November 09, 2026

To,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, C-1, Block G, Bandra
Kurla Complex, Bandra (E), Mumbai 400051
NSE Symbol - EBGNG

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001
Scrip Code – 544455

Sub: Transcript of Earnings Call with Analysts / Investors pertaining to the Financial Results of the Company for the quarter and half year ended September 30, 2026 - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the Earnings call with Analysts / Investors held on Tuesday, November 03, 2026, post declaration of the Financial Results for the quarter and half year ended September 30, 2026.

The same has also been disseminated on the website of the Company.

We request you to kindly take the above on records.

FOR GNG ELECTRONICS LIMITED

SARITA TUFANI VISHWAKARMA
Digitally signed by SARITA TUFANI VISHWAKARMA
Date: 2026.11.09 14:01:06 +05'30'

Sarita Vishwakarma
Company Secretary & Compliance Officer
Membership No. A59547

"GNG Electronics Limited

Q2 & H1 FY27 Earnings Conference Call"

November 03, 2026

MANAGEMENT: **MR. SHARAD KHANDELWAL – FOUNDER AND MD**
MR. AJAY PANCHOLI – DIRECTOR
MR. RAAKESH JHUNJHUNWALA – CHIEF FINANCIAL OFFICER
MR. ROHIT AGGARWAL – STRATEGY AND INVESTOR RELATIONS

MODERATOR: **MR. AVINASH KARUMANCHI – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the GNG Electronics Limited Q2 and H1 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services 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 the date of this call.

These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 this 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. Avinash Karumanchi from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Avinash Karumanchi: Good evening, everyone. On behalf of Motilal Oswal Financial Services, I welcome you to the Q2 and H1 FY27 Earnings Call of GNG Electronics Limited. Joining us on the call today are Mr. Sharad Khandelwal, Founder and Managing Director; Mr. Ajay Pancholi, Director; Mr. Raakesh Jhunjhunwala, Chief Financial Officer; Mr. Rohit Aggarwal, Strategy and IR.

Now I hand over the call to Sharadji for his opening remarks. Thank you, and over to you, sir.

Sharad Khandelwal: Good evening, and thank you, everyone. I welcome you all to the Q2 and H1 FY27 earnings call of GNG Electronics Limited. I'm very happy to share that we have delivered our best ever quarter. Revenue grew 42% year-on-year. This is our strongest quarterly growth since we listed, and this also makes it our best first half ever.

What I find most encouraging is the quality of this growth. It was broad-based across India and our international market, across customer segments and across the channel. And it came with margin because customers are increasingly paying for what Electronics Bazaar stands for, a product that works like new, a warranty they can rely on and a partner they can trust.

Rather than treating refurbished as a commodity, our laptops are sold as Electronics Bazaar refurbished laptops, which is a distinct brand positioning, and we are decommoditizing the refurbished space.

We are solving the trust issue and trust is a huge margin lever. That is the shift we have been working towards and I believe it is what you are seeing in these numbers. Let me first take you through the quarter's performance, then the industry developments and then the progress across the company.

For the quarter ended September 2026, our consolidated revenue stood at INR624.8 crores, which is up from INR439.9 crores in the same quarter last year. Gross margin improved by 515 basis points year-on-year to 25.1%. Our India business grew 45% year-on-year and our international business grew by around 40%. Similarly, for the first half of FY27, revenue stood at INR1,037 crores, which is 38% up from the same period last year with gross margin expansion at 24.9%, which is an improvement of 438 basis points. Demand remains healthy across India

and our international markets, the United States, Europe and the Middle East, and we are ahead of our full year FY27 guidance on both revenue growth and profitability.

Let me now spend a few minutes on the industry. On our last earnings call on 30th July, I had shared IDC's projection of a decline of around 20% in global PC shipments in the second half of calendar year 2026. IDC has since released its numbers for the September quarter, and the decline has come in at 20.1% year-on-year, which is 62.7 million units shipped as against 78.5 million shipped in the same quarter last year. That's close to 16 million fewer computers in a single quarter.

IDC attributes this to higher prices, supply constraints and inventory challenges and expects a decline of similar order in December quarter as well and prices are expected to remain elevated. For the full year 2026, IDC continues to project a decline of 11.3%, which is on a base of 284 million computers sold in 2025 that's roughly 30 million decline of computers sold over last year and we are not factoring in any growth in computing demand. This is a very sharp decline for this industry and it is coming totally in the second half, that's from July to December of 2026.

Now how long does this last? I would rather you hear it from the people who make the components and people who make the computers than from me.

Michael Dell, the founder of Dell Technologies, said in an interview with CNBC on 13th October that he expects the memory shortage to get worse next year in terms of demand and supply. And that in his own words, it may well be a 4-year problem because there's just not enough supply.

Sanjay Mehrotra, the Chief Executive of Micron, one of the 3 largest memory manufacturers in the world, said on its earnings call on 30th September 2026 that Micron expects memory and storage supply conditions to be and I quote "much tighter in fiscal year 2027 and 2028 than they were in 2026" and it does not have line of sight to when supply and demand will return to balance.

SK Hynix, the world's second largest memory manufacturer, reported in its results on 28th of October 2026, that's just a few days ago, that DRAM prices rose by a high-twenties percentage in a single quarter and NAND by mid-20s percentage. This is the second consecutive quarter of increase of that order. The Chief Financial Officer, Kim Woo-hyun, said and I quote "Memory supply cannot keep pace with this level of demand and growth" and described the shortfall as a constraint projected to continue through 2030. Its Chief Executive, Kwak Noh-jung, said the company's DRAM and HBM volumes for the next 3 years through 2029 are effectively sold out.

The simple reading is that the large part of the world's memory capacity is going to AI and the personal computer is further back in the queue. This is now fully visible in the price of a new computer. A year ago, the sweet spot for a laptop in India was around INR35,000 to INR40,000. That same computer today is now between INR65,000 to INR72,000. And here is what that means for our customer.

If a new computer costed INR100 earlier, our refurbished premium computer used to cost around INR30. We used to peg it at around 30% of a brand-new computer. The gap was INR 70. That

same new computer today costs INR180, which is an 80% increase from last year and ours has potential to go to INR54.

If it goes to INR54, the gap will be around INR126. In absolute terms, the saving for the customer has almost doubled. And that's what has made the refurbished proposition even stronger. This will also allow us to peg our product as a percentage of a brand-new computer much above 30% than what we are currently doing. In case of phone or car market, the refurbished phone or car are typically sold at 45% to 50% price of a new car or a new phone. So this is a huge opportunity for us.

What does this do to customer behavior? When the cost of a new technology rises, the conversation naturally shifts from ownership to access, value and usability. For a business, a college or a student, they still need a computer. The need has not gone anywhere, but they are now asking a different set of questions. Does every requirement need a brand-new device? Can the useful life of a good device be extended? How do I get reliable computing without putting more pressure on my budget?

This is where we believe professionally refurbished devices have an increasingly important role to play, and it is what Electronics Bazaar has been built to offer, a premium refurbished device that works like new, looks like new and comes with a credible warranty of one to three years at a fraction of the price of new.

The story for Electronics Bazaar refurbished computer is only starting.

Having said all that, I want to be very clear on one point because I know that it's on your mind. Every time a new computer gets more expensive, the case for Electronics Bazaar gets stronger. But our case was strong before and it will be strong after. Elevated memory prices are a near-term catalyst for us. They are not the foundation of our business. Our long-term growth is not dependent on the memory price cycle, and we believe the refurbished PC market will continue to expand even if memory prices moderate because what is driving it is a structural shift towards affordability, reliability and sustainability.

Let me explain why we say that. On affordability, even before the shortage, we price a premium refurbished device at around 30% of the price of new. That gap does not close when memory prices moderate. And should memory prices correct someday, never say never, we have a big cushion. Our significant inventory is sourced at old prices. And because the absolute saving for the customer is now far greater, we can peg our product at a higher share of the new prices than before. In cars and phone, as I just said, pre-owned sells at 40% to 50% of new. We are at 30%.

On reliability, the hesitation that once surrounded refurbished has reduced because of product quality, a 1- to 3-year warranty and a buying experience customers can rely on. That is trust built over time.

On sustainability, enterprises and governments are increasingly asked to extend the life of what they own and to reduce e-waste and a professionally refurbished device answers both.

And underneath all of this is the headroom that existed before any of this began. 1 billion people in India carry a phone, 60 million own a computer. We know which number we are working on. We have 30 crore students in this country and only a small fraction of them have access to a computer.

And we are a scaled operator in this market with deep sourcing relationships, in-house refurbishment capability and a strong global distribution network.

These 3 reinforce each other, and that's what makes this a very, very compounding business.

Let me now turn to what we have done this quarter. First, on the reach. Through our distribution network, our national distributors, our regional and city distributors and our channel partners, Electronics Bazaar products are today available across the length and breadth of India from metros to Tier 2 and Tier 3 cities and towns and the pin codes, which continue to grow month-over-month.

Second, channel. During this quarter, we held EB Elevate dealer meets in 10 cities, Delhi, Surat, Nagpur, Indore, Rajkot, Amritsar, Madurai, Prayagraj, Asansol and Pimpri-Chinchwad. Alongside these, our team sat down with channel partners for Chai Pe Charcha sessions in over 70 towns across 17 states and union territories from Dibrugarh in Assam to Tuticorin in Tamil Nadu, from Amritsar to Kolkata. And most of these were Tier 3 towns, places like Jhansi, Sivakasi, Kishangarh, the Lakhimpur Kheri, Gadchiroli and Wayanad. That is what reach means in practice, sitting with the partners in his own town over a cup of tea. The EB Elite program that we launched in Q1 now has 152 partners enrolled. We also opened our first exclusive Electronics Bazaar stores for small and medium businesses in Jaipur in partnership with our channel partner, Techjack. It's a dedicated space where an SMB customer can see the product, understand the warranty and buy with confidence and it gives us a template we can replicate in other cities.

I also spent time on the ground myself this quarter in Jaipur, Chennai and Kolkata and in New York, Dallas, Los Angeles and Paris. And I make it a point to speak to at least 3 dealers or customers every single day wherever I am. What I hear is consistent, the product is accepted, the warranty is valued and the demand is there. Increasingly, customers walk into dealers and ask for Electronics Bazaar by name. Our job is to keep reaching them.

Internationally, we participated in 2 of the most important industry gatherings of the year. In August, we were at ITAD Summit in Las Vegas, the principal conference for the IT Asset Disposition industry in the United States where the buyers and sellers of the corporate IT assets meet. And in October, we participated in the European Broker Meet in Vilamoura, Portugal, one of the largest annual gatherings of IT hardware brokers, refurbishers and distributors in Europe. The response we received at both was excellent. Across the 2 events, our team held more than 250 meetings with sourcing and distribution partners. Both events reinforced the acceptance of Electronics Bazaar as a credible global partner on the sourcing side as much as on the selling side.

Third, on the brand, I would like to reiterate in good measure that we are a 100% Electronics Bazaar brand. Every device we sell in every market carries the Electronics Bazaar name and is backed by the Electronics Bazaar warranty.

I'm also very happy to share that we have tied up with Gaurav Chaudhary, popularly known as Technical Guruji and one of the most followed technology creators in the world for Electronics Bazaar marketing campaigns. Our campaign went live on 31st of October.

Fourthly, on the international, we are deepening our presence in the United States and Europe, going deeper within the states and cities where we already have a footprint and entering new territories, and we are deploying a dedicated sales team on the ground to execute this. A few operating metrics.

As of the end of Q2 FY27, Electronics Bazaar supplies to 55 countries, up from 49 at the end of Q1. Customer touch points stand at 5,542, up from 5,130 and our supply base at 820, up from 773. Our teammates have grown to 2,811 as of September 2026, up from 2,420.

Moderator: We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and then one on the touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all, you may press star and one to ask a question.

We have the first question from the line of Harsh Kothari from MK Securities. Please go ahead.

Harsh Kothari: Yes, hello. Am I audible?

Moderator: Yes, you're audible.

Harsh Kothari: Yes, my question is related to the margin sustainability. So we've done excellent margin growth on half year-on-year of about 8.2%. And on quarter-on-quarter, year-on-year basis, we have done around 9%. So I wanted to ask if the margin is sustainable or not?

Moderator: Yes, just a moment. Sir.

Sharad Khandelwal: This is Sharad here.

Harsh Kothari: Yes. You're audible.

Sharad Khandelwal: The margin is sustainable and will grow and the reason is that this is a permanent reset in prices. There is some problem in the line. Just hold on this. Yes. Am I audible now?

Moderator: Yes, you are audible.

Harsh Kothari: Yes.

Sharad Khandelwal: Apologies for this glitch. There was some problem. So margin is definitely sustainable and will grow. There are a couple of things for that. During the time of our IPO also, I had mentioned that we have a substantial headroom for margin expansion.

As an example I just gave, that if a brand-new computer was, say, at INR100 and refurbish was 30 as we move and establish our brand, we have the opportunity to increase it to 30 to 35.

Now in the last 1 year situation has changed and the prices have moved up by 80% on both the brand and refurbished are now growing. So brand new has gone to INR180 and refurbish can go to INR 54. What does that mean? It widens up the gap. The absolute gap, it was INR70 before to INR126.

It will now allow us to benchmark our product at a much higher percentage of a brand new. So this is a very, very huge upside for us. That's #1.

Second is Electronics Bazaar brand is getting established across the country, across the world. And we are moving away from the tag of commodity. In multiple markets, we are becoming top of mind recall when it comes to consumers evaluating a refurbished PC for their need.

We are well on our journey to be the IT asset life cycle and circular technology solution provider from IT asset disposition to remarketing, from enterprise customer to SMB and becoming a true player in the sustainability space.

Very, very important point is that we have been able to decommoditize the refurbished market. So this is a very, very huge margin opportunity for us. It's very fundamental. That was always there with us.

But now obviously, since the prices have gone up, the absolute gap between a brand-new and refurbished computer has moved up quite a bit. And this gives us a huge opportunity for margin expansion.

And since you are asking this question, it also gives me the opportunity to give the revised guidance. We have been giving the guidance on every call. Just I want to move the guidance up. On the top line for this financial year, we should grow by 40% over previous financial year. And on the bottom line PAT point of view, it should be growing by 1.5% from previous guidance of 1%.

Harsh Kothari: Okay. Yes. Fantastic. Yes. So another question, which I would like to know is in terms of volume and the ASP growth, how did the quarter look like?

Like how much did the volume expand? And how much did the average selling price of the laptop increase?

Ajay Pancholi: Am I audible?

Harsh Kothari: Yes, you are audible, sir.

Ajay Pancholi: Okay. So from a volume perspective, I'll give you the overall volumes that we have processed during the quarter 2 as well as the first half. So in the quarter 2, we have had a total volume of about 2,25,000-odd units. And for the first half, the number is about 3,74,000-odd units. Broadly, this proportion between laptops and others continues to remain in the same trajectory of between 78% to 80% being laptops and others being the rest of it in terms of revenue.

Coming to ASPs for laptops for this quarter just concluded, it is about INR31,000-odd and for others, it's about INR19,500-odd. If you look at this in comparison to the corresponding quarter, this number was INR 28,000 and INR18,000-odd. So broadly, we have had almost a 25% jump in terms of volumes and the balance of it is in terms of better realization, almost 11%-odd in the H1 period. So broadly, the growth is a combination of volumes as well as the better realization.

Harsh Kothari: So it's safe to say that...

Ajay Pancholi: The volume growth is 30%, yes in Q2.

Harsh Kothari: Okay. So it's safe to say that down the line, if there comes a situation that you can increase the ASP by even further, right? So as sir said that like that's a 30% this thing margin of a used laptop to a real original laptop, the new version. So it's safe to say that you can even increase the ASP by another 12%, 13% as well, because the prices of...

Ajay Pancholi: It will be fair to assume a better realization and better enhancement in terms of ASP because of the gap illustration that Sharadji just mentioned. But also, it will be fair to also assume that it's a function of the product mix, right, in terms of configuration and so on and so forth. But it will be fair to assume the sheer fact that we have enhanced our margins or the margins overall in the first half and the guidance itself, which was earlier 30%, we moved the guidance for the full year to 40%.

And bottom line guidance, which was an enhancement from almost 75 to 100 basis points going up to almost doubling it to 150 basis points for the full year. So that is going to come out of a combination of better realization, substantially a better realization. That's what the guidance is.

Harsh Kothari: All right. That's from my side. Congrats once again for the fantastic result. Thank you.

Ajay Pancholi: Thank you.

Moderator: Thank you. We have the next question from the line of Chirag Jain from Emkay Global. Please go ahead.

Chirag Jain: Congratulations on very strong performance. Sir, just wanted to clarify the margin guidance that you gave about 1.5% better. Is it on FY26 base of 7% net margins, which you are indicating this year, we could be doing 1.5% higher than last year?

Sharad Khandelwal: Thank you, Chirag. That's correct. The margin guidance I have given is over the last year, whatever we did, we'll be doing 1.5% more than that.

Chirag Jain: Okay. That in a way implies slightly lower than second quarter run rate, where we have done about 9% net margin.

Ajay Pancholi: Yes, it could be the case. But just on an overall basis, you should look at how the proportion of business happens in the first half as well as second half. I think it's been almost 4, 5 quarters that you've heard this management. We've always been on the side of caution, always try to underpromise and overdeliver. That will continue to be our endeavor.

Chirag Jain: Sure, sure. Also on the working capital, if you can share your thoughts, both on inventory and receivables, we have seen an increase this quarter. How should we read this? And probably do we see peaking out somewhere on both these parameters?

Ajay Pancholi: Yes. First, I'll try to address the receivable part of the business. So receivables have again grown in proportion to the overall growth of the business, right? As we mentioned earlier as well that the receivables, we need to support our channel partners. And generally, the receivables are in the 40- to 45-day odd range, which is broadly in that direction.

Secondly, what you should also bear in mind is that with a higher base, we've been able to continue to maintain the momentum and that is basically on the back of providing the support to the channels, with basic credit to the extent which typically the OEMs also provide. So that's one part.

Coming to the second, which is on the inventory, yes, because of the opportunity that has been and it will be fair to assume that my answer is repetitive of what we have mentioned in the last 2 quarters. Inventories continue to be elevated because the opportunity itself is presenting us in this manner.

And is this likely to continue over the next 3 to 4 quarters? Probably not. But definitely, the way we are seeing, the way the commentary is there from the OEMs and the component manufacturers, clearly, we see that at least for the next 2 quarters, an elevated inventory is more beneficial from a business perspective. Sharadji, you want to add something on that?

Sharad Khandelwal: Yes. So Chirag, the situation is evolving. And the AI investments continue to remain high as per International Energy Association this year, AI investments are going to be $700 billion, likely to go up by 40%, 50%. All the PC makers and memory makers are talking about this situation worsening in the following years, which make a very, very strong case of keeping elevated inventory, which is obviously giving us better reach.

We are able to service our customers, the business customers require big quantities. And obviously, it helps in expansion of margin. These price changes which have happened are a permanent reset in prices. We do not anticipate prices to go back to what they were. Just think for a moment that prices of almost everything changed over the past 20 years, whether it is car or fridge or TV or phone or something, but computer prices remained at one level.

The sweet spot, as I mentioned in my opening remarks, was at INR35,000 to INR40,000. So this is now changing. And now since we are in a situation where not only memory but SSD or processor are going for AI-related investments, the prices are increasing. That is also leading to a situation where companies are extending their leases and delaying their purchases, which is resulting in a situation where less and less material is coming for disposition.

So we need to strategically keep high inventory. We recently procured a lot of inventory from large global banks, corporates, and we should see better results from this in the quarter we are currently in and in the coming quarters.

Chirag Jain: Got it, sir. And just one thing. I mean, have you seen any increase in terms of sourcing cost as well, as you mentioned, in terms of getting old laptops?

Sharad Khandelwal: Yes. Yes, yes. So they are increasing, but they are trailing. So when I said the brand new prices have gone up by 80%, the refurbish prices have not gone up. So obviously, when they are trailing, we have to keep on buying.

Second is, obviously, as I just mentioned, people are delaying their purchases. As per IDC in July, August, September, the sales was down by 20%, which is likely to remain down, which means those many computers will not come in the disposition.

Chirag Jain: Understood, Thank you so much, sir. I'll come back in the queue.

Moderator: Thank you. We have the next question from the line of Avinash Karumanchi from Motilal Oswal Financial Services. Please go ahead.

Avinash Karumanchi: Hi, sir.Congratulations on a good set of numbers. My question is regarding the debt. So I mean, I can understand the inventory is going up, so is the debt. But what would be the comfortable level that you'll be okay with the debt? And how should we see this over the next 1, 2 years' time frame? – Hello?

Ajay Pancholi: Hi Avinash. As you would have seen the numbers, the current net debt is about INR427-odd crores. We anticipate that this level of debt, which was about INR406 crores at the end of previous quarter, right? So the current level of debt is something which we anticipate is a fair number to assume going forward as well. At the same point of time, factoring in the opportunity and the elevated inventory associated costs. But that said, it will be fair to assume a similar debt level for the full year as well.

Avinash Karumanchi: Okay. Got it, sir. And see, the other thing is like from the inventory perspective coming back again, I can understand that there's an opportunity, so you're building it up. But what would this inventory be on a steady-state basis, say, suppose 2 years down the line? And when should this start normalizing?

Sharad Khandelwal: See, 2 years down the line, obviously, we expect situation to reach a new normal, at which point in time, we should see an inventory of around 90 days odd of our projected sale. Let's understand the situation. While our sales is linear, our procurement is basis disposition from large corporates. And we have to buy in bulk. As we just procured from one of the top banks in the world. This strategic procurement of inventory helps our business and it helps the margin. So we should be in a situation 2 years down the line. That's a very, very right expectation when situation reaches a new normal, at that point in time, we should have around 90 days of inventory.

Avinash Karumanchi: Okay. Okay. Got it, sir. And the last question is, this quarter, you have seen actually a higher tax rate. India has done really well. But if I look at the consol minus PAT performance also, the tax rate seems to be going up.

Ajay Pancholi: Yes, sure. I'll address that. So we've seen a much better performance on the India part of business, right? As you would have noticed, what's happened in the last 6 months or 2 quarters is we've had the key partners with whom we have associated, we were anticipating that, that engine will start working faster, and that is indeed how it has panned out.

Precisely for that reason, if you look at the first half, the tax rate is coming to almost 18%-odd relative to the full year of about 10.6% last year. Now how should you look at it? Does this mean that our India business will continue to grow at this pace and relative to our international business, we anticipate both to grow equally well.

And at the same point of time, despite the higher tax rate, you've seen the tax rate absorption that we have had, we've had a much better realization and better profitability.

From a guidance perspective for the full year, it will be fair to assume in your stack that the tax rate should be relative to 10.6%, 11% last year, it will be fair to assume a number somewhere between 14% to 16% from an assessment perspective.

Avinash Karumanchi: Okay. And the PAT guidance that you have given of 150 bps expansion is factoring this 14%, 15% of TAX rate?

Ajay Pancholi: Yes.

Avinash Karumanchi: Okay, sir. And one last question, if I may ask. So basically, again, same thing. The employee cost is running much ahead of the revenue growth. Is it more or less linked to the sales or feet on the street that you are building up? Or how should we look at it?

Sharad Khandelwal: Yes, it is employee cost, we are planning ahead of time. We are hiring very good talent across the world, India and international market. We are hiring leaders to manage different verticals as well as the sales team enhancement is happening, the corporate team buildup is happening around the world as well as for our future growth, we are hiring engineering talent across the world. So that's leading to, obviously, the people run the company, and we are investing in people for our growth.

Avinash Karumanchi: So when you say that you are hiring the engineering talent, this is because you are expanding the refurbishment capacity. Is that why...

Sharad Khandelwal: Yes. Our refurbishment, obviously, when we are giving guidance, it will come on the back of numbers, and we will need more refurbishment to happen that will require engineering talent. And since we have to hire people, we have to train them, we have to bring them up the curve and that takes time.

Ajay Pancholi: Also, just to add to that, it's also not only the engineering talent, but the sales and marketing team has also been strengthened significantly. So just to give you a sense on number, the sales

and marketing team number was a headcount of almost 196. That's gone up to 233 in one quarter itself. So that will give you at least a 10% to 15% enhancement that we've done in terms of our overall sales and marketing team.

And I think across the ecosystem, there has been strengthening of talent, whether it's on the engineering side, whether it's on the sales and distribution side. But the emphasis that we would want to highlight is that key leaders or key leadership team has been strengthened to take a leadership role in each of the verticals on which the relevant teams are focused. So yes, we are spending ahead of the time and getting ready ahead of the time to deliver the growth guidance for the year and beyond as well.

Sharad Khandelwal: Also, as I just mentioned a lot of channel engagement is happening. We did EB Elevate programs, Chai Pe Charcha, multiple visits. And to amplify our position not only in our country but around the world, we need people to go show the product. And obviously, we have engineers to support the warranty that we offer. So this is very, very much required.

And this makes us very unbeatable. Frankly, around the world, nobody has this kind of infrastructure in this business. And this makes our proposition very unique, solid and unbeatable. This gives trust. Trust is a huge margin lever. And as I mentioned also before, when the prices are going up and absolute saving for buying a refurbished is obviously going up from INR70 to INR126, which is almost double, we have a huge opportunity to increase our prices, which will have direct bearing on our gross margin and obviously net profit.

Avinash Karumanchi: That's it from my side. I'll join the queue.

Moderator: Thank you. We have the next question from the line of Akul Prabhat from QPin Capital. Please go ahead.

Akul Prabhat: Hello Sir. In this current quarter, how much is inventory gain, sir? Because in previous quarter, you told that you are building up inventory because prices are rising. So are these margins sustainable even without inventory gains going forward, sir?

Ajay Pancholi: Yes. So if you see that we have enhanced our margin by almost 400 to 500 basis points in the quarter just concluded and almost 400-plus basis points in the half year concluded. Of this, it will be fair to assume that somewhere between 125 to 150 basis points is on account of the advanced inventory strategic decisions that have been taken. And the substantial part is on account of our ability to enhance our price, have a better realization, get the proposition well established and well received. So that's broadly the breakup.

Our realization on account of the inventory benefit is between 125 to 150 basis points. And we anticipate that similar is likely to be the outlook for what we have strategically purchased as well.

Akul Prabhat: Okay. So in the next 2 quarters as well, we will be having inventory gains, sir?

Ajay Pancholi: It's a better realization, and that's what is the guidance. We are enhancing our guidance to almost 40% for the full year. So yes, all of this will come in the top line guidance as well as the better

realization by the guidance of almost 150 basis point enhancement over last year. So it will all get captured in the outlook number.

Akul Prabhat: Okay. Sir, do you want to revise the guidance for FY28 as well, sir?

Ajay Pancholi: At this point of time, we will limit ourselves to the guidance just concluded. We are quite nimble-footed. And you would have noticed that at the right point of time, we go ahead and enhance our guidance, change our guidance, looking at how the markets are giving us the outlook.

You've seen that over the last 5 quarters of our presentation to you, we have revised our guidance upwards almost 3 times. And if that's what the market will guide us to, we will have a prelook in. And at the right point of time, we will give you guidance. But for FY28 at this point of time, we will hold back on the guidance for now.

Sharad Khandelwal: I may add in good measure that there is huge opportunity in front of us on both top line and bottom line. So we are on the job. Directionally, I can tell you the opportunity is huge. And the reason is we are brand agnostic and perhaps the only player in the world remarketing under our own name, Electronics Bazaar.

And we have dependable partnerships, a can-do attitude and hunger to conquer and an impeccable execution. All these will have bearing and the tailwinds as well as the market opportunity fundamentals will have bearing on the future guidance and future performances.

Akul Prabhat: Okay. Sir, in the current market, there is some rumor that is going to slow down a little bit. So the current tailwinds we have in recycling industry, how do you -- how long do you see the tailwinds present sir?

Ajay Pancholi: I think the way we are looking at the market, we are seeing a positiveness to it and hence, the enhancement of guidance. So clearly, we see a long runway on this. And hence, you can take the gauge as to how we are seeing the market in our line of business. And clearly, there's a huge positive that we see.

Sharad Khandelwal: I want to make one statement that the computer requirement is real. We can do things on a computer that we can't do on other devices, whether it is mobile or tablet. So there will be definitely a slowdown in brand-new side because the prices have gone up, but we give a very good alternative for the people, 30 crore students we have in our country as well as around the world and people need computer for everyday task.

It is imperative for a person to have a computer. We do not foresee any slowdown in this. And that gap of our ability to peg our product from 30% to 40% to 45% presents a very, very unique opportunity in front of us. And this opportunity will continue despite whatever the news market has.

Moderator: Thank you, sir. We have the next question from the line of Riddhansh Chandak from Unifi AMC.

Riddhansh Chandak: Hi. Thanks for the opportunity, and congrats on a great set of numbers. Most of my questions were answered by earlier participants. So just 2 questions I have. A, could you guide us on what

kind of capacity you have in place in terms of volume of units you can do in a year and whether you need to do capacity expansion for the second half of FY27 and FY28? And the second question I had is on -- if you could guide us towards what kind of debt numbers we should be baking in for the end of FY27, please?

Ajay Pancholi: Yes. So thanks. So broadly, in terms of the capacity, I think we are well placed in terms of our capacities. If you would have looked at what strategic decisions that we have taken over the last 3, 4 quarters as we've enhanced our capacities in India as well as overseas. In India, we have almost doubled our space almost 2, 3 quarters back.

In UAE also, we have enhanced from 3, 4 facilities to almost 8 facilities. From the time when we went public to where we are now, our people strength has more than doubled.

And even on the back of this, where do we stand in terms of our first half number, as I mentioned, we've done about 3,75,000-odd units. At the growth rate guidance that we have given, we still -- you can do the numbers as to we will still be below 1 million by the end of the year. What does that translate in terms of capacity and capability? We are still, I would say, from all that we have in place, we will still be in the 40%, 45%, 50% odd capacity utilization, if you were to look at it from that perspective.

Now that is one part of it in terms of capability in terms of execution. The second is on account of the debt numbers in order to roll up in the future. So as I mentioned, our net debt number as of just concluded period is about INR427-odd crores. It will be fair to assume a similar number, not significant variance from this number for the full year. And maybe that will be a reasonable estimate for us to achieve our FY27 guidance.

And I currently do not see a significant need for debt enhancement in order to achieve the guidance that has been given. But as we grow, as we add equity profitability, that automatically enhances our ability to churn better.

Riddhansh Chandak: Sir that was helpful. If I may just squeeze in one last question. I understand the inventory cycle being such that we have to stack up. But what explains our increase in DSOs or receivable days? One would assume that the environment is such that there's no stress on receivables per se. If you could just help us understand that, sir?

Sharad Khandelwal: There is no stress on receivables.

Riddhansh Chandak: I meant the minor expansion of the DSO days, yes.

Sharad Khandelwal: Yes, because we are selling our refurbished computer in the space where brand new is selling. We are not selling refurbished where the people are selling used equipment, where the receivable days are less. And in this case, we have to match the receivable days, which are in vogue when people buy or sell brand-new computers. And we are also selling to people who are selling to businesses, SMBs and corporates.

Normal credit days in the distribution channel are between 60 to 90 days. We are very much in control. We are not in consumer market. We are in business market where the product is going to businesses. And our receivable days are very well within the acceptable limits.

We are increasing our distribution partnership, enhancing and reaching of distribution partnerships, also keeping the material available across the world. So the receivable days are required for the business.

Riddhansh Chandak: Got it. One last question. Sir, if we plan to increase the amount of inventory that we hold on our books, just a question on funding that inventory because you guided for flattish net debt or debt by the end of the year. How do we finance the increase in inventory? Is it entirely accruals driven?

Ajay Pancholi: Yes, it is substantially accruals driven. So if you look at the inventory and receivables and payables, all of this factored in, this stacks up with our equity plus the debt guidance that we have given.

Riddhansh Chandak: So inventory will be on the higher side by FY27 end with debt on the flattish side?

Ajay Pancholi: Yes.

Riddhansh Chandak: Got it. Thank you. Thank you so much.

Moderator: Thank you.We have the next question from the line of Paras Chheda from PurpleOne Vertex Ventures LLP. Please go ahead.

Paras Chheda: Yes. Good evening, sir. And Congratulations for a very strong setup. And thank you for this opportunity…

Moderator: Sorry, to interrupt in between**,** Paras your voice is not audible.

Paras Chheda: Am I audible right now?

Moderator: It is breaking in between. Please use your handset mode and speak.

Paras Chheda: Yes, hello. Am I audible now?

Moderator: Yes. Please go ahead.

Paras Chheda: I just wanted to understand, sir, we are witnessing this quite sharp growth in terms of demand and there is a strong tailwind also there in terms of higher memory prices and the new laptop prices that are going up. I'm just trying to imagine a situation where 1 or 2 years down the AI infra pulls out and the memory prices probably come crashing down. It's just a wild scenario kind of a thing.

So the tailwind that is currently there, let's say, that goes out, what kind of growth rate and the impact on the sales price do we then witness? So one is the demand growth in the case the tailwind moves out, right, and the memory prices come down? And secondly, in terms of sale

prices for our refurbished laptop in such an event, sir. So that's one thing that I was trying to understand, sir.

Ajay Pancholi: So I'll try to address this. And see, as Sharad-ji mentioned, the component prices being higher, the AI spend, etcetera, these are tailwinds. Was our business proposition built on that? The answer is no. That adds a huge tailwind.

Now let's look at prior to when all these factors came into being. Prior to that also, if you look at our previous 3 years when AI and all of that was not there, we still had a growth of north of 30% year-over-year, right? So long as the component prices, etcetera, have moved up, yes, the way we see it, this is a permanent reset.

As we say, our product or proposition works in both cycles, whether it's a down cycle or up cycle, we work on both sides. We are not saying that there should be a recession or whatever. If you look at when new products are selling lesser, where is the demand coming? It's coming to refurbished, and we are pretty much out over there.

Paras Chheda: So you are saying -- please go ahead, sir.

Sharad Khandelwal: No. So Ajay-ji you pointed out correctly, and we are a small fraction of a large and growing market, and we are creating a distinct brand positioning for Electronics Bazaar as a brand. People come in the marketplace asking for Electronics Bazaar refurbished laptop. Still, we are a very, very small percentage of market. So we see a scenario of very robust growth for us in the coming number of years.

Paras Chheda: No, no, absolutely. I understand, sir. So pre-AI, your demand growth numbers, I think, are fair representative of the demand growth in the industry and probably for yourself also. So I can understand that bit agreed, sir. Just another thing, I mean, just in case the event that memory prices come down or whatever correct significantly, what happens to our inventories and how do you manage that?

Just I mean, while the tailwinds are strong, everything is strong, I'm just trying to understand the scenario, okay? What happens to our inventory? How do you manage that?

Sharad Khandelwal: That is partly answered by we are keeping the elevated inventory because we are buying ahead of the curve, right? And the current situation gives us a lot of cushion. Second is our ability to move our prices from 30% to 35% to 40%, which was always present with us, right? As again, we have a very, very top of the mind recall in the multiple markets around the world, and we are increasing our presence. When we move this from 30% to 45% to 50%, it's a very fundamental cushion that is available with us.

In a kind of unlikely scenario, I would say, where memory prices come crashing down or the computer prices, which I don't believe for a moment will happen. In that situation, also since we are buying ahead of the curve, we have a significant cushion. Also, our team is on the ground. We get real-time intelligence, and we will take timely action to mitigate any such kind of an event.

Ajay Pancholi: And also the purchases that have been made are not at a significantly elevated price. So we are being mindful where we find the right opportunity and the right pricing, that's where we enter. It's not that, okay, we see a huge upside and let's go and buy, pay a much higher price and add on to inventory? Absolutely not.

Paras Chheda: Understood, sir. And sir, with brand building exercise that and you've mentioned repeatedly at least a couple of times on the call, in terms of building a brand, Electronics Bazaar. Now does that brand building eventually lead to an extra percentage or so kind of a margin on top of what will be there in the market there?

Sharad Khandelwal: Absolutely. You're right. When you are becoming your own brand in the refurbished space, and it's more like a service brand than the product brand, your price taking ability substantially goes up.

Ajay Pancholi: And we have seen that ability actually being implemented. If you see our relative margin moving up over the last 6, 8 quarters, that's on account of the brand enhancement, the brand recall, the customers going in the market, asking for an Electronics Bazaar brand. We definitely are considered as a premium and only brand on the refurbished space.

And that's on account of the confidence that we also add to the market that it's a product with a warranty backing, right, whether it's in the international market or domestic market from 1 to 3 years. That itself adds to the confidence of the customer and their willingness to give us a premium for our brand.

Moderator: Thank you, sir. Ladies and gentlemen, we will take that as the last question. And with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Sharad Khandelwal for the closing comments. Thank you, and over to you, sir.

Sharad Khandelwal: Yes. Thank you, friends, for joining this call. We are flying the India flag in 55 countries, setting an example of India born company establishing its strong identity in the global world, backed by strong vision, dependable partnerships, a can-do attitude, hunger to conquer and an impeccable execution.

We'll also now expand our footprint in Asia Pacific region with hiring of talent happening in Singapore, Vietnam. We'll increase our penetration and sales in Japan, Australia, New Zealand and all ASEAN countries. That should also help our growth in both top line and bottom line. Thank you all for joining this call. Really appreciate it. Looking forward to speaking to you again soon. Thank you.

Moderator: Thank you, members of the management. On behalf of Motilal Oswal Financial Services Limited, we conclude this conference. Thank you, everyone, for joining with us today, and you may now disconnect your lines.