers?

At this point of time -- my answer is that at this point of time, we are not targeting really hyperscalers because India is a market in which basically still is not a hyperscaler-driven market. It's primarily more of a sovereign and those kind of market actually is -- currently it is. But definitely, hyperscalers come, And if they are interested, we can definitely bid for them. We can definitely work with them. But at this point of time, we are not targeting hyperscalers, and I don't feel India is a hyperscaler market. They are trying to set up large data centers. Still, these are in greenfield projects. They will take time so as to basically come up. Maybe Hirdey can add.

Hirdey Vikram:

Yes. I think you have already covered all the details. And as regards to demand is concerned, Harinder, I can definitely tell you the way the investments are going up, especially from the

government side and now the enterprise investment has also started coming in. So, it clearly paves the way for us, and we find a lot of headroom for us to grow.

And as you rightly mentioned that currently, the capacity which India holds in terms of data center, that is anyways going to go up. So that clearly shows that there is no dearth as regards to demand is concerned. So, we definitely want to encash the opportunity, and this is what we are doing. So, you can find a lot of good quarters coming our way.

Harinder Singh: So, these are the two questions. So, the way the industry and the AI industry is changing, so a lot of companies like TCS, they have come up with a company like HyperVault where they are serving these hyperscalers, providing them colo services where they are making huge 50%, 55% of margin in future, if you see growth into this business and happy to see you in other areas also where -- which are more profitable and you can add value because you are contributing to a major part of the items which goes into the data center? Yes.

Sanjay Lodha: All these initiatives really add to our business actually. All the -- basically, you see all these -- we call them global service providers actually or basically GSIs like TCS, Infosys and basically Wipro and all these. So basically, they are all evolving and they are all developing different type of products so as to service the AI workload. So, all these basically offer us more opportunities and all these are our customers or our probable customers.

We are under NDA, so we cannot disclose which customer, what they are trying to do. But all these definitely add because they need AI infrastructure, they need the AI stack and everything which needs to be done on that basis -- on that, they offer the services to the customer. So, more and more AI workload is coming to them. And so that AI workload delivery is there. So definitely, that's a good business opportunity for us.

Moderator: Next question is from the line of Akshay from AK Investments.

Akshay: Okay. So, my first question is regarding the promoter stake sale in the quarter 4. So the promoter have nearly sold the 4% stake. So, what was the reason for the same? And do we expect any further dilution in the promoter holding going forward?

Sanjeev Sancheti: Yes. So, I think first answer the second question first, we are not going to dilute, this stake sale was done in the month of February. We are not going to dilute 12 months from there. So that's already confirmed. As stake sale, of course, it was done because there was some -- there was a liquidity -- there was limited liquidity. So, by this stake sale, we have been able to increase the liquidity of the stock.

Akshay: Okay. Okay, sir. And sir, my second question is regarding the presentation. So there is one line in the presentation that we have commissioned the new state-of-the-art production facility spanning across 15,000 square foot. So is this the new manufacturing facility that we have commissioned? Or -- if yes, then how much capacity or how much incremental capacity does it bring?

Hirdey Vikram: Yes. This is a state-of-the-art manufacturing facility, which we have set up. And largely, the target was to start manufacturing the range of those systems, which we had not been

manufacturing earlier. And now as you can see that we have introduced the new architecture of our latest generation systems as well. So keeping that in mind, this facility has been set up, and you will be happy to know that with this facility, we'll also be designing the complete range of liquid cooled systems as well.

And now the idea was to increase the density per rack in our case, and that is what we have -- this facility has helped us. And now we'll be able to scale even beyond 150 kilowatt per rack kind of an architecture. So this facility was very important for us. So that was in there -- in the process earlier. So now we have completed it, and we'll be targeting the larger deployments with the help of this facility.

Akshay: Okay, sir. So currently, what is the total revenue capabilities that we have from all our capacities?

Sanjay Lodha: So basically, Akshay, you will have to understand the company very well. This is a technology company. This is not a capacity-driven company actually. We are a capability-driven company. We have never said-we never work on capacity. Our capacity utilization would be around 65% to 70% only. Primarily, we are not driven by just a volume sale or something of that nature.

You have to understand the basics of the company, actually, the company doesn't work on capacity. We work on capability. If tomorrow, NVIDIA's new Vera Rubin is coming up as a new, we are already set up for the partnership for that. Tomorrow, if we have to manufacture Vera Rubin based-servers and the racks and all that, definitely we need to set up something, we'll definitely set up. But again, that will not be capacity based, that will be capability based.

Moderator: Next question is from the line of Chi Ho Wong, Pictet Asset Management.

Chi Ho Wong: So, my first question is the Agentic AI impact on CPU. Year-to-date, we see a lot of demand after the OpenClaw launch. So, driving a lot of CPU usage. So we saw the Intel reported very, very strong earnings and outlook. So, for Netweb, I think the relationship is on the high-performing computing segment where you sell the CPU server.

So last year, apparently, the AI system is very good, but then the HPC segment is more steady. My question is because of this Agentic AI trend, do you see a much faster acceleration in the HPC segment revenue this year and maybe next year? That's my first question.

Sanjay Lodha: So basically -- telling you, Chi, basically -- thanks for your question. The Agentic AI is definitely, again, one of the factors which is driving the AI actually. And as regards to your relation between basically agentic AI driving HPC sales, I don't think that is going to impact, I don't think in this current year, at least in this geopolitical region, what I personally feel. HPC in itself is growing very well.

Basically, you are seeing HPC basically growth around -- it has grown by around 31%, which is not less actually, but you're seeing the number low because the AI has grown too much. So that is showing it that way. But let me tell you, HPC because of NSM, National Supercomputing Mission 2.0 is already there, plus basically adoption of HPC and AI together is also happening across verticals, across -- if you see the automobile industry is using it, basically there is quite a lot of use in the oil and gas and different areas.

So I personally feel that the HPC will keep on growing. But definitely, AI will grow at a larger pace. But as regards to your question on Intel, the current development, I feel that will take some more time to create an impact to the HPC market growth in India as such what I can understand.

Chi Ho Wong:

Okay. Understood. My second question is regarding the healthiness of the India AI investment by the government. Because I saw some articles saying that the investment in the downstream data center, the take up rate is quite low. So that some of these data centers, they have to rent it out to the other customers outside of the India AI Mission. Can you, from your perspective, comment about how healthy is the downstream adoption of the Indian AI Mission investment by the government?

Hirdey Vikram:

Chi, thanks for your question. So as we have explained earlier also, so Government of India is very clear at the moment that they want India to become the AI service industry for the world. And for that purpose, this process of India AI Mission has been going on for the last almost half a decade, and the process started long back. And this mission is very clear that the investments are going on 2 fronts.

One, that they want to basically build facilities through the CSPs. And the second is that they want to build the facilities on an on-prem basis. So investment outlays, whatever has been outlined by Government of India so far has been as part of their first tranche of investments and that itself clearly signifies the efforts by the government of India. And that is going to -- that is anyways leaving an impact all over the country because enterprises and CSPs all are putting their efforts to build up the facilities.

And now going forward, the expectation is that the investments are only going to go up from here by government also and by the enterprises. So the opportunity gives us a lot of headroom to grow, and we are also going to welcoming the opportunity with open hands. and the kind of work we are doing.

And as you can see, the new manufacturing facility, which we have set up, there is also keeping in mind that we wanted to add a new capability of designing dense GPU systems, which can serve such kind of requirements coming from both the fronts, be it CSP front or the on-prem requirement front of Government of India. So we are absolutely capable, absolutely ready to address the requirement. So I think this is quite a good opportunity for us.

Sanjay Lodha:

And the data center investment also is increasing from the corporate side also. People are really interested because they have demand on hand and so they are also trying to [inaudible 0:37:08], government is a ready buyer. So people are trying to put -- it takes some time to put up the data center investment as you understand that.

But people are already working. There is a lot of interest around that. If you see the current -- the government taxation also which they announced, so they are promoting data centers. So more and more data center investments are coming in. So we are pretty sure the kind of basically the demand we are seeing and kind of interest from the government we are seeing. So things will roll on very well.

Moderator:

Next question is from the line of Sandeep Shah from Equirus Securities.

- Sandeep Shah:** Congrats on a good execution despite supply chain management issue and its impact on the raw materials. Sir, the first question is this growth guidance of 35%-40% and EBITDA margin of 13%, 14%, both of which is for the base business, excluding strategic deal, how to consider this guidance?
- Sanjay Lodha:** So, the revenue growth, 35% -- maybe he is asking about the EBITDA margin...
- Ankit Kumar Singhal:** So, it's for the overall, this is the enterprise level guidance.
- Sandeep Shah:** But strategic order, you are saying in the first 3 quarters, it would be executed. So that itself is a big growth driver for the coming year?
- Sanjay Lodha:** Correct.
- Sandeep Shah:** So, the growth has to be higher than 35%, 40%, right?
- Ankit Kumar Singhal:** So, we on the revenue...
- Sanjay Lodha:** We are guiding you the best case, don't worry at all, Sandeep.
- Sandeep Shah:** Okay, okay. So, my question...
- Sanjay Lodha:** Because we are entering the year with INR2,400 crores already as an order book, okay, including the L1. That itself is a robust signal that basically we are entering the year with the order book, which is more than the last year's turnover, that is the more business addition will happen. But you understand that we are not box pusher, Sandeepji. We are primarily more into proactive sellers rather than reactive sellers.
- So basically, we just don't want to become a box pusher also. We -- always the intention of the company has been to engage into more and more value-added kind of deals. if you see my customers also, 50% is government, 50% is enterprise and enterprise customers are also large customers primarily. So basically, those kind of business really takes time to completely loop in and get in. So I feel the kind of revenue guidance which we are giving, we would like to maintain that 35% to 40%.
- Sandeep Shah:** Okay. Okay. And sir, in terms of the current inventory level, it is fair to assume that the current order book to some extent can be compensated with the current inventory, which is done to some extent, will help you to maintain margin because the inventory could be built at a price lower than the current spot rate price.
- Sanjay Lodha:** I think we will not like to guide on the inventory and the margin. Actually, Overall, I'd like to guide you the margins will remain at the same 13% to 14%. We have been always been -- you see that last year also, we performed as per our guidance, and we are very sure that we will do it this year also.
- Sandeep Shah:** Okay. Okay. And just last question in terms of export sales, any development progress you want to share, what percentage of revenue it has formed...

- Moderator:** Sorry to interrupt. Mr. Shah, your voice is breaking.
- Sanjay Lodha:** I will take this call. I understood Sandeepji's question. So Sandeep Ji, basically, you know the AI demand is unabated. It's very difficult to fulfill the domestic demand itself. So really, frankly speaking, we are -- the focus on exports, we are not getting time to do it. And currently, the worldwide AI demand is unabated. So basically, let me first suffice the domestic demand, then we look into exports. So, it will remain around the 5%, which we have been currently doing. It will remain around that only.
- Sandeep Shah:** Okay. And sir, last question, apart from Google, even AWS and other hyperscalers are introducing their own chip. So, in this scenario, are we geared up in terms of tie-up beyond the top 3 chip providers or manufacturers? Because if this scale increases through hyperscaler produced chip design, can you share the progress how we are tying up and making sure that the motherboard design also meet a variety of chip designs?
- Hirdey Vikram:** So, Sandeepji, this has been -- these efforts have been going on at their end for quite some time because emergence of TPU is not something which has happened just now. So we are aware of the progress which is happening on the other side of the market as well.
- And we are open to go in that direction also as long as the significant development has been shown and as you know that we have got our in-house design teams also, that is the reason we were able to take up the risk-based architecture so fast. So same way, we will be able to look at the other chip makers also as long as there is a significant technological advancement at their end, which has got an acceptance in the market. So as a design team, as an OEM, we don't have any reservation to it.
- Moderator:** Next question is from the line of Vinay Menon from Monarch Network Capital.
- Vinay Menon:** Congratulations on great execution in this quarter, sir. A couple of questions on my side. On the component pricing, are you seeing any kind of softness? Or are we still looking at component prices being at these levels for maybe the next few quarters?
- Sanjay Lodha:** So basically, really speaking, I cannot -- I'm not supposed to guide on the component pricing on my call actually. But let me tell you, the AI demand is really unabated. So that is definitely putting pressure on the components actually, really speaking. So, if it will remain unabated, definitely, there will be pressure on the component prices and component supply chain.
- But basically, as I have been always been saying that we are proactive sellers, we have good projection of what is going to come, what is not going to come. So we plan our inventories and our contracts, our relationship with OEMs really basically are aligned that way. So it doesn't impact us much. In case there is a price increase and -- so basically, we can always pass on to our new customers.
- Vinay Menon:** Okay. And just a couple of more things. One is we're seeing demand move from training to inference in last few quarters. So that is obviously less GPU dependent and more as like Sandeep mentioned, maybe TPUs are also coming in. So how are we going to get impacted in terms of

the demand shifting? Are we going to see more demand with inference demand improving? Or how does the economics work for us there?

Hirdey Vikram: Menon Ji, thanks for the question. So first of all, as regards our readiness is concerned, we have always been ready to address the demand coming from the training and the inference side, both sides of the market. And that's the reason that was reflected in our new introduction of our products as well because we have kept on adding those products also which can take care of inference exclusively or even the products which can take care of training and inference both.

So from the readiness perspective, we have been seeing the market development. And accordingly, only we have designed our products basis on that. And secondly, as regards to whether the requirement will go up from here or it will go down. So I can definitely tell you that the demand is only going to go up from here. Reason being, on one hand, the training kind of a work has already been going on in the country and outside already.

And at the same time, whatever development has been done on the training side earlier, now the time is that inference will also generate the additional demand. So I think it is good for us that inference is also taking up, and this is only going to add to the overall demand. So I think it is a good situation for us to handle. And we are pretty much ready with both the type of products and both the type of solutions, which can take care of the requirement.

Vinay Menon: Okay. Okay. And just one more thing on the guidance of 35%, 40%, that is inclusive of the AI mission deal, which we will execute over the next 2, 3 quarters?

Sanjeev Sancheti: So, the guidance on the top line is not inclusive of the strategic order. It is the normal organic order, which is about 35%.

Moderator: Next question is from the line of Pooja Seth from Yes Securities.

Pooja Seth: Congrats for having a good set of numbers. Sir, just want a clarification. In your strategic order book, whatever revenue you guys generate, it comes under your AI segment?

Sanjeev Sancheti: Yes.

Pooja Seth: Sir so, as you are guiding us 35% to 40% growth. So could you throw some light on the segment-wise in which segment you are seeing except for AI because HPC, our core business that is HPC and HPS. We are I think about 25% of growth this year. So how we are seeing this further on?

Sanjeev Sancheti: I think we give guidance overall basis. There's too much of detail to be given for a guidance. We would like to stick to the guidance on an overall basis.

Pooja Seth: But sir, some sort of guidance like in which segment you are seeing...

Sanjay Lodha: So basically, our -- all the three segments, ma'am, if you understand three segments today, please understand our core business, okay? You understand our business, our business is HPC, our business is Private Cloud and AI. Now you tell me which segment will not grow, ma'am. I give you a reverse question. Basically, HPC is a segment which will grow very heavily. Private Cloud data center is going unabated, but AI is worldwide grown.

So, all the 3 segments, 95% of business coming into the company is into these 3 businesses. And all the 3 segments are really growing at a very good pace. So definitely, that will grow. So definitely, HPC and AI should grow at a faster pace. But I personally feel in future, I would like -- I was guiding that AI should be around 25% to 30%. I can tell you that AI will remain around 35% of my business. Balance will be shared equally between the HPC and Private Cloud.

Pooja Seth: And sir, one more question. As this quarter, we have seen there was -- net borrowing has increased about INR270 crores. So, could you give a breakdown why this happened?

Ankit Kumar Singhal: Borrowings are largely to fund the strategic orders. We had been -- these are very short-term borrowings. These are no long-term borrowings, and these are primarily to execute the working capital required for any large strategic orders or at the same time, any regular orders which are going through, and this gets settled in a very short span of time.

Sanjeev Sancheti: So, I mean, you can take it that this borrowing is transitional.

Moderator: Next question is from the line of Mansimer Singh Sethi from Citi Capital.

Mansimer Singh Sethi: Sir, I wanted to know regarding our cash conversion cycle, like I know it's already been asked the question. But the thing is the cash conversion cycle is more than 100 days. So, don't you think with increasing ROE and ROCE, it will be difficult for us, like we will be -- that we need to reduce the cash conversion cycle drastically for that?

Sanjeev Sancheti: Drastically, no, just a minute. So, I don't think it is 100 days. I think we have shared the presentation. If you have had a look at the presentation, it is 84 days. And primarily, because of inventory, which we have created in inventory for our large orders, which we are carrying in hand as of date. Ankit, if you can add to that.

Ankit Kumar Singhal: So yes, correctly mentioned by Sanjeev sir. So, it's not 100, it's around 84. And still the increase is because of the inventory days. If you see the receivable days from the last quarter, it has significantly improved and inventory days has gone up on the account of stocking the critical components for potential and large orders.

Sanjay Lodha: And plus, basically, we have always guided that our -- basically our kind of business, it will remain between 80 to 90. So, I think this is not a surprise.

Mansimer Singh Sethi: Okay. So actually, it was guided here only in the con call like more than 100, 120. That's why I was asking.

Sanjay Lodha: So it has come down.

Sanjeev Sancheti: 90 to 110 is our standard guidance. So -- yes...

Management: I think it will be okay with that.

Mansimer Singh Sethi: Okay. Okay. And my second question is regarding our exports. So I was -- in the last con call, you were saying that we are tracking different exports also. So I wanted to know regarding that, any pipeline regarding our exports per se?

Hirdey Vikram: So as you could -- I hope you heard our answer earlier also that see the kind of market we see in the domestic space. So we are right now trying to fulfill the demand coming from the domestic market itself because there is a lot of headroom for us to grow, address the overall incremental growth in the market and all that.

So first, once we are able to address the complete market share in India, definitely, we'll be going out as well. But the priority right now is domestic. And since domestic is anyways giving us the required quantum of growth, so there is no harm focusing on this. But yes, going outside, India is definitely in our pipeline, and we'll be focusing on that as well.

Mansimer Singh Sethi: Okay. Sir, my last question, like we have a INR4,000 crores of pipeline, right? Can you tell me what percentage of that can be converted on the safer side in this financial year?

Sanjay Lodha: 60%.

Mansimer Singh Sethi: 60%...

Sanjay Lodha: Just financial year, No, no. That is basically...

Sanjeev Sancheti: Generally, the conversion is about 60%, but this will fuel about 1.5 to 2 years of -- yes, 18 to 24 months. So, it's not that all of the 60% will happen this year.

Moderator: Next question is from the line of Vatsal Aggarwal from -- who is a Retail Investor.

Vatsal Aggarwal: Yes. Sir, given the strong cash position on the balance sheet, can you explain the reason behind the increase in the short-term borrowing because it appears counterintuitive, sir?

Ankit Kumar Singhal: So, it's not that. There is -- the borrowings have some covenants. When we borrow the funds, we have to maintain the borrowing period for some period of time. And these are the numbers based on the reporting date. So, there are RBI guidelines where the WCDLs are supposed to be maintained for a certain period of time.

So, to avoid that, that's why it's coming here. And we do have cash, but we cannot settle the borrowings with them. So, there are the commitments which are given to lender in the coordination with the RBI circulars.

Vatsal Aggarwal: And secondly, sir, I was just trying to understand the business segment. Can you please explain the difference between our Private Cloud business segment and the AI systems business segment?

Hirdey Vikram: See, we have talked about it in the earlier quarters also. So, the difference is that Private Cloud is basically catering to a different side of the market, where the convergence of compute, network, and memory happens. Whereas the AI side of the market, AI system is largely taking care of the AI workloads. If you are trying to know about what is the difference in the workload type from these two markets, then the answer is this.

And if you want to know about what is the difference in the -- from the business side of it, that who all are the probable customers from the Private Cloud and who all are the probable

customers from the AI system side, then my -- I can basically further explain. I hope I have answered you that the Private Cloud is largely for the convergence of compute network and the hyper-convergence put together in a single platform. That is for the Private Cloud and HCI, whereas AI system is largely meant for the purpose of AI workloads.

Vatsal Aggarwal: No, sir, because my question is that for data centers, it should be in the AI systems business rather than the Private Cloud, if my understanding is correct?

Hirdey Vikram: Data center assets, see, one thing is very clear that data center is assets which cuts across all the verticals for us, product verticals, but largely data center is largely focused around the Private Cloud and HCI for us. Reason being that the data center workloads, what we talk about are the workloads wherein the convergence of compute with the storage and the network put together happens.

So that is basically dealt with -- dealt in case of Private Cloud and HCI. That's the reason we don't count it as part of AI system, but we count it as part of Private Cloud. And that's how these two are related.

Moderator: Next question is from the line of Prajay from Wealthyvia.

Prajay: Yes. So, my first question is that as per what earlier participant had said that out of your total pipeline, 60% would be converted. And out of that, some of the orders would be passed on to 1, 2 years. So, like did I hear that correctly?

Sanjay Lodha: So, I think basically, what we mentioned is that the -- somebody asked us that pipeline -- in how much time will pipeline be converted. So, pipeline is a very, very dynamic situation, which keeps on changing every day. So, whatever of the reported date, whatever pipeline is, that pipeline normally gets -- 60% of it gets converted, but it takes around 1.5 years, around 18 months to get converted. All of it, total of it.

Sanjeev Sancheti: So just to explain to you, the conversion happens like every day, right? What I'm saying that this pipeline which is sitting today may convert -- the 100% of may get converted by 1.5 years, but it will happen in tranches. And new pipeline will also keep entering into this. It's a very dynamic thing, right? Pipeline, someone will convert into orders, some will go out of it. New pipeline will get entered. So, this is a very dynamic situation.

Prajay: Okay. And your order book, the amount is INR2,400 crores, including the L1. So ideally, as per what I'm able to understand, it gets executed in 3 to 6 months, right? So the revenue visibility that like for this order book is 3 to 6 months only? Or am I missing something out in this?

Sanjay Lodha: Basically, as I -- normally, our shipping cycle is very different. Normally, our order cycle is somewhere around 10 to 20 weeks, we normally ship out, okay? It used to be 10 to 16 weeks, but it can be 10 to 20 weeks, it can normally go up. But as regard strategic orders are concerned, we are not guiding on the execution. But basically, what I said is that the strategic orders should go in next 3 quarters actually and phase-wise. And as regards the organic order book is concerned, we feel that within 18 to 20 weeks, it should get built out.

- Prajay:** Okay. I'm sorry, can you bifurcate the strategic order and your idle orders to me? I'm sorry, I mean that attachment is...
- Sanjay Lodha:** In presentation I mentioned very clearly, INR1,600 crores is the strategic order INR472 crores is the organic order and INR327 crores is my L1.
- Sanjeev Sancheti:** Which is again organic.
- Sanjay Lodha:** Which is again organic.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as a last question for today. I now hand the conference over to the management for the closing comments.
- Sanjay Lodha:** Thank you. Thank you for taking out time and joining us. Thank you so much. Appreciate your interest.
- Management:** Thanks a lot.
- Moderator:** Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.