

August 10, 2022

The National Stock Exchange of India Limited, BSE Limited

Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051.

Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai — 400 001

Symbol: REDINGTON

Scrip: 532805

Dear Sir/Madam,

Sub: Earnings Call Transcript

This is further to our letter dated August 1, 2022, intimating the details of Investor/Analyst call on the audited financial results for the quarter ended June 30, 2022.

In this regard, we are enclosing herewith the transcript of conference call hosted on August 4, 2022. The same is available in the Company's website:

<https://redingtongroup.com/india/financials-and-reports/>

We request you to take this information on record.

Thanking you.

Very Truly Yours,

M. Muthukumarasamy
Company Secretary



“Redington (India) Limited
Q1 FY23 Earnings Conference Call”

August 04, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 4th August 2022 will prevail



MANAGEMENT: **MR. RAJIV SRIVASTAVA – MANAGING DIRECTOR - REDINGTON (INDIA) LIMITED**
 MR. S. V. KRISHNAN – GLOBAL CHIEF FINANCIAL OFFICER - REDINGTON (INDIA) LIMITED

Moderator: Ladies and gentlemen, good morning and welcome to **Redington (India) Limited Q1 FY23 Earnings Conference Call**. 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajiv Srivastava, Managing Director, Redington (India) Limited. Thank you and over to you Sir!

Rajiv Srivastava: Good morning, everyone and welcome to our call for quarter one. You would have seen our numbers that were disseminated yesterday, and we are pleased to report another strong quarter of sales and operating margin growth. Redington achieved record revenue and operating margin for any first quarter of the year. As our continued investments in technology capabilities, partner relationships and our comprehensive breadth of offering begins to pay off. You would have seen that on a global basis our revenues

have grown by 25% this is on net accounting basis, on gross it will be 27%. While EBITDA has grown 34% and PAT has grown 33% this actually points to the fact that continuing demand or growing demand for supply chain orchestration is driving strong financial performance across our global business. We know that tech adoption has been at an accelerated pace across pretty much every segment of the market that you can come across though there was a softening of consumer demand this quarter but apart from that across enterprises, across MSMEs, mid market and government education tech demand has been fairly robust and we continue to anticipate a reasonable demand environment and expect to sustain strong revenues and margins from our recently implemented operating improvements amidst the backdrop of geopolitical and financial uncertainty.

We know that shift to digital has been strong and continuing in fact I had said this in the last call that shift to digital as a matter either a growth shift or a survival paradigm for most companies right now including government and they improved efficiency, they improved productivity and they allow you to do much more in your businesses. So, that is something which is playing out in a very good way, and we are trying to leverage to our advantage as much as we possibly can. Also, the fact that the economic environment in the geographies that we operate in has been fairly all right even though the global GDP growth or the global growth was guided down by IMF between last quarter and this quarter the growth was guided down from 4.1 to 2.9 but still in the economies and the geographies we are operating in every country has seen or has been guided a

very positive GDP growth for the rest of the year. But in that plays to our advantage also the fact that in most of the countries that we are operating in the demand is led by investments by governments, investments by organizations in those countries and also a huge amount of consumption that is taking place in these countries, I think both of those are playing to our advantage right now and that is helping and supporting us. Just to let you know our growth has been fairly broad based this time, all the regions that we operate in India, Middle East, Africa, Turkey, and South Asia every region has pretty much played out in a good way, every region has contributed to the growth. Also, every region has contributed to and every product category we have had a broad-based growth by region and we had a broad-based growth by categories of products which is IT, whether it is volume or value, mobility, and our services portfolio. So, all of that has turned out to be extremely reasonable in this quarter, let me step back and stop over here you have seen the results and I am opening up to any questions or any comments that any of you might have. I have also got my Global Chief Financial Officer, S.V.Krishnan on the call with me and our Financial Analyst Deepika on the call.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Nitin Padmanabhan from Investec India. Please go ahead.

Nitin Padmanabhan: Good morning. Congratulations on the strong quarter. I have a quite a few questions while I will just ask two and come back in the queue. The first is, Redington has always

prioritized risk over growth and if you just look at the landscape over the next few quarters from your lens, do you think that growth plumbs risk at this point in time and is there any change in philosophy in terms of how you manage risks, that was the first question.

The second question is on obviously the working capital which has gone up if you could give us some break down on receivables, inventory, payables and what led to such a quick shift in working capital days. The broad assumption was that it will be a little gradual but it's been quite quick, just wanted to understand the context there as well. Thank you.

Rajiv Srivastava: Let me give you a color to both the question and I am going to be also requesting our Global CFO, Krishnan to chip in after I have done that.

To the question about risk over growth or growth trumps risk, I think it is always going to be a very balanced sort of portfolio for us. We are a company which is very focused on what is going on in the market in every single geography, every single country we operate in we have to always assess the opportunity landscape and what it takes to get to that opportunity landscape and balance the two out. We are never going to be reckless because that is what has given us growth over the last so many, many years and we are going to be very outside in and maximize the context of the market opportunities that are coming in. Just to give you one example of that Nitin, and like I said it is a great question because it really plays

to the way in which we operate as an organization. In the last quarter we started to see a shift from the work from home and learn from home started to reduce whereas the consumption in the offices small and medium enterprises, enterprises, large customers, government education, schools and universities all started to grow up and we had to shift a model and pivot a model to make sure we capitalize on that, now that is no risk strategy but it is a maximizing the market opportunity from a growth perspective. So, we are always going to be balanced. There are countries right now in our portfolio which happen to have a higher risk profile Nigeria, Kenya, Ghana, Egypt all of them and we are making choices to make sure that we stay in the right direction there ok, so, it is that from a risk versus growth perspective, we are very balanced but we are very, very focused on maximizing the market opportunities in a very good way.

The second is working capital has gone up, really it has gone up if you recall in the last conference that we had same time a quarter ago, we had guided that our working capital will stick in the range of 28 to 35 and right there it is and is sticking at the early part of that curve. We know that the global market right now, whether they are financial markets, geopolitical economic landscape all of those are little disrupted right now. We do see that interest rates are hardening up, we see inflations going up, we see commodity prices are really high, we see supply chain is disrupted all of these will contribute and then there are many equipments which are not getting supplied in time, so your supply and delivery for project orders is going to get hampered or going to get constrained a bit

so, the integration is going to become challenging. Given all of that, we understood that the working capital will go up, it will normalize somewhere and the way we have guided it stays exactly right at the early part of that curve right now. We are pleased that we have seized as a situation and that is the way it is playing out exactly the way we have said.

S V Krishnan: As you know the net working capital by the end of the quarter it was about 28 days split into debtor days of about 52 days, inventory days of about 32 days and creditor days of about 56 days. I want to ascribe one important reason as to why there is spike in working capital as Rajiv alluded to you. In the enterprise space what we see is there are short shipments and since there are short shipments and the balance shipments are taking time because of the general shortages that we see in the industry. We had to store, we stocked and could not bill that has enabled us to increase our inventory days, so this is something which very unique. We will continue for some time till the shortage situation goes away but there is no concern at all on this scenario and also as the enterprise performance, the IT value performance has been better as you know very well this also tends to increase the debtor days and at the same time we will also get higher creditor which can cushion a bit in terms of increase in debtor days. As Rajiv said we are well within that range and we do not see any concern in this.

Nitin Padmanabhan: Sure, that is helpful and any change in provisions for the quarter? That is all from my end.

S V Krishnan: Okay. So the provisions for the reasons that I had stated had gone up in the case of inventory, inventory provision for the quarter has been at about 0.55% which is mainly because of some of these part shipments that had come in where we had to provide for it, we had an option of changing the inventory provision model because we do not think these will be taken as a hit but we thought it could be prudent not to make a change and we had gone ahead, so that has increased the provision percentage for this quarter which once the product gets sold it will get reversed. In the case of receivables, the provision percentage for this quarter has been 18 bps 0.18% that is also slightly higher. I want to mention two important points here, one in the case of India, in Q4 there was a provision that we had created last quarter and we knew the money will come but it is going to take time, a substantial portion of the money has been received in the current quarter and the provision got reversed. There is a similar transaction in our overseas business where while we are still confident in terms of collecting because of the aging that we should provide for it and that provision has added on to it so that the overall provision is about 18 bps Nitin.

Nitin Padmanabhan: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity and congratulations on a good set of numbers. My first question is regarding the growth we were anticipating some sort of slowing down growth in India mobility

segment but if I look at that is the one which has driven the growth in this quarter, so what has led to that because I was thinking that we had this change in GTM which should slow the growth and your commentary also suggests that enterprise has driven the growth but the numbers suggest that India mobility is driving the growth, that is my first question.

second question is on the sustainability on margin, if I look at the margin profile, margins are significantly higher considering there has been 18 basis point provision, what will be the sustainable level of margin given most of the cost are now normalized or are there one off cost which you want to call off because our last interaction suggested that you might be looking at investing more in creating capability and that is why we were expecting the margins to go down and lastly working capital trajectory if you can comment on that? That is it from my side. Thank you.

Rajiv Srivastava: Okay, many questions, I think we covered the working capital, but we can give you more color to that. Let me give you a sense as to growth and is the growth driven by Indian mobility or driven by many other things. Growth is driven by mobility overall, clearly there is a mobility which has grown faster than any other part of the business but our value part of the business has grown 30% which is a very, very, very significant in serious growth, a value business is generally do not see such a huge amount of growth because that is a much more stable sort of product line and category but our value part of the business has grown significantly. Then our cloud has grown even faster than that, our cloud has

grown 48% and it is equivalent to our mobility growth. I think that question that came up last time in the call and many of you had asked that question about the impact of Apple GTM and how is going to impact the revenues of Redington and all that. If you would recall, we had answered that question it wasn't Apple alone, it was Apple and Dell and Lenovo and Acer and everybody makes changes to the GTM and it is only fair I told you that it is only fair for them to make changes to the GTM to suit the model that they have and we as Redington have to do a variety of different things and make sure that we continue on our course of growth and there are many elements and your question there are many elements that allow us to stay on the track of growth and also stay on the track of profitability. Sustainability of margins is one of a cause we are making investments, we made investments into our many areas of technology, people, platform, last couple of quarters we have been making and we will continue to accelerate those investments because those are fundamental to our business and what we are doing in that space is we are making investments in technology that allows us to become more productive and more efficient very straight-line sort of an equation.

We are making investments in shifting our business model from our pure play brick and mortar to a more online or a customer choice model which is an omni channel model. We have made a shift towards the cloud platform, we have got a very strong cloud platform where more than 11000 partners are transacting every month now and that is a very, very strong mode of working. All of those are models which allow you to do more with much more

optimized operations. In the last quarter we have set up a shared services which has consolidated the operations of Redington the entire country to enable us to become far more efficient and we generate more than three lakh invoices every quarter, we process more than 3 lakh orders every quarter and all of them is getting done now out of my one single shared services center at the back end and how cool and efficient can that be. They are many, many, many such initiatives that enable you to become far more optimized and efficient in your business than otherwise.

So, that is the way we see our trajectory that is the reason of growth because the value has gone very significantly, because cloud has grown significantly, because all our tech investments and efficiency investments happen to be continuously scaling up and growing up. To give you a sense on whether they are sustainable or they are one off kind of a profit margin and all that. We are cranking ourselves to be very, very efficient, and very maniacal focus on our cost and we are also cranking ourselves to become more efficient, but we also have view to where the world is headed right now. We know for sure that the global supply chain, the global financial markets everything is disrupted. So, providing a guidance to you for the long run is going to be a very difficult task asked to do, we did extremely well in Q1, we have a good hold on where our Q2 is headed and that is all that we can be as prudent business players in the market for a long time and as any reasonable business you would expect us to be very, very strongly and maniacally focused on delivering short run in a very healthy way and having every

single arrow in our armor to make sure that we have covered ourselves for the mid to long run.

So, I think those are the ways in which we are trying to think of our business everything has to be in a good sustainable way. You will continue to see us make more investments and not less and your question about working capital having gone up, we answered that Krishnan, do you want to add anything more to that, please.

S V Krishnan: I think it was answered clearly, in working capital I just want to make all of you know we are at it there is no need for concern and if there are any business related situation we will handle in the best possible manner, we will not leave any stone unturned as far as the efficiency is concerned and to the point on cost Pranav, what I want you to know in spite of the additional cost that we are incurring towards the capability building, till if you see the increase in cost is well within control, in a way of speaking what we had done in Q1 is the bookish performance, revenue has grown strongly, gross margin has grown even at a better pace the opex growth has been lower than both revenue and gross margin resulting in the operating profit being better.

Rajiv Srivastava: And also to your point the current environment will not allow you to make a very long-term prediction from that perspective. So, our range of working capital stays in that of 25 to 35 days.

Pranav Kshatriya: Thank you so much for all the answers. I will come back in the queue. Wish all the very best.

Moderator: Thank you. The next question is from the line of Athreya from I-
Thought PMS. Please go ahead.

Athreya: Good morning and thank you for the opportunity. Sir, I just want to
know as to whether the mobility segment grew year-on year in the
rest of world market or how is the performance there has been, that
is my first question?

Rajiv Srivastava: Mobility grew in the rest of the world as well; mobility has grown
by 24% in the rest of the market.

Athreya: Sure sir, thank you. And in the past few quarters we had
incorporated new subsidiaries in Bahrain, Jordan etc. etc. So, what
is the medium-term perspective, how are we trying to grow in new
geographies, and can you just talk about the new products, the
solar products, and our AWS partnership as well?

Rajiv Srivastava: Okay, again as been thanks so much and that is a great question
pointing towards how are thinking about our business and clearly
our business has two or three dimensions of growth. One is in a
distribution business you add more products, you will surely grow
or you add more geographies you will grow or give combinations
of two in any geography you will grow. In countries like Jordan,
Bahrain there are requirements that we must set up our business
expansions there and we are setting up our business expansions,
you are absolutely right, Jordan is a subsidiary that we are looking
at and there will be a few more countries where we will try and go
to expand our reach and coverage. We understand the game well,
we know how to set up a distribution business in any of these

countries and we are using technology enablement to make sure that we can accelerate our penetration into these countries. The products are similar, the products are the products that you get a contract for from any other brands, so we try and do value, we try and do volume, we do an IT and mobility products in any of these countries for whichever products we start with getting a contract from a brand from a vendor and we start to penetrate in that market. So, that is the philosophy, that is the growth paradigm right now, we are in the country that we are in, but we are looking to make sure that we can expand our coverage in a lot of these other countries.

Athreya: Sure. Sir. Thank you so much. And if it is possible for you to give some more color on the how our cloud business is working and is shaping up and our partnership with AWS as well?

Rajiv Srivastava: Yes I am going to give you that, you had asked the question AWS and I was going to cover that and solar as well. Let me cover solar and then I will cover cloud, is that okay?

Athreya: Yes, sir sure thank you.

Rajiv Srivastava: Okay, now solar is a very strong business now, you know that globally there is a strong pitch towards sustainable energy, very strong pitch towards green energy and India has made some significant commitments to world forum on sustainability of trying to make sure that 50% of the energy generated is green energy by 2030. So, I think that is a very, very strong commitment India has made, that pitches solar to be of very, very strong deployment,

implementation and all the solar projects have to be done at a very, very fast pace. Because of that our solar business grew more than 400% last year and, in this quarter, Q1 it has grown about close to 190% solar business in Q1. We do lots of activities in solar, we do classic distribution of the solar panels, inverters and all the products that is going to the making of a solar plant. But we also have bit of advisory services over there, so we are extremely differentiated, we are unique in this space because we are the only organized distribution partner which also does consultancy and advisory services for whole range partners who set up small and big solar plants. So, that is one thing which is paying out, hopefully we can expand this business as we go forward because the geographies, we play in are literally the sunshine capital of the world. There is huge amount of potential possibility which exists there in the solar business.

You have point about cloud, now cloud has been a very good story for us in Q1. In Q1 our cloud business across all the geographies, countries we operate in has grown by 48% and that is a very strong story, our managed services on cloud have grown by 62% and those are both very good outcomes. We have struck a partnership with AWS for all the regions we operate in, India, Middle East and Africa, they have got very strategic play our partnership with AWS and also with Google and Microsoft to resell their products but also scale up in trying to add competency and those competencies then allow us to do a lot more with our customers and partners. We move far more engage and enrich with our customers and partners, so this is a strategic collaboration agreement called SCA (Strategic

Collaboration Agreement) with Amazon Internet Services Private Limited, which allows us to offer the range of products, management platforms and services to our customers and partners it enables us to become far more capable because we have technical capabilities for ourselves to deliver these products and services to our partners. We feel very good about the fact that the world is headed in the direction of cloud and so are we.

Atrya: Sure sir. Thank you so much and all the best. That is it from my side.

Moderator: Thank you. The next question is from the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta: Hi! Congratulations on a good quarter and thank you for taking my questions. The first question I have is the follow up on the cloud business, if you could provide the margins for the cloud and cloud managed services for the quarter?

Rajiv Srivastava: The cloud product re-sale comes at a similar margin ratio it does not really give you a very, very huge, differentiated margins, it will be in the range of 5-7-8% depending upon which product of cloud you are selling and which brands of cloud you are selling and to which customer or which segment of the market that goes in the range of 5 to 8-9% and not more than that at a cloud product level. The services are different ball game altogether Krish, and services stretches from a very rudimentary fundamental entry level infrastructure services of provisioning which will give you a margin of 10 to 15% but if you scale up the services to the level of migration and platform in software as a service, then you start to get in the

game of 25-28-30-35-40%. Depending upon the complexity of services and we are building our capabilities to do the entire range of services right now we maybe a less on the more complex services and a lot more on the entry level services but we built capabilities now to deliver and deploy the more complex services of migration nature which will give us much, much higher margins.

S V Krishnan: And just to add on to what Rajiv said, from working capital perspective either no requirement of working capital, so both the businesses re-sell and the services portion in terms of ROCE will be quite attractive.

Krish Mehta: Okay, thanks. My other question was on the net debt and cash balance if you could provide that for Q1?

Rajiv Srivastava: Can you repeat I missed your question Please.

Krish Mehta: Could you provide the net debt and cash balance for the quarter?

Rajiv Srivastava: The net debt figure end of Q1 is about Rs.744 Crores which is roughly about 0.1 times of negative net debt and the cash balance is about Rs.1100 – Rs.1200 Crores.

Krish Mehta: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Aasim Bharde DAM Capital Advisors Limited. Please go ahead.

Aasim Bharde: Good morning. Just a couple of questions. Firstly, can you talk about what should be a sustainable EBITDA margins for the consolidated Redington group going forward, would it hover at

level just shy of 3% maybe a little higher the year after and what would keep margins at these levels, would it be more on the enterprise sales bit which bring its own working capital and higher interest cost or would it be more services oriented?

Rajiv Srivastava: What did you mean by the second part of the question, first part was what will be the sustainable EBITDA margins and the second part of the question?

Aasim Bharde: And what would drive it basically, will it be more enterprise hardware based that would keep it higher or services also because services today is still just 1% of revenue?

Rajiv Srivastava: Okay, all right. Good one, we had mentioned in the earlier part of the call that guiding or projecting EBITDA or any profit profile for the long run right now is going to build just the way the global market situation is evolving now, just the way the current operating environment for us this, so we are not going to be projecting you but right now just so you know that the way we are trying to balance out our operational efficiencies, cost and our product portfolio is helping us to stay in the range that we are in right now and Q2 seems to be on a good track so far. That is so much from our sustainability of long-term you got to be talking about how you guide long-term.

The second is the driver for the margin, and they are still think that drive a margin, one clearly is what is said is services versus non-services but you are right services are very small portion of what we do today it is about 1% of the overall revenue that we do so it is

always going to be a small portion, but a large part of a margin is the mix of this, if our mix shifts from volume products to value and you saw in this quarter a volume growth 14% but value growth 30%. If value continues to grow faster than value inherently provides you a better margin profile that is one. Second is if a cloud business is going to be as good and as steady as it is happening right now it will help us to continue to improve margins that is there.

The third is if our ProConnect and logistics business scales up it will continue to help us bring more margins. Our solar business inherently comes at a much higher gross margin than the other parts of the business, so I think margin is a play of geography and a combination of mix of products that you end up doing and we are always trying to do whatever we can to manage the mix and the geo play to get to the margin requirements that we have in the company, so that is how we are trying to balance out.

Aasim Bharde: Okay. Just a follow up, how long do you anticipate the enterprise cycle to last from today?

Rajiv Srivastava: This is like you asking me to crystal gaze, but I will and let me give you a sense of the crystal gazing on this. My sense is there is such a lot of adoption of technology and such a lot of digital transformation that is taking place across pretty much every sector of the business right now. Governments are investing and they know that if they had not invested during the covid times, countries would have shut down, companies are investing because if they had not done that they would not have survived the two years of covid

down time and so people have got to a point where business and technology have almost become inseparable, earlier there used to be a time when GDP and technology growths were kind of intertwined and linked together but now we are at a point where digital growth has been de linked from GDP growth and companies are using technology to either stabilize their operations or grow faster, get it a new product categories, do innovations, launch new territories and geography, so it has become pretty much absolutely the most crucial thing for businesses to survive. If you take a look at adoption across the world at a cloud and we know that companies like Amazon, Google, and Microsoft in the cloud domain, they are growing about 35-36% year-on-year at that level of high revenues \$ 50 - \$ 60 billion they continue to grow at about 30-35%, so the cloud adoption is fueling the growth for lots and lots of technology providers. Cloud adoption across the world so far is sub 20%, global cloud adoption is about 15 to 18% of the workflow is put on cloud and I see the technology buying cycle of the enterprise, customer variety and the mid-market SMB variety continuing in the future for a much longer time, this cycle is here to stay for a bit.

Aasim Bharde: Okay, thanks for the detailed answer. Thanks.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Thank you for the opportunity and a very good set of numbers, congratulations for that. Sir, two set of questions, one is on the

working capital, if I look at the past trend our net working capital typically builds up in Q1 and then kind of tapers down by the end of the year, is that phenomena will likely to play out this year or do you see that it will be stabilized as you mentioned in your opening remark that we are still at a fringe of our guidance of 28 to 35 days, that is one and second on the bidding SISA group, I see that our South and South Asian market is trending towards loss, just want to clarify whether the net profit or profitability of that region has kind of impacted during this quarter and what is the outlook there given the geopolitical issues in Sri Lanka, Bangladesh and in regions we are in, if you can provide that?

S. V. Krishnan: On working capital front, yes I agree with you in Q1 normally it will be higher not because of any other factor it is mainly on account of revenue being soft in Q1 but you would have seen in this quarter revenue has been quite strong. But having said that the main reason for the spike in the working capital as I said is on account of the part shipments that we are received in the IT value space which we think in about one or two quarters once the situation gets normalized this will also get normalized, so it is not just a normal Q1 phenomena on added to that is this point also.

With respect to SISA, SSA has been de-growing we have spoken about it in the past, mainly because of the movement of the vendor model from offshore to onshore as far as the India part of the business which was a significant part of the SSA business in the past. That movement has enabled us to rethink even our own structure in terms of is this should be monitored centrally out of India and

we looked at as one unit as SISA that is how we have gone ahead with this structure, so what you will see overall now since it is an integrated unit we can look at the growth in this form but more specifically to Sri Lanka and Bangladesh, yes Sri Lanka is impacted a lot but our business in Sri Lanka is not quite significant and we are now playing a very safe game where our risks are covered is where we are participating otherwise it is not. However, Bangladesh and few other markets we think is looking very attractive and there are big opportunities, and we would want to do a deep dive in that space but I would want Rajiv also to add some points.

Rajiv Srivastava: I think you have answered a lot. See our presence in South Asian market is only two or three countries, we just do Bangladesh, we do Sri Lanka and do a bit of Nepal as well and that is obviously Sri Lanka is a cautious approach right now go slow but Bangladesh is not challenged, I do not know from where your hear that Bangladesh is in a difficult situation, Bangladesh they are obviously coming up with policy regulations and framework as they grow but it is a very happening market and we are expanding our operations and expanding our play in Bangladesh , we try to do many, many different things on products, solutions, services, logistics and setting up in Bangladesh entity for ourselves so that we can really mine the market, as the market starts to grow, it is in a very, very good situation. I have travelled to Bangladesh a few times and they are really looking very positive right now. Right now, we play in these countries, but they are obviously going to be potential to play for us, in the other, little more mature economies of Singapore, Malaysia, Thailand, Philippines, Vietnam, Myanmar those kinds of

countries, so I think it is a huge potential that exists and we got to exploit that.

Chintan Sheth: Sure, and just a bit on Turkey, given the currency de-valuation happened with the past two years and we have still been able to manage both on the revenue growth as well profitability obviously revenue growth on rupee terms will look much better but the profitability is one aspect if you can provide more color to it how we are managing the situation there and what is the way forward there ?

Rajiv Srivastava: I was in turkey last week, I spent about 10 days in Turkey and Turkey is a very, very curious state, it is a great country, great people, great commerce, good population, and thus technologically very enabled country and so businesses and governments over there continue to use technology very efficiently and that contributes to our growth that is how we have been going.

Chintan Sheth: Sure, sir. I will join back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Rajeev Agrawal from Doordarshi India Fund. Please go ahead.

Rajeev Agrawal: Thanks for taking my question. My first question is, I think there has been concerned about whether your margins, the gross margins, EBITDA margins that we have had in financial year 2022 will be sustainable. Based on the commentary so far it seems to me that you are saying not only those margin structure and that we will even be able to expand on it. Am I understanding this correctly?

Rajiv Srivastava: I do not think we have said we are expanding on it or we are maintaining. What, we said that we are taking it in the near-term on a real near-term basis because providing guidance in the long run will be a little challenging given the global operating environment right now, so we are not going to guide from a long-term perspective. What we are suggesting to you and what are saying is we are maniacally focused on ensuring that every part of a business is optimized to the core to the hilt to ensure that we can continue to have the visibility of margins the way we have delivered in the past. So, we can only grow and the reason I am choosing this is because of the operating environment and so we can buy it in terms of small time frame and we exactly said the same thing in Q1 as well and we deliver a very robust Q1, we are saying exactly the same thing in Q2 and so far Q2 is trending alright right now, like I said the continuing growing demand for supply chain orchestration we continue to anticipate a reasonable demand environment in Q2 as well and we will take it quarter-by-quarter Rajeev, really that is the way our approach is right now. While from a fundamental building the company perspective, capability creation, we are long-term focused obviously and I gave you many examples of long-term focus on people, processes, technology, platform play all of that, that we are trying to do our business model orchestration that we are trying to do. On the operational intensity we are very, very, very here in our focus to make sure that we deliver the right results.

Rajeev Agrawal: Right, and the question was really coming because you are getting into new markets and into new areas which are seemed to be higher

margin as in your cloud and we are talking about solar and how are possibly consulting there is a much higher margin maybe if you can elaborate on a few such areas which you are very bullish about and which may have better margin potential?

Rajiv Srivastava: I think the way we have split our business; Rajeev is across three dimensions; one dimension is focus on the core what we do well we must continue to orchestrate and do well and that is our bread and butter that is our more than 95% of our revenue. We got our business across three distinct types, one is always focused on the core, and core is about 97-98% of our business we have got to make sure that the core continues to run as efficiently as possible that is one.

Second is we expand that going to new geographies to the question earlier which came in from Jordan and other places, we expand geographies, we expand product categories in those areas and the third is our foray into new product categories of the nature of that you are talking about cloud, of the nature that you are talking about logistics and services and supply chain and of the nature that you are talking about from a cloud perspective. Those are small businesses right now and as we scale you will see that it will provide me a hedge around any down side to the business or there is no down side to any other on the core business it will provide me a lift in our margins. That is the way we are trying to play ourselves. We are orchestrating our portfolio to become more balanced, there are some parts of the business we will deliver much higher margins, some parts will be okay average as it goes, but

overall we hope to become a much better, much more rounded sort of an organization as we go forward. So, that is how we are trying to think of ourselves across those three dimensions of product and portfolio play.

Rajeev Agrawal: Great. Thank you very much.

Moderator: Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Just one question Rajiv, we possibly ended FY22 with around Rs.1600 Crores of cloud revenues and keep growing at 45 to 50%, so if that continues should we be a Rs.5000 Crore cloud business by FY25, is there any reason that should not happen.

Rajiv Srivastava: If you play it well there is every reason that we can get to those kinds of numbers in the timeframe you are talking about or a year up and down.

Sanjay Dam: And Rajiv, the other question is that when you talked about the margins in the cloud business and the services part as well, services very small I understand, basically cloud at the base starts at 5% kind of EBITDA margin and then according to the kind of complexity it goes up to 7-8% and SaaS is about 25 to 40% range. So, basically the EBITDA margin of this business of a Rs.5000 Crores cloud business whenever it is one year up and down broadly should be the high single digit, would that be a good understanding?

Rajiv Srivastava: We will have to do the mix, when do a Rs.5000 Crores cloud business and you do a 10% of Rs.500 Crores of that as your services

business and the services comes at 25%, cloud business comes anywhere between 5 to 9%, we will model that and we can let you know what the numbers look like and I am sure you can do it yourself as well. But look, directionally you hit the nail on the head, Sanjay that makes lot of sense. If the cloud business is the one which is growing across the world and we are pivoting our company on to a very strong cloud sort of portfolio. I think that is the way we will get to, your timelines maybe a bit up and down but we are focusing ourselves to make sure that we have very strong portfolio on cloud across a variety of alliance types and these global alliances are hyper scalers of the nature of Microsoft, Google and Amazon and then there are many other companies which have cloud products, which have platform products like service, like servicenow, like Adobe, like sales force and then they are players of the nature of Oracle and IBM which is Red Hat and many other companies of that nature which are SAP which are providing themselves to cloud and we are very well aligned with each one of them, we understand the game is changed. The game we can play at the partner or we can play at a product level but the game is dramatically different now it has to be played at the level of alliances in a very deep way to maximize, go to the market with the alliances to the customers and that is winning proposition. So, the cheaper than just trying to sell can we get to Rs.5000 Crores, we will obviously get to that revenue. But the game is much deeper and broader because really the whole range of technology, innovation, and partnerships to come in and play to make sure that you can

scale it up in the right direction, in the right way not just a random focus on just the revenue number.

Sanjay Dam: Got it Rajiv and second question, if you could tell us about the kind of investments, we did in FY22 in the new business and what you intend to do in FY23? Thank you.

Rajiv Srivastava: Sanjay I could not hear your question, you might want to repeat that please?

Sanjay Dam: Sir, investments in the new business in all kinds of abilities, people, system, processes to scale this business up and do it in the way you dominate your bread-and-butter business. How much did you spend in FY22 and what are the investments going to be like in FY23? Thank you sir.

S V Krishnan: As we have discussed in the past Mr. Sanjay, the investments are more in opex form than in capex because we thought to build capabilities and many of the capability building in these new business initiatives are on talent and that is why you said when we talked about the opex that those additional opex' s are also part of the current opex for which we may not be getting the return immediately some of these better returns will kick in only as we move forward. If I need to consider even opex as part of the investment it would be in the range of about Rs.60 to Rs.80 Crores if I need to put a number, Sanjay.

Sanjay Dam: Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Rishabh Choksey from K R Choksey. Please go ahead.

Rishabh Choksey: Sir, I have two questions. I wanted to ask that how much your cloud business has grown year-on-year and your trade payables has grown increasingly since last five years. Can you give me the answer for that sir? Thank you very much.

Rajiv Srivastava: Rishabh, your question wasn't audible at all, I could not hear a word.

Rishabh Choksey: Sir, your trade payables has been increasing at an immense pace in the last five years. Can you please explain that and my second question is how much of your cloud business grown year-on-year? Thank you very much.

S V Krishnan: On the trade payable there are two factors that are attached towards the trade payable. One is as our enterprise business or IT volume business keeps going up generally, since the working capital deployment there in the form of inventory and receivable days being more our AP days also tend to be more. Second, we have also consciously spoken to many of the vendors in terms of increasing the credit days where there is a requirement, take the help of outside financial institutions where it can get extended. These are few options that we have to make sure that our AP days are better, I think that should continue. Having said that your second question Rajiv said was not clear to us so if you can repeat, please.

Rishabh Choksey: My second question was how much is a cloud business grown year-on-year?

Rajiv Srivastava: 48%.

Rishabh Choksey: Sir sorry for may small question can I squeeze in, any measure you are taking to reduce our trade payables?

Rajiv Srivastava: No, we are not taking any measures.

S V Krishnan: Our objective is to keep that as high as possible, we would feel happy if the trade payable days covers our AR days in the past there were challenges, but we could achieve it in the last few quarters. Our objective is always to make sure AR days is covered by creditors days.

Rishabh Choksey: Thank you so much.

Moderator: Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: I am Andrey here, I had two question one is in terms of the working capital cycle, how do you compare with the pre-covid era and my second question is could you give us a sense of the seasonality of your sales in terms of a break up of sales into Q1 -Q2-Q3-Q4 in a typical year pattern so that I can understand the quarter-on-quarter mild de-growth better?

Rajiv Srivastava: Our seasonality of business is H1 versus H2 is always in the range of 45-47 to 53 in that range, so 47-53 will be the seasonality of business that we have got.

Andrey Purushottam: Okay, the first question was how does your working capital cycle compares with the pre-covid era?

Rajiv Srivastava: Right now, it is much better than pre-covid, pre-covid was much higher, pre-covid we were in the range of 40-45 on the working capital days right now it is 28 days, so it is about 40% better than pre-covid.

Andrey Purushottam: Okay, thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Rajiv Srivastava: Thanks so much everyone. These questions are always very insightful they keep us in a good space because we tend to make sure that we are covered in our business from all sides and gives us a very, very helpful in the manner in which you project and present your questions to us, so that is very helpful and thank you so much. Like you said we had a very strong Q1 record revenue and opening margin for any first quarter of the year and that is a great story, then the great place to be in and it seems that our sustained investments in technology capabilities, partner relationships and our comprehensive breadth of offerings is paying out. We understand the way the global environment is playing out right now and we can only assure you that we are very, very cognizant of every single movement that is taking place in all the countries that we operate in and that enables us to be cautious, that enables us to maximize the opportunities, that enables us to mitigate the risk wherever they

arise and do our business in a prudent way and Q1 is the reflection of that. Thank you so much for joining the call today and I hope to talk to you as we go forward in the next quarters. Thank you and have a great day.

Moderator: Thank you. On behalf of Redington (India) Limited, that concludes this conference. Thank you for joining with us and you may now disconnect your lines.